

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2023-00191
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 28

Description of Filing Requirement:

(1) Annual Reports to Stockholders covering the most recent two (2) years from the application filing date.

(2) A copy of Form 10-K as filed with the Securities and Exchange Commission for the most recent two (2) years, any Form 8-K issued during the past two (2) years, and any Form 10-Q issued during the past six (6) quarters.

(3) The quarterly reports to stockholders for the most recent five (5) quarters.

Response:

Please see attached.

For electronic version, see KAW_APP_EX28_063023.pdf.



AMERICAN WATER

WE KEEP LIFE FLOWING®



2022 Annual Report



TO OUR SHAREHOLDERS,

In 2022, American Water continued its role as a water and wastewater industry leader by upholding its commitment to delivering value to customers, the communities it serves, and its employees and shareholders. The company's 2022 financial performance, detailed in this report, demonstrates that the company continues to grow responsibly through its substantial expertise and financial strength and is well-positioned for positive future performance.

For the five years ended December 30, 2022, our total shareholder return (TSR) was 82 percent, exceeding that of both the Philadelphia Utility Sector Index (PHLX) (61 percent) and the Standard & Poor's (S&P) 500 Index (57 percent). We are very pleased to have delivered these above-market returns to our long-term shareholders, particularly in these more turbulent economic times.

Consistent with these results and our expectations for solid future earnings and customer growth, the Board again increased our quarterly per share dividend in 2022, the 14th year in a row of increases. Our per share dividend has grown at a compound annual rate of approximately 9.7 percent over the last five years.

These results are an outcome of stalwart adherence to our values and sound execution by American Water employees of our business strategy, which allowed the company to continue to provide clean, safe, reliable and affordable water and wastewater services. The American Water Board of Directors would like to thank our shareholders for their continued trust and support. I hope you can attend our virtual Annual Meeting of Shareholders at 10 a.m. Eastern Time on Wednesday, May 10, 2023.

Sincerely,

A handwritten signature in black ink, appearing to read 'K. F. Kurz'.

KARL F. KURZ
Board Chair

**5-YEAR TOTAL
SHAREHOLDER RETURN**

82%
RETURN



DEAR FELLOW SHAREHOLDERS,

As we report American Water's achievements in 2022, you will see that we remain steadfast in our commitment to delivering value to those who place their trust in us to deliver clean, safe, reliable, and affordable water and wastewater services.

As a predominantly regulated utility, we continue to deploy needed capital across our footprint as we grow where we have size and scale. Our sound capital investment plan is positioned to improve our nation's aging water and wastewater infrastructure and to support the resiliency and reliability of our systems. Looking ahead to 2023, we'll look to increase our overall investments to \$2.9 billion, with \$2.5 billion dedicated to capital investment to improve water quality and reliability for the benefit of our customers.

One of the most difficult challenges we face in the water and wastewater industry is balancing customer affordability with the magnitude of the system investments that are needed. Our disciplined approach is focused on driving operational efficiencies, seeking constructive regulatory and legislative policies, and deploying technology to help us keep our services affordable. Because of that effort, our average monthly residential water bill is less than 1 percent of the median household income, based on data from the U.S. Census Bureau. That is an important measure for us, and we remain focused on ways to improve that outcome for the benefit of our customers.

Strong customer growth is a key driver of our overall strategy. In 2022, we announced multiple agreements for regulated acquisitions, including the Butler Area Sewer Authority in western Pennsylvania, which serves nearly 15,000 customers across several municipalities.



**NET ZERO GHG
EMISSIONS**
GOAL BY 2050

ACHIEVE **NET ZERO** ABSOLUTE
SCOPE 1 AND 2 GREENHOUSE GAS EMISSIONS

In total, American Water welcomed more than 70,000 water and wastewater customers last year through acquisitions. Additionally, we were pleased that our Military Services Group was awarded its first Utilities Privatization contract with the U.S. Navy at U.S. Naval Station Mayport, Florida. We now proudly serve 18 installations throughout the United States.

This focus on bringing solutions and value to those we serve, with a constant eye on affordability, is what drives American Water's ability to consistently meet our customers' expectations. Our success is attributed to our uniquely talented and diverse workforce. Our people are deeply committed to our purpose. They care about each other, our customers, and the diverse communities we serve.

That caring is reflected in how the values of ESG are integrated into our everyday work. Last year, we announced our long-term goal of achieving net zero absolute scope 1 and 2 greenhouse gas (GHG) emissions by 2050. We were also pleased to support communities through the American Water Charitable Foundation, which awarded \$3 million to deserving nonprofits across our footprint. Finally, we were proud that American Water earned the SAFETY Act Designation from the Department of Homeland Security in 2022 for our risk mitigation efforts. We are the first water and

wastewater company to earn this designation and it is a great recognition of the work we do every day to keep our employees and communities safe.

With operations in 24 states, American Water leverages tremendous expertise and financial strength across our national footprint. The combination of a disciplined approach to execution together with the innovative solutions we can offer communities, enables American Water to be one of the fastest-growing utilities in the entire sector and the only pure-play water and wastewater investment opportunity in the United States.

We believe the combination of our EPS growth, our strong dividend, an ESG premium, and the affordability of our service continues to distinguish us from other companies in the utility sector. American Water remains fundamentally strong, and our runway for growth and achieving our company targets is long. On behalf of American Water and our 6,500 employees, we thank you for your continued support and look forward to delivering on our commitments to you in the years to come.

Sincerely,



M. SUSAN HARDWICK

President and Chief Executive Officer



COMPANY INFORMATION

AUDIT FIRM AND TRANSFER AGENT

**Independent Registered
Public Accounting Firm**
PricewaterhouseCoopers LLP
Two Commerce Square
2001 Market Street, Suite 1800
Philadelphia, PA 19103-7042

Stock Transfer Agent
American Stock Transfer
& Trust Company, LLC
6201 15th Avenue
Brooklyn, NY 11219
Phone: 1-800-937-5449

BOARD OF DIRECTORS

M. Susan Hardwick
President and Chief Executive Officer,
American Water Works Company, Inc.

Karl F. Kurz
Non-Executive Board Chair
Former Chief Operating Officer,
Anadarko Petroleum Corporation

Jeffrey N. Edwards
Director
Chief Operating Officer, New Vernon Capital

Martha Clark Goss
Director
Former Chief Operating Officer
and Chief Financial Officer, Amwell Holdings/
Hopewell Holdings, LLC

Kimberly J. Harris
Director
Former President and Chief Executive Officer,
Puget Energy, Inc. and Puget Sound Energy, Inc.

Laurie P. Havanec
Director
Executive Vice President and Chief People Officer,
CVS Health Corporation

Julia L. Johnson
Director
President, Net Communications, LLC

Patricia L. Kampling
Director
Former Chairman and Chief Executive Officer,
Alliant Energy Corporation

George MacKenzie*
Director
Former Vice Chairman and Chief Financial Officer,
Hercules Incorporated

Michael L. Marberry
Director
Former President and Chief Executive Officer,
J.M. Huber Corporation

Admiral James G. Stavridis
Director
Vice Chair, Global Affairs, The Carlyle Group

*Not standing for re-election in 2023.

INQUIRIES

Shareholders with questions, or those who wish to obtain a copy of the company's reports filed with the Securities and Exchange Commission without charge, should visit American Water's Investor Relations page at <https://ir.amwater.com>.

SHAREHOLDER INFORMATION

	12/29/17	12/31/18	12/31/19	12/31/20	12/31/21	12/30/22	TSR
							5 year
American Water Works Company, Inc.	\$ 100.00	\$ 101.31	\$ 139.58	\$ 177.10	\$ 221.04	\$ 181.51	81.5%
PHLX Utility Sector	\$ 100.00	\$ 103.52	\$ 131.28	\$ 134.85	\$ 159.45	\$ 160.49	60.5%
S&P 500	\$ 100.00	\$ 95.62	\$ 125.72	\$ 148.85	\$ 191.58	\$ 156.88	56.9%

Investor Relations

1 Water Street
Camden, NJ 08102-1658
Investor Relations Line: 856-566-4005
Email: ir@amwater.com

Corporate Headquarters

1 Water Street
Camden, NJ 08102-1658
Phone: 856-955-4001
<https://amwater.com>

Stock Market

Common stock of American Water Works Company, Inc. is traded on the New York Stock Exchange (NYSE) under the symbol AWK.

Annual Meeting

The 2023 annual meeting of shareholders is scheduled for 10:00 a.m. ET on Wednesday, May 10, 2023, to be held virtually (and not at a physical location). All holders of our outstanding common stock at the close of business on March 17, 2023, are entitled to notice of, and to vote at, the meeting. Notice of the meeting and proxy materials will be distributed to shareholders and accessible to the public on our Investor Relations page at <https://ir.amwater.com>. Management encourages all investors to have their votes counted at the annual meeting.

Executive Certifications

American Water has included as exhibits to its 2022 Annual Report on Form 10-K filed with the Securities and Exchange Commission certifications of the chief executive officer and chief financial officer of the company regarding the company's public disclosures contained therein. The company also provides annually to the NYSE a certificate of the CEO certifying that, among other things, it is not aware of any violation by the company of NYSE corporate listing standards.

Dividends

Dividends paid on the company's common stock in 2022 were:

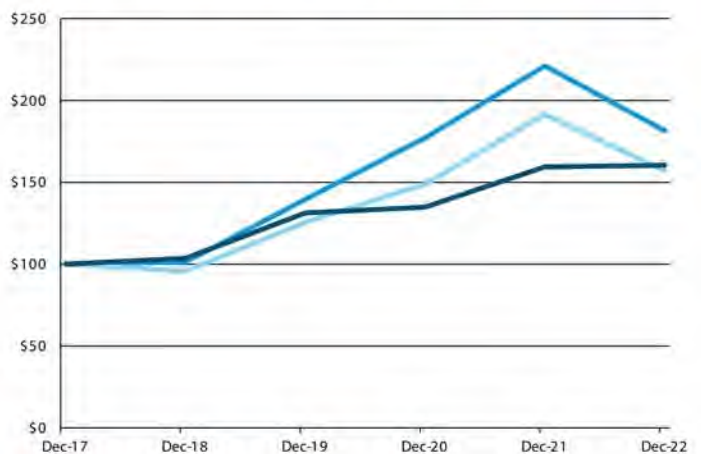
March 1, 2022.....	\$0.6025
June 1, 2022.....	\$0.6550
September 1, 2022.....	\$0.6550
December 1, 2022.....	\$0.6550

Stock Performance Graph

The graph below compares the cumulative total return on American Water's common stock with the cumulative total return of the Standard & Poor's 500 Index and the PHLX Utility Sector Index from December 29, 2017, through December 30, 2022. The comparison assumes \$100 was invested on December 29, 2017, and that dividends were reinvested.

COMPARISON OF 5-YEAR CUMULATIVE TOTAL RETURN*

Among American Water Works Company, Inc., the S&P 500 Index, and the PHLX Utility Sector Index



- American Water Works Company, Inc.
- S&P 500 Index
- PHLX Utility Sector Index

*\$100 invested in each security on 12/29/2017, assumes reinvestment of dividends. Fiscal year ending December 31.

Source of data: FactSet.

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2022
OR

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

For the transition period from _____ to _____
Commission file number: 001-34028

AMERICAN WATER WORKS COMPANY, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

51-0063696
(I.R.S. Employer
Identification No.)

1 Water Street, Camden, NJ 08102-1658
(Address of principal executive offices) (Zip Code)
(856) 955-4001
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of each exchange on which registered</u>
Common stock, par value \$0.01 per share	AWK	New York Stock Exchange
Securities registered pursuant to Section 12(g) of the Act: None.		

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter.

Common Stock, \$0.01 par value—\$25,487,300,000 as of June 30, 2022 (solely for purposes of calculating this aggregate market value, American Water has defined its affiliates to include (i) those persons who were, as of June 30, 2022, its executive officers, directors or known beneficial owners of more than 10% of its common stock, and (ii) such other persons who were deemed, as of June 30, 2022, to be controlled by, or under common control with, American Water or any such persons in clause (i) above).

Indicate the number of shares outstanding of each of the registrant's classes of common stock as of the latest practicable date: Common Stock, \$0.01 par value per share—181,858,619 shares as of January 31, 2023.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the American Water Works Company, Inc. definitive proxy statement for the 2023 Annual Meeting of Shareholders to be filed with the Securities and Exchange Commission within 120 days after December 31, 2022 are incorporated by reference into Part III of this report.

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FORWARD-LOOKING STATEMENTS

Statements included in Item 1—Business, Item 1A—Risk Factors, and Item 7—Management’s Discussion and Analysis of Financial Condition and Results of Operations, and in other sections of this Annual Report on Form 10-K, or incorporated by reference therein, are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and the Private Securities Litigation Reform Act of 1995. In some cases, these forward-looking statements can be identified by words with prospective meanings such as “intend,” “plan,” “estimate,” “believe,” “anticipate,” “expect,” “predict,” “project,” “propose,” “assume,” “forecast,” “likely,” “uncertain,” “outlook,” “future,” “pending,” “goal,” “objective,” “potential,” “continue,” “seek to,” “may,” “can,” “should,” “will” and “could” or the negative of such terms or other variations or similar expressions. Forward-looking statements may relate to, among other things: the Company’s future financial performance, liquidity and cash flows; the timing and amount of rate and revenue adjustments, including through general rate case filings, filings for infrastructure surcharges and other governmental agency authorizations and proceedings, and filings to address regulatory lag; the Company’s growth and portfolio optimization strategies, including the timing and outcome of pending or future acquisition activity; the ability of the Company’s California subsidiary to obtain adequate alternative water supplies in lieu of diversions from the Carmel River; the amount and allocation of projected capital expenditures and related funding requirements; the Company’s ability to repay or refinance debt; the future impacts of increased or increasing financing costs, inflation and interest rates; the Company’s ability to execute its current and long-term business, operational and capital expenditures strategies; the Company’s ability to finance current operations, capital expenditures and growth initiatives by accessing the debt and equity capital markets; the outcome and impact on the Company of governmental and regulatory proceedings and related potential fines, penalties and other sanctions; the ability to meet or exceed the Company’s stated environmental and sustainability goals, including its greenhouse gas (“GHG”) emission reduction, water delivery efficiency and water system resiliency goals; the ability to complete, and the timing and efficacy of, the design, development, implementation and improvement of technology and other strategic initiatives; the impacts to the Company of the ongoing COVID-19 pandemic; the ability to capitalize on existing or future utility privatization opportunities; trends in the water and wastewater industries in which the Company operates, including macro trends with respect to the Company’s efforts related to customer, technology and work execution; regulatory, legislative, tax policy or legal developments; and impacts that future significant tax legislation may have on the Company and on its business, results of operations, cash flows and liquidity.

Forward-looking statements are predictions based on the Company’s current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, financial results, levels of activity, performance or achievements, and readers are cautioned not to place undue reliance upon them. These forward-looking statements are subject to a number of estimates, assumptions, known and unknown risks, uncertainties and other factors. The Company’s actual results may vary materially from those discussed in the forward-looking statements included herein as a result of the factors discussed under Item 1A—Risk Factors, and the following important factors:

- the decisions of governmental and regulatory bodies, including decisions to raise or lower customer rates;
- the timeliness and outcome of regulatory commissions’ and other authorities’ actions concerning rates, capital structure, authorized return on equity, capital investment, system acquisitions and dispositions, taxes, permitting, water supply and management, and other decisions;
- changes in customer demand for, and patterns of use of, water and energy, such as may result from conservation efforts, or otherwise;
- limitations on the availability of the Company’s water supplies or sources of water, or restrictions on its use thereof, resulting from allocation rights, governmental or regulatory requirements and restrictions, drought, overuse or other factors;

- a loss of one or more large industrial or commercial customers due to adverse economic conditions, or other factors;
- changes in laws, governmental regulations and policies, including with respect to environmental, health and safety, data and consumer privacy, security and protection, water quality and water quality accountability, contaminants of emerging concern, public utility and tax regulations and policies, and impacts resulting from U.S., state and local elections and changes in federal, state and local executive administrations;
- the Company's ability to collect, distribute, use, secure and store consumer data in compliance with current or future governmental laws, regulations and policies with respect to data and consumer privacy, security and protection;
- weather conditions and events, climate variability patterns, and natural disasters, including drought or abnormally high rainfall, prolonged and abnormal ice or freezing conditions, strong winds, coastal and intercoastal flooding, pandemics (including COVID-19) and epidemics, earthquakes, landslides, hurricanes, tornadoes, wildfires, electrical storms, sinkholes and solar flares;
- the outcome of litigation and similar governmental and regulatory proceedings, investigations or actions;
- the risks associated with the Company's aging infrastructure, and its ability to appropriately improve the resiliency of or maintain and replace, current or future infrastructure and systems, including its technology and other assets, and manage the expansion of its businesses;
- exposure or infiltration of the Company's technology and critical infrastructure systems, including the disclosure of sensitive, personal or confidential information contained therein, through physical or cyber attacks or other means;
- the Company's ability to obtain permits and other approvals for projects and construction of various water and wastewater facilities;
- changes in the Company's capital requirements;
- the Company's ability to control operating expenses and to achieve operating efficiencies;
- the intentional or unintentional actions of a third party, including contamination of the Company's water supplies or the water provided to its customers;
- the Company's ability to obtain and have delivered adequate and cost-effective supplies of pipe, equipment (including personal protective equipment), chemicals, power and other fuel, water and other raw materials, and to address or mitigate supply chain constraints that may result in delays or shortages in, as well as increased costs of, supplies, products and materials that are critical to or used in the Company's business operations;
- the Company's ability to successfully meet its operational growth projections, either individually or in the aggregate, and capitalize on growth opportunities, including, among other things, with respect to:
 - acquiring, closing and successfully integrating regulated operations;
 - the Company's Military Services Group ("MSG") entering into new military installation contracts, price redeterminations, and other agreements and contracts, with the U.S. government; and
 - realizing anticipated benefits and synergies from new acquisitions;
- risks and uncertainties following the completion of the sale of the Company's Homeowner Services Group ("HOS"), including:
 - the Company's ability to receive any contingent consideration provided for in the HOS sale, as well as amounts due, payable and owing to the Company under the seller note when due; and

- the ability of the Company to redeploy successfully and timely the net proceeds of this transaction into the Company's Regulated Businesses;
- risks and uncertainties associated with contracting with the U.S. government, including ongoing compliance with applicable government procurement and security regulations;
- cost overruns relating to improvements in or the expansion of the Company's operations;
- the Company's ability to successfully develop and implement new technologies and to protect related intellectual property;
- the Company's ability to maintain safe work sites;
- the Company's exposure to liabilities related to environmental laws and similar matters resulting from, among other things, water and wastewater service provided to customers;
- the ability of energy providers, state governments and other third parties to achieve or fulfill their GHG emission reduction goals, including without limitation through stated renewable portfolio standards and carbon transition plans;
- changes in general economic, political, business and financial market conditions;
- access to sufficient debt and/or equity capital on satisfactory terms and as needed to support operations and capital expenditures;
- fluctuations in inflation or interest rates, and the Company's ability to address or mitigate the impacts thereof;
- the ability to comply with affirmative or negative covenants in the current or future indebtedness of the Company or any of its subsidiaries, or the issuance of new or modified credit ratings or outlooks by credit rating agencies with respect to the Company or any of its subsidiaries (or any current or future indebtedness thereof), which could increase financing costs or funding requirements and affect the Company's or its subsidiaries' ability to issue, repay or redeem debt, pay dividends or make distributions;
- fluctuations in the value of, or assumptions and estimates related to, its benefit plan assets and liabilities, including with respect to its pension and other post-retirement benefit plans, that could increase expenses and plan funding requirements;
- changes in federal or state general, income and other tax laws, including (i) future significant tax legislation, and (ii) the availability of, or the Company's compliance with, the terms of applicable tax credits and tax abatement programs;
- migration of customers into or out of the Company's service territories and changes in water and energy consumption resulting therefrom;
- the use by municipalities of the power of eminent domain or other authority to condemn the systems of one or more of the Company's utility subsidiaries, or the assertion by private landowners of similar rights against such utility subsidiaries;
- any difficulty or inability to obtain insurance for the Company, its inability to obtain insurance at acceptable rates and on acceptable terms and conditions, or its inability to obtain reimbursement under existing or future insurance programs and coverages for any losses sustained;
- the incurrence of impairment charges, changes in fair value and other adjustments related to the Company's goodwill or the value of its other assets;
- labor actions, including work stoppages and strikes;
- the Company's ability to retain and attract highly qualified and skilled employees and/or diverse talent;

- civil disturbances or unrest, or terrorist threats or acts, or public apprehension about future disturbances, unrest, or terrorist threats or acts; and
- the impact of new, and changes to existing, accounting standards.

These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above and the risk factors included in Item 1A—Risk Factors and other statements contained in this Annual Report on Form 10-K, and readers should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements the Company makes shall speak only as of the date this Annual Report on Form 10-K was filed with the U.S. Securities and Exchange Commission (“SEC”). Except as required by the federal securities laws, the Company does not have any obligation, and it specifically disclaims any undertaking or intention, to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or otherwise. New factors emerge from time to time, and it is not possible for the Company to predict all such factors. Furthermore, it may not be possible to assess the impact of any such factor on the Company’s businesses, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.

PART I

ITEM 1. BUSINESS

The Company

With a history dating back to 1886, American Water is the largest and most geographically diverse, publicly-traded water and wastewater utility company in the United States, as measured by both operating revenues and population served. A holding company originally incorporated in Delaware in 1936, the Company employs approximately 6,500 professionals who provide drinking water, wastewater and other related services to over 14 million people in 24 states. The Company conducts the majority of its business through regulated utilities that provide water and wastewater services, collectively presented as the “Regulated Businesses.” The Company also operates other market-based businesses that provide water and wastewater services to the U.S. government on military installations, as well as municipalities. Individually, these market-based businesses do not meet the criteria of a reportable segment in accordance with generally accepted accounting principles in the United States (“GAAP”), and are collectively presented throughout this Annual Report on Form 10-K within “Other,” which is consistent with how management assesses the results of these businesses.

On December 9, 2021 (the “Closing Date”), the Company sold all of the equity interests of the HOS subsidiaries. See Item 1—Business—Other—Sale of Homeowner Services Group below and Note 5—Acquisitions and Divestitures in the Notes to Consolidated Financial Statements for additional information.

On January 1, 2022, the Company completed the sale of its New York subsidiary, see Item 1—Business—Regulated Businesses—Sale of New York American Water Company, Inc. below and Note 5—Acquisitions and Divestitures in the Notes to Consolidated Financial Statements for additional information.

Throughout this Annual Report on Form 10-K, unless the context otherwise requires, references to “we,” “us,” “our,” the “Company,” and “American Water” mean American Water Works Company, Inc. and its subsidiaries, taken together as a whole. References to “parent company” mean American Water Works Company, Inc., without its subsidiaries.

Regulated Businesses

The Company’s primary business involves the ownership of utilities that provide water and wastewater services to residential, commercial, industrial, public authority, fire service and sale for resale customers. The Company’s utilities operate in approximately 1,600 communities in 14 states in the United States, with 3.4 million active customers in its water and wastewater networks. Services provided by the Company’s utilities are subject to regulation by multiple state utility commissions or other entities engaged in utility regulation, collectively referred to as public utility commissions (“PUCs”). Federal, state and local governments also regulate environmental, health and safety, and water quality and water accountability matters. The Company reports the results of the services provided by its utilities in the Regulated Businesses segment. Operating revenues for the Regulated Businesses were \$3,505 million for 2022, \$3,384 million for 2021 and \$3,255 million for 2020, accounting for 92%, 86% and 86%, respectively, of the Company’s total operating revenues for the same periods.

Presented in the table below is a geographic summary of the Regulated Businesses' operating revenues and the number of customers the Company serves, by type of service, for and as of the year ended December 31, 2022:

	Operating Revenues (in millions)				Number of Customers (in thousands)			
	Water (a)	Wastewater	Total	% of Total	Water	Wastewater	Total	% of Total
New Jersey	\$ 858	\$ 51	\$ 909	25.9%	663	59	722	20.9%
Pennsylvania	714	105	819	23.4%	679	97	776	22.5%
Missouri	367	16	383	10.9%	480	22	502	14.6%
Illinois	310	39	349	10.0%	297	71	368	10.7%
California	281	4	285	8.1%	189	3	192	5.6%
Total—Top Five States (b)	2,530	215	2,745	78.3%	2,308	252	2,560	74.2%
Other (c)	733	27	760	21.7%	853	36	889	25.8%
Total Regulated Businesses	\$3,263	\$ 242	\$3,505	100.0%	3,161	288	3,449	100.0%

- (a) Includes other operating revenues consisting primarily of miscellaneous utility charges, fees and rents.
- (b) The Company's "Top Five States" are determined based upon operating revenues.
- (c) Includes the Company's utility operations in the following states: Georgia, Hawaii, Indiana, Iowa, Kentucky, Maryland, Tennessee, Virginia and West Virginia and other revenue attributable collectively to the Regulated Businesses. The Company completed the sale of its New York subsidiary on January 1, 2022 and the sale of its Michigan subsidiary on February 4, 2022.

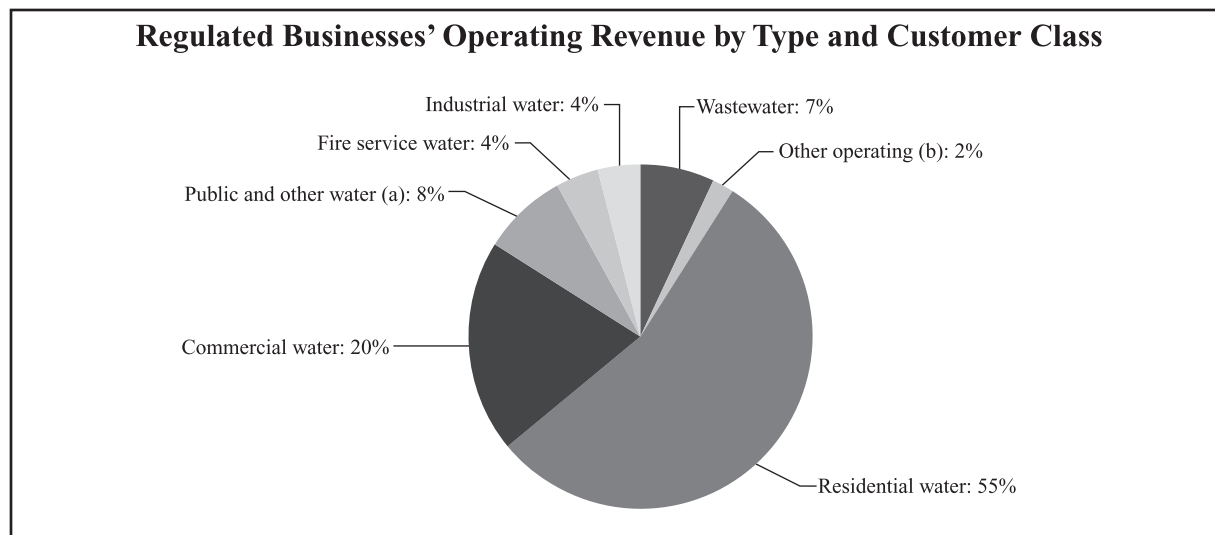
Customers

The Company's Regulated Businesses have a large and geographically diverse customer base. A customer is defined as a person, business, municipality or any other entity that purchases the Company's water or wastewater services as of the last business day of a reporting period. One single customer may purchase the Company's services for use by multiple individuals or businesses. Examples of these customers are homes, apartment complexes, businesses and governmental entities.

The vast majority of the Company's regulated water customers are metered, which allows the Company to measure and bill for its customers' water usage, typically on a monthly basis. The Company employs a variety of methods of customer meter reading to monitor consumption. These methods range from meters with mechanical registers where consumption is manually recorded by meter readers, to meters with electronic registers capable of transmitting consumption data to proximity devices or via radio frequency to mobile or fixed network data collectors. The Company's wastewater customers are billed either a flat rate or based upon their water consumption.

Residential customers make up a substantial portion of the Company's customer base in all of the states in which it operates. The Company also serves (i) commercial customers, such as food and beverage providers, commercial property developers and proprietors, and energy suppliers, (ii) fire service customers, where the Company supplies water through its distribution systems to public fire hydrants for firefighting purposes and to private fire customers for use in fire suppression systems in office buildings and other facilities, (iii) industrial customers, such as large-scale manufacturers, mining and production operations, (iv) public authorities, such as government buildings and other public sector facilities, including schools and universities, and (v) other utilities and community water and wastewater systems in the form of bulk contracts for the supply of water or the treatment of wastewater for their own customers.

The following chart depicts the allocation of the Company’s Regulated Businesses’ operating revenue of \$3,505 million by type, including a breakout of the total water services revenues by class of customer, for the year ended December 31, 2022:



- (a) Includes water revenues from public authorities and other utilities and community water systems under bulk contracts.
- (b) Includes other operating revenues consisting primarily of miscellaneous utility charges, fees and rents.

Presented in the table below is the number of water and wastewater customers the Company served by class as of December 31, 2022, 2021 and 2020, which represents approximately 14 million people served as of December 31, 2022:

(In thousands)	2022		2021		2020	
	Water	Wastewater	Water	Wastewater	Water	Wastewater
Residential	2,870	270	2,972	245	2,948	236
Commercial	219	17	225	15	225	15
Fire service	51	—	52	—	50	—
Industrial	4	—	4	—	4	—
Public and other (a)	17	1	16	1	17	1
Total (b)	3,161	288	3,269	261	3,244	252

- (a) Includes public authorities and other utilities and community water and wastewater systems under bulk contracts. Bulk contracts, which are accounted for as a single customer in the table above, generally result in service to multiple customers.
- (b) The Company completed the sale of its New York subsidiary on January 1, 2022 and the sale of its Michigan subsidiary on February 4, 2022.

Customer growth in the Company’s Regulated Businesses is primarily from (i) adding new customers to its customer base through acquisitions of water and/or wastewater utility systems, (ii) population growth in its authorized service areas, and (iii) sale of water to other water utilities and community water systems.

Capital Investment

The Company plans to invest between \$30 billion and \$34 billion over the next 10 years for capital improvements, including acquisitions, to its Regulated Businesses’ water and wastewater infrastructure, largely for pipe replacement and upgrading aging water and wastewater treatment facilities. The Company has proactively improved its pipe renewal rate from a 250-year replacement cycle in 2009 to an expected 110-year

replacement cycle by 2027, which it anticipates will enable the Company to replace nearly 2,100 miles of mains and collection pipes between 2023 and 2027. In addition, from 2023 to 2027, the Company’s capital investment in treatment plants, storage tanks and other key, above-ground facilities is expected to increase, further seeking to address infrastructure renewal, resiliency, water quality, operational efficiency, technology and innovation, and emerging regulatory compliance needs. Additionally, the Company continues to invest significantly in resiliency projects to address the impacts of climate and weather variability by hardening its assets.

Regulation and Rate Making

The operations of the Company’s Regulated Businesses are generally subject to regulation by PUCs in the states in which they operate, with the primary responsibility of the PUCs being the promotion of the overall public interest by balancing the interest of customers and utility investors. Specific authority might differ from state to state, but in most states, PUCs review and approve rates charged to customers, accounting treatments, long-term financing programs and cost of capital, operation and maintenance (“O&M”) expenses, capital expenditures, taxes, affiliated transactions and relationships, reorganizations, mergers and acquisitions, and dispositions, along with imposing certain penalties or granting certain incentives. Regulatory policies vary from state to state and can change over time. These policies will affect the timing, as well as the extent, of recovery of expenses and the realized return on invested capital.

Periodic changes in customer rates generally occur through the filing of a rate case by the utility with the PUC. The timing of rate case filings is typically determined by either periodic requirements in the regulatory jurisdiction or by the utility’s need to increase its revenue requirement to recover capital investment costs, changes in operating revenues, operating costs or other market conditions. The Company attempts to minimize “regulatory lag,” which is the time between the occurrence of an event that triggers a change in the utility’s revenue requirement and the recognition in rates of that change.

The Company’s Regulated Businesses support regulatory practices at the PUCs and state legislatures that mitigate the adverse impact of regulatory lag. Presented in the table below are examples of approved regulatory practices:

Regulatory Practices	Description	States Allowed
Infrastructure replacement surcharge mechanisms	Allows rates to change periodically, outside a general rate case proceeding, to reflect recovery of capital investments made to replace infrastructure necessary to sustain safe and reliable services for the Company’s customers. These mechanisms typically involve periodic filings and reviews to ensure transparency.	IA, IL, IN, KY, MO, NJ, PA, TN, VA, WV
Future test year	A “test year” is a period used for setting rates, and a future test year describes the first 12 months that new rates are proposed to be effective. The use of a future test year allows current or projected revenues, expenses and capital investments to be collected on a more timely basis.	CA, HI, IA, IL, IN, KY, PA, TN, VA
Hybrid test year	A historical test year sets rates using data from a 12-month period that ends prior to a general rate case filing. A hybrid test year allows an update to historical data for “known and measurable” changes that occur subsequent to the historical test year.	MD, MO, NJ, WV
Utility plant recovery mechanisms	Allows recovery of the full return on utility plant costs during the construction period, instead of capitalizing an allowance for funds used during construction (“AFUDC”). In addition, some states allow the utility to seek	CA, IL, KY, PA, TN, VA

Regulatory Practices	Description	States Allowed
	pre-approval of certain capital projects and associated costs. In this pre-approval process, the PUC may assess the prudence of such projects.	
Expense mechanisms	Allows changes in certain operating expenses, which may fluctuate based on conditions beyond the utility's control, to be recovered outside of a general rate case proceeding or deferred until the next general rate case proceeding.	CA, HI, IL, IN, MD, MO, NJ, PA, TN, VA
Revenue stability mechanisms	Adjusts rates periodically to ensure that a utility recovers the revenues authorized in its general rate case, regardless of sales volume, including recognition of declining sales resulting from reduced consumption, while providing an incentive for customers to use water more efficiently.	CA, IL
Consolidated tariffs	Use of a unified rate structure for water systems owned and operated by a single utility, which may or may not be physically interconnected. The consolidated tariff pricing structure may be used fully or partially in a state, and is generally used to moderate the price impact of periodic fluctuations in local costs, while lowering administrative costs for customers. Pennsylvania and West Virginia also permit a blending of water and wastewater revenue requirements.	CA, IA, IL, IN, KY, MD, MO, NJ, PA, VA, WV
Deferred accounting	A regulator's willingness to defer recognition of financial impacts when setting rates for utilities.	All

The Company pursues enhancements to these regulatory practices to facilitate efficient recovery of its costs and capital investments and to continue to provide safe, clean, reliable and affordable services to its customers. The ability to seek regulatory treatment using the regulatory practices described above does not guarantee that the PUCs will accept the Company's proposal in the context of a particular rate case, and these regulatory practices may reduce, but not eliminate, regulatory lag associated with traditional rate making processes. It is also the Company's strategy to expand the use of these mechanisms in areas where they may not currently apply and enhance certain mechanisms where they already exist.

Acquisitions and Strategic Growth

The U.S. water and wastewater industries include investor-owned systems as well as municipal systems that are owned and operated by local governments or governmental subdivisions. According to the U.S. Environmental Protection Agency ("EPA"), as of 2017, approximately 84% of the water market is served by municipal systems and approximately 98% of the country's wastewater systems are government owned. The EPA also estimates, as of 2017, that there are over 50,000 community water systems and over 15,000 community wastewater systems in the United States, with approximately 80% of the community water systems serving a population of 3,000 or less.

A fundamental aspect of the Company's growth strategy is to pursue acquisitions of water and/or wastewater systems in geographic proximity to areas where the Company operates its Regulated Businesses, see Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations for additional information. The proximity of acquisition opportunities to the Company's regulated footprint allows it to integrate and manage the acquired systems and operations primarily using the Company's existing management (although the Company typically retains the majority, if not all, of the employees of the acquired systems) and to achieve operational efficiencies and prioritize capital investment needs. The Company's current customer mix of 92% water and 8% wastewater also presents strategic opportunities for wastewater growth and consolidation,

allowing the Company to add wastewater customers where it already serves water customers. The Company intends to continue to expand its regulated footprint geographically by acquiring water and wastewater systems in its existing markets and, if appropriate, pursuing acquisition opportunities in certain domestic markets where the Company does not currently operate its Regulated Businesses. Before entering new regulated markets, the Company will evaluate the business and regulatory climates to ensure that it will have the opportunity to achieve an appropriate rate of return on its investment while maintaining its high standards for providing safe, reliable and affordable services to its customers. The Company will also evaluate whether there is a line of sight to grow to sufficient scale in a new regulated market so that it can attain efficiencies after entering a new domestic market.

Increasingly stringent environmental, health and safety, cybersecurity and water quality and water accountability regulations, the amount of infrastructure in need of significant capital investment, financial challenges and industry legislation are several elements, among others, that may drive more municipalities to consider selling their water and wastewater assets.

Sale of New York American Water Company, Inc.

On January 1, 2022, the Company completed the sale of its New York subsidiary to Liberty Utilities (Eastern Water Holdings) Corp. (“Liberty”), an indirect, wholly owned subsidiary of Algonquin Power & Utilities Corp. Under the terms of the Stock Purchase Agreement, dated November 20, 2019, as amended, by and among the Company, the Company’s New York subsidiary and Liberty (the “Stock Purchase Agreement”), Liberty purchased from the Company all of the capital stock of the Company’s New York subsidiary for a purchase price of \$608 million in cash. The sale was approved by the New York State Department of Public Service on December 16, 2021. The Company’s regulated New York operations had approximately 127,000 customers in the State of New York. See Note 5—Acquisitions and Divestitures in the Notes to Consolidated Financial Statements for additional information.

Industry Legislation

On November 15, 2021, the Infrastructure Investment and Jobs Act (the “IIJA”) was signed into law and provides for up to \$55 billion to aid in improving the country’s ailing water infrastructure, including \$23.4 billion for drinking water and wastewater, \$15 billion for lead service line replacement (through the drinking water state revolving fund), and \$10 billion for the treatment of per- and polyfluoroalkyl substances (“PFAS”) and other contaminants of emerging concern. The IIJA also included a low-income assistance program, in which eligible low-income customers who receive their water from public and private entities may participate. The Company has leveraged these funds throughout its service areas to benefit its customers.

In December 2020, Congress passed, and the President signed into law, a \$900 billion COVID-19 relief and \$1.4 trillion U.S. government appropriations package for 2021, which included \$638 million for a low-income water assistance program and \$2.8 billion for capitalization grants under the Clean Water and Drinking Water state revolving funds.

In 2017, New Jersey enacted the Water Quality Accountability Act (the “WQAA”), which sets operational standards for all water utilities in New Jersey, including municipal and investor-owned utilities with more than 500 service connections. This law imposes requirements in areas such as asset management, water quality reporting, remediation of notices of violation, and hydrant and valve maintenance. The WQAA requires the most senior water manager, or either the executive director for municipal utility authorities or the mayor or chief executive officer for municipally owned public water systems, to certify that the system meets the requirements under the WQAA. Enhanced WQAA legislation includes additional enforcement requirements for disclosure of results, requires the sale of systems for prolonged violations and imposes new cybersecurity requirements and asset management plans. The new amendments, which provide for both civil and criminal penalties for falsification of documents, were signed by the Governor with an effective date of November 8, 2021.

In 2018, Indiana passed a law to set minimum operational expectations for all water and wastewater utilities in the state, including municipal and investor-owned utilities. The law requires water and wastewater utilities to conduct rate analyses, develop capital asset management plans and conduct cybersecurity and water loss audits.

In 2020, Missouri enacted the Water Safety and Security Act, which requires small and medium-sized water providers to create cybersecurity, valve inspection and hydrant inspection programs.

The Company's regulated subsidiaries in California, Illinois, Indiana, Iowa, Kentucky, Maryland, Missouri, New Jersey, Pennsylvania, Tennessee, Virginia and West Virginia have access to utility valuation legislation and regulation for private sector investment in public sector water and wastewater systems. The Company supports full optionality for municipalities, including state legislation that enables the consolidation of the largely fragmented water and wastewater industries through third-party fair market valuations of purchased property. Fair market value assessment of water and wastewater systems is an alternative to the traditional depreciated original cost method of valuation, which allows the Company to offer municipalities a purchase price for their system assets that is reflective of the assets' fair market value, while providing the Company with increased opportunity to recover the purchase price over the life of the purchased system assets, subject to PUC approval. In 2021, the Tennessee Public Utility Commission implemented acquisition valuation rules that include a methodology to value water and wastewater assets based upon the new replacement cost of the assets less the depreciation, in addition to other valuation methodology options.

Consolidated tariffs use a unified rate structure for systems owned and operated by a single utility, which may or may not be physically interconnected. Consolidated tariff pricing moderates the impact of periodic fluctuations in local costs and promotes a more universal water infrastructure investment in a jurisdiction. As a result, consolidated tariffs can make it easier to incorporate new systems into an existing utility, support economies of scale for even the smallest of systems and prioritize capital needs across the jurisdiction. Overall, the Company believes that consolidated tariffs bring cost-effective, high-quality services to a larger number of customers. Eleven of the Company's regulated jurisdictions currently have some form of consolidated tariff pricing, including California, Illinois, Indiana, Iowa, Kentucky, Maryland, Missouri, New Jersey, Pennsylvania, Virginia and West Virginia.

Competition

The Company's Regulated Businesses generally do not face direct competition in their existing markets because (i) the Company operates in those markets pursuant to franchises, charters, certificates of public convenience and necessity or similar authorizations (collectively, "CPCNs") issued by state PUCs or other authorities, and (ii) the high cost of constructing a new water and wastewater system in an existing market creates a significant barrier to market entry. However, the Company's Regulated Businesses do face competition from governmental agencies, other investor-owned utilities, large industrial customers with the ability to provide their own water supply/treatment process and strategic buyers that are entering new markets and/or making strategic acquisitions. When pursuing acquisitions, the Company's largest investor-owned competitors, based on a comparison of operating revenues and population served, include Essential Utilities, Inc., American States Water Company and California Water Service Group. From time to time, the Company also faces competition from infrastructure funds, multi-utility companies and others, such as Algonquin Power and Utilities Corp., Eversource Energy, SouthWest Water Company and Corix Infrastructure, Inc.

Condemnation and Eminent Domain

All or portions of the Regulated Businesses' utility assets could be acquired by state, municipal or other government entities through one or more of the following methods: (i) eminent domain (also known as condemnation); (ii) the right of purchase given or reserved by a municipality or political subdivision when the original CPCN was granted; and (iii) the right of purchase given or reserved under the law of the state in which the utility subsidiary was incorporated or from which it received its CPCN. The acquisition consideration related

to such a proceeding initiated by a local government may be determined consistent with applicable eminent domain law, or may be negotiated or fixed by appraisers as prescribed by the law of the state or the jurisdiction of the particular CPCN.

As such, the Regulated Businesses are periodically subject to condemnation proceedings in the ordinary course of business. For example, the Monterey water service system assets (the “Monterey system assets”) of the Company’s California subsidiary (“Cal Am”) are the subject of a potential condemnation action by the Monterey Peninsula Water Management District (the “MPWMD”) stemming from a November 2018 public ballot initiative. In 2019, the MPWMD issued a preliminary valuation and cost of service analysis report, finding in part that (1) an estimate of the Monterey system assets’ total value plus adjustments would be approximately \$513 million, (2) the cost of service modeling results indicate significant annual reductions in revenue requirements and projected monthly water bills, and (3) the acquisition of the Monterey system assets by the MPWMD would be economically feasible. In 2020, the MPWMD certified a final environmental impact report, analyzing the environmental impacts of the MPWMD’s project to (1) acquire the Monterey system assets through the power of eminent domain, if necessary, and (2) expand its geographic boundaries to include all parts of this system.

In February 2021, the MPWMD filed an application with the Local Agency Formation Commission of Monterey County (“LAFCO”) seeking approval to become a retail water provider and annex approximately 58 parcels of land into the MPWMD’s boundaries. In June 2021, LAFCO’s commissioners voted to require a third-party independent financial study as to the feasibility of an acquisition by the MPWMD of the Monterey system assets. In December 2021, LAFCO’s commissioners denied the MPWMD’s application to become a retail water provider, determining that the MPWMD does not have the authority to proceed with a condemnation of the Monterey system assets. On April 1, 2022, the MPWMD filed a lawsuit against LAFCO challenging its decision to deny the MPWMD’s application seeking approval to become a retail water provider. For more information on the lawsuit against LAFCO, see Item 3—Legal Proceedings—Proposed Acquisition of Monterey System Assets—Local Area Formation Commission Litigation. By letter dated October 3, 2022, the MPWMD notified Cal Am of a decision to appraise the Monterey system assets and requesting access to a number of Cal Am’s properties and documents to assist the MPWMD with such an appraisal. Cal Am responded by letter on October 24, 2022, denying the request for access, stating that the MPWMD does not have the right to appraise Cal Am’s system without LAFCO approval to become a retail water provider.

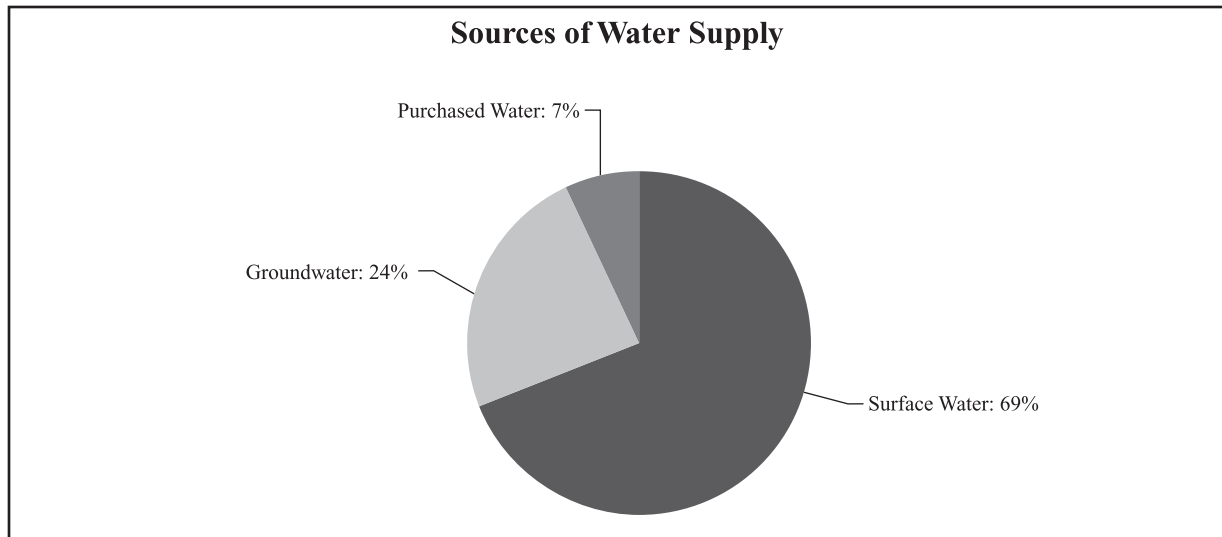
Also, five municipalities in the Chicago, Illinois area (approximately 30,300 customers in total) formed a water agency and filed an eminent domain lawsuit against the Company in January 2013, seeking to condemn the water pipeline that serves those five municipalities. During a valuation trial held in January 2023, the parties settled the lawsuit and the water agency dismissed the eminent domain case, and as a result the Company will retain the pipeline. As part of the dismissal, the Company’s Illinois subsidiary and another subsidiary entered into a settlement agreement with the water agency agreeing to, among other things, maintain through December 31, 2027 the utility-specific wholesale water rate passed through to customers of the pipeline, such that the rate, exclusive of other pass-through charges, remains no higher than the current rate.

Furthermore, the law in certain jurisdictions in which the Regulated Businesses operate provides for eminent domain rights allowing private property owners to file a lawsuit to seek just compensation against a public utility, if a public utility’s infrastructure has been determined to be a substantial cause of damage to that property. In these actions, the plaintiff would not have to prove that the public utility acted negligently. In California, for example, lawsuits have been filed in connection with large-scale natural events such as wildfires. Some of these lawsuits have included allegations that infrastructure of certain utilities triggered the natural event that resulted in damage to the property. In some cases, the PUC has allowed certain costs or losses incurred by the utility to be recovered from customers in rates, but in other cases such recovery in rates has been disallowed. Also, the utility may have obtained insurance that could respond to some or all of such losses, although the utility would be at risk for any losses not ultimately subject to rate or insurance recovery or losses that exceed the limits of such insurance.

Water Supply and Wastewater Services

The Company’s Regulated Businesses generally own the physical assets used to store, pump, treat and deliver water to its customers and collect, treat, transport and recycle wastewater. Typically, the Company does not own the water, which is held in public trust and is allocated to the Company through contracts, permits and allocation rights granted by federal and state or multi-state agencies or through the ownership of water rights pursuant to local law. The Company is dependent on defined sources of water supply and obtains its water supply from surface water sources such as reservoirs, lakes, rivers and streams; from groundwater sources, such as wells and aquifers; and water purchased from third-party water suppliers. The level of water treatment the Company applies varies significantly depending upon the quality of the water source and customer stipulations. Surface water sources typically require significant treatment, while groundwater sources often require chemical treatment only.

Presented in the chart below are the Company’s sources of water supply as of December 31, 2022:



Presented in the table below are the percentages of water supply by source type for the Company’s Top Five States for the year ended December 31, 2022:

	<u>Surface Water</u>	<u>Ground Water</u>	<u>Purchased Water</u>
New Jersey	74%	22%	4%
Pennsylvania	91%	7%	2%
Missouri	78%	21%	1%
Illinois	54%	35%	11%
California	—	68%	32%

The Company’s ability to meet the existing and future water demands of its customers depends on an adequate water supply. Drought, governmental restrictions, overuse of sources of water, the protection of threatened species or habitats, contamination or other factors may limit the availability of ground and surface water. The Company employs a variety of measures in an effort to obtain adequate sources of water supply, both in the short-term and over the long-term. The geographic diversity of the Company’s service areas may mitigate some of the economic effects on the water supply associated with weather extremes the Company might encounter in any particular service territory. For example, in any given summer, some areas may experience drier than average weather, which may reduce the amount of source water available, while other areas the Company serves may experience wetter than average weather.

The Company evaluates quality, quantity, growth needs and alternate sources of water supply as well as transmission and distribution capacity to provide water service to its customers. Water supply is seasonal in nature and weather conditions can have a pronounced effect on supply. In order to ensure that the Company has adequate water supply, it uses long-term planning processes and maintains contingency plans to minimize the potential impact on service caused by climate variability and a wide range of weather fluctuations. The Company reviews current climate science and global models related to temperature, precipitation and sea level rise on an ongoing basis. Where actionable forecasts are available, the Company will use this information in its comprehensive planning studies and asset management plans. These studies and plans, which are used by the Company to develop its asset management and system reliability strategies, assess the climate risk and resiliency of the Company's water and wastewater systems over short-, medium- and long-term time horizons, and include evaluations of the availability of water supplies and system capacity against a number of different factors, projections and estimates.

In connection with supply planning for most surface or groundwater sources, the Company employs models to determine safe yields under different rainfall and drought conditions. Surface and ground water levels are routinely monitored so that supply capacity deficits may, to the extent possible, be predicted and mitigated through demand management and additional supply development. In California, where the state has been experiencing a multi-year drought, the Company utilizes multiple water supply options including numerous ground water wells in multiple aquifers as well as various long-term purchase water agreements with regional water suppliers to optimize supplies while assuring resiliency during dry years. An example of the Company's use of long-term planning to ensure that it has adequate water supply is its involvement in the Monterey Peninsula Water Supply Project (the "Water Supply Project") in California. The Water Supply Project includes the construction of a desalination plant, to be owned by the Company's California subsidiary, and the construction of wells that would supply water to the desalination plant. In addition, the Water Supply Project also includes the California subsidiary's purchase of water from a groundwater replenishment project (the "GWR Project") between Monterey One Water (formerly known as the Monterey Regional Water Pollution Control Agency) and the MPWMD. The Water Supply Project is intended, among other things, to fulfill obligations of the California subsidiary to eliminate unauthorized diversions from the Carmel River as required under orders of the California State Water Resources Control Board (the "SWRCB"). For more information, see Item 3—Legal Proceedings—Alternative Water Supply in Lieu of Carmel River Diversions and Note 16—Commitments and Contingencies—Contingencies—Alternative Water Supply in Lieu of Carmel River Diversions, in the Notes to the Consolidated Financial Statements.

Wastewater services involve the collection of wastewater from customers' premises through sewer lines. The wastewater is then transported through a sewer network to a treatment facility, where it is treated to meet required regulatory standards for wastewater before being returned to the environment. The solid waste by-product of the treatment process is disposed of or recycled in accordance with applicable standards and regulations.

Seasonality

Customer demand for the Company's water service is affected by weather and tends to vary with temperature and amount and frequency of rainfall. Customer demand is generally greater during the warmer months, primarily due to increased water usage for irrigation systems and other outdoor water use. As such, the Company typically expects its operating revenues to be the highest in the third quarter of each year. Weather that is hotter and/or drier than average generally increases operating revenues, whereas, weather that is cooler and/or wetter than average generally suppresses customer water demand and can reduce water operating revenues. Two of the Company's jurisdictions, California and Illinois, have adopted revenue stability mechanisms which permit the Company to collect state PUC-authorized revenue for a given period that is not tied to the volume of water sold during that period, thereby lessening the impact of weather variability. See —Regulation and Rate Making for additional information regarding revenue stability mechanisms.

Other

Other primarily includes the MSG business, which enters into long-term contracts with the U.S. government to provide water and wastewater services on various military installations. The Company also has four contracts with municipal customers to operate and manage water and wastewater facilities and provide other related services through its Contract Services Group (“CSG”). Other also includes CSG, corporate costs that are not allocated to the Company’s Regulated Businesses, interest income related to the seller promissory note and income from the revenue share agreement from the sale of HOS, eliminations of inter-segment transactions and fair value adjustments related to acquisitions that have not been allocated to the Regulated Businesses segment. Previously, the Company provided home services primarily to residential and smaller commercial customers through its former HOS business, which was sold on the Closing Date. As a result of the sale of HOS, the categories which were previously shown as “Market-Based Businesses” and “Other” have been combined and are shown as Other. The businesses included within Other are not subject to regulation by state PUCs and the services provided generally do not require significant capital investment. Operating revenues for Other were \$287 million for 2022, \$546 million for 2021 and \$522 million for 2020, accounting for 8%, 14% and 14%, respectively, of the Company’s total operating revenues for the same periods.

Military Services Group

MSG operates on 18 military installations under 50-year contracts with the U.S. government as part of its Utilities Privatization Program. The scope of these contracts generally includes the operation and maintenance of the installation’s water and wastewater systems and a capital program focused on asset replacement and, in certain instances, systems expansion. The replacement of assets assumed when a contract is awarded to MSG is completed either through a discrete set of projects executed in the first five years of the contract or through the long-term recapitalization program performed over the life of the contract. Traditionally, both of these programs are funded from the contract fee. At times, new assets are required to support the installation’s mission, and the construction of these assets is funded by the U.S. government as separate modifications or amendments to the contract. The capital for these assets historically has not been funded through the Company’s debt or equity issuances; rather, the Company has used limited working capital for short-term needs under these contracts. In April 2018, the U.S. Army instituted a requirement that a bidder must offer financing in its proposal for these new capital projects under existing contracts, but the U.S. Army’s implementation of this requirement on existing contracts has limited the need for such financing. However, recent U.S. Army and Navy Utilities Privatization solicitations have included requirements for the successful bidder to finance discrete initial capital projects over either a five- or ten-year period after project completion. Four of MSG’s current contracts require such capital project financing, which the Company is currently addressing through internal sources of liquidity.

The contract price for four of MSG’s contracts with the U.S. government is subject to redetermination two years after commencement of operations, and every three years thereafter. Price redetermination is a contract mechanism to periodically adjust the service fee in the next period, to reflect changes in contract obligations and anticipated market conditions. The remaining 14 contracts with the U.S. government are subject to annual price adjustments under a mechanism called “Economic Price Adjustment.” All 18 contracts could be terminated, in whole or in part, prior to the end of the 50-year term for convenience of the U.S. government, or as a result of default or non-performance by the MSG subsidiary performing the contract. In either event, pursuant to termination provisions applicable to all of these contracts, MSG would be entitled to recover allowable costs that it may have incurred under the contract, plus the contract profit margin on incurred costs. MSG’s backlog of revenue associated with its contracts with the U.S. government is approximately \$6.9 billion, with an average remaining contract term of 40 years.

Sale of Homeowner Services Group

Prior to the Closing Date, the Company provided various warranty protection programs and other home services primarily to residential and smaller commercial customers through its HOS operations. On the Closing

Date, the Company sold all of the equity interests in its HOS subsidiaries to an indirect, wholly owned subsidiary of funds advised by Apax Partners LLP, a global private equity advisory firm (the “Buyer”), for total consideration of approximately \$1.275 billion. See Item 7—Management’s Discussion and Analysis of Financial Condition and Results of Operations and Note 5—Acquisitions and Divestitures in the Notes to Consolidated Financial Statements for additional information.

Competition

MSG faces competition from a number of service providers, including American States Water Company and Veolia Environnement S.A.

Environmental, Health and Safety, Water Quality and Other Regulation

The Company’s water and wastewater operations, including the services provided by its Regulated Businesses, MSG and CSG, are subject to extensive federal, state and local laws and regulations governing the protection of the environment, health and safety, the provision of water and wastewater services, particularly with respect to the quality of water the Company delivers to its customers, and the manner in which it collects, treats, discharges, recycles and disposes of wastewater. In the United States, these regulations are developed under federal legislation including the Safe Drinking Water Act, the Reduction of Lead in Drinking Water Act and the Clean Water Act, and under a variety of applicable state laws. Environmental, health and safety, and water quality regulations are complex and may vary from state to state in those instances where a state has adopted a standard that is more stringent than the federal standard. For example, while the EPA has announced the intention to propose drinking water regulations for two PFAS compounds (perfluorooctanoic acid, or PFOA, and perfluorooctane sulfonic acid, or PFOS) and issued non-enforceable lifetime Health Advisory Levels for PFOA, PFOS and two other PFAS compounds, the New Jersey Department of Environmental Protection has already established enforceable drinking water standards for three PFAS compounds (PFOA, PFOS, and perfluorononanoic acid, or PFNA) and the Pennsylvania Department of Environmental Protection also recently announced enforceable drinking water standards for PFOA and PFOS in advance of the federal EPA proposed regulations. The Company is also subject to various federal, state, and local laws and regulations governing the storage of hazardous materials, the management and disposal of hazardous and solid wastes, discharges to air and water, the cleanup of contaminated sites, dam safety and other matters relating to the protection of the environment and health and safety. PUCs also set conditions and standards for the water and wastewater services the Company delivers.

The Company maintains an environmental program that includes responsible business practices focused on compliance with environmental laws and regulations and the effective use of natural resources, recognizing that drinking water standards have generally, over time, increased in number and become increasingly more stringent. As newer or stricter standards are introduced, the Company’s capital and operating costs needed to comply with them will likely increase. The Company incurs substantial costs associated with compliance with the environmental, health and safety, and water quality standards to which its operations are subject and the Company invests in technology solutions for enhanced detection and monitoring of water quality issues. The Company estimates that it will make capital expenditures of approximately \$800 million over the next five years, and \$195 million in 2023 for environmental control facilities, which the Company defines for this purpose as any project (or portion thereof) that involves the preservation of air, water or land. The Company believes that its operations are materially in compliance with, and in many cases surpass, minimum standards required by applicable environmental laws and regulations.

The Company’s operations also involve the use, storage and disposal of hazardous substances and wastes. For example, the Company’s water and wastewater treatment facilities store and use chlorine and other chemicals that generate wastes that require proper handling and disposal under applicable environmental requirements. The Company also could incur remedial costs in connection with any contamination relating to its operations or facilities or its off-site disposal of waste. The Comprehensive Environmental Response, Compensation, and

Liability Act of 1980 (“CERCLA”), authorizes the EPA, and comparable state laws authorize state environmental authorities, to issue orders and bring enforcement actions to compel responsible parties to investigate and take remedial actions at any site that is determined to present an actual or potential threat to human health or the environment because of an actual or threatened release of one or more hazardous substances. Parties that generated or transported hazardous substances to such sites, as well as current and former owners and operators of such sites, may be deemed liable, without regard to fault, under CERCLA or comparable state laws. Although the Company is not aware of any material cleanup or decontamination obligations, the discovery of contamination or the imposition of such obligations in the future could result in additional costs to the Company. The Company’s facilities and operations are also subject to requirements under the U.S. Occupational Safety and Health Act and inspections thereunder.

Safe Drinking Water Act

The Safe Drinking Water Act and related regulations establish national quality standards for drinking water. The EPA has issued rules governing the levels of numerous, naturally occurring and manufactured chemical and microbial contaminants and radionuclides allowable in drinking water, and continues to propose new rules. These rules also prescribe testing requirements for detecting regulated contaminants, the treatment systems that may be used for removing those contaminants, and other requirements. To date, the EPA has set standards for over 90 contaminants and water quality indicators for drinking water, and there is a process in place to make a regulatory determination on at least five additional compounds every five years.

The process of developing new drinking water standards is long and complex, but the Company actively participates with the EPA and other water industry groups by sharing research and water quality operational knowledge. See —Research and Development—Contaminants of Emerging Concern for additional information.

The Company is within the EPA’s time frame for compliance with standards and rules developed under the regulation of the Safe Drinking Water Act, which includes sample collection, data analysis, and, in some instances engineering planning and implementation of treatment enhancements. Further, the EPA is actively considering regulations for a number of contaminants, including strontium, hexavalent chromium, fluoride, nitrosamines, some pharmaceuticals and certain volatile organic compounds. The Company does not anticipate that any such regulations, if enacted, will require implementation in 2023.

Although it is difficult to project the ultimate costs of complying with the above or other pending or future requirements, the Company expects current cost requirements under the Safe Drinking Water Act and other similar laws to be recoverable through the regulatory process and therefore compliance costs are not expected to have a material impact on its operations or financial condition. In addition, capital expenditures and operating costs to comply with environmental mandates have been traditionally recognized by PUCs as appropriate for inclusion in establishing rates. As a result, the Company expects to recover the operating and capital costs resulting from these pending or future requirements.

Lead and Copper Rule and Reduction of Lead in Drinking Water Act

In 1991, the EPA published the Lead and Copper Rule (“LCR”) to control lead and copper in drinking water and, since that time, has issued minor revisions in 2000, 2004 and 2007, enhancing monitoring, reporting and public education requirements. In 2011, Congress enacted the Reduction of Lead in Drinking Water Act regarding the use and introduction into commerce of lead pipes, plumbing fittings for fixtures, solder and flux. While these advances have made an impact in reducing lead exposure in drinking water, legacy lead plumbing materials, primarily in building plumbing, still remain in many communities. The failure of certain water systems in the United States to comply with the requirements of the LCR has received recent media attention and scrutiny, and in certain cases, has led to a number of investigations and the imposition of significant penalties and sanctions against the operators of those systems and others. As part of its ongoing water main replacement and service line renewal projects, the Company has started to replace lead service lines (“LSLs”) in accordance with

current scientific guidance. Also, the Company utilizes appropriate corrosion control techniques as necessary to comply with current water quality regulatory requirements. On December 21, 2021, the EPA announced next steps to strengthen the regulatory framework on lead in drinking water, including implementing the Lead and Copper Rule Revisions (“LCRR”) and indicated their intent to finalize a forthcoming Lead and Copper Rule Improvements (“LCRI”) prior to October 16, 2024, the initial compliance date in the LCRR. The Company is executing an implementation strategy to comply with the initial LCRR requirement to complete a lead service line inventory. Capital expenditures and operating costs associated with the LCRI will be determined once the EPA finalizes the rule, but as previously noted, costs associated with compliance with federal water quality regulations have been traditionally recognized by PUCs as appropriate for inclusion in establishing rates.

The Company currently estimates that less than 5% of the service lines within its regulated service territories contain lead on either the Company or customer portion of the service line. The Company is replacing LSLs as part of its ongoing water main replacement and service line renewal projects. The Company’s goal is to work with the communities it currently serves to replace a significant majority of presently known LSLs in most of its service areas by the end of 2030, at an estimated additional investment range of \$600 million to \$1.2 billion. The Company believes this will be attainable for most of its service areas where public policy is supportive of this goal. The IJA was signed into law in November 2021 and provides for up to \$15 billion for lead service line replacement through drinking water state revolving funds. The Company is awaiting further guidance on eligibility, the application process and the distribution of these funds. With regard to future acquisitions, the Company will work with those communities as part of the acquisition process to set LSL removal goals appropriate for those systems. The prioritization of LSL removal is dependent on several factors, including the Company’s planned water main and service line renewal projects, adjacent projects by municipalities or other utilities, LCR compliance monitoring results, and cooperation with its customers with respect to replacing the customer-owned portion of the LSL as necessary. In certain cases, these and other factors may result in a shorter or longer time frame for replacement. Because replacing the external LSL in its entirety is advised by several water industry organizations including the U.S. National Drinking Water Advisory Council, the Lead Service Line Replacement Collaborative, and the American Water Works Association, the Company’s preferred approach is to replace the entire external LSL if lead is found on either the Company or customer portion of the service line; full LSL replacement is also consistent with the LCRR. The Lead Service Line Replacement Collaborative is a diverse group of public health, water utility, environmental, labor, consumer and housing organizations from across the country working together to encourage communities to accelerate the full replacement of LSLs through collaborative efforts at the local level.

Clean Water Act

The Clean Water Act regulates discharges from drinking water and wastewater treatment facilities into lakes, rivers, streams and groundwater. In addition to requirements applicable to the Company’s wastewater collection systems, its operations require discharge permits under the National Pollutant Discharge Elimination System (“NPDES”) permit program established under the Clean Water Act, which must be renewed every five years. Pursuant to the NPDES permit program, the EPA and implementing states set maximum discharge limits for wastewater effluents and overflows from wastewater collection systems. Discharges that exceed the limits specified under NPDES permits can lead to the imposition of fines and penalties, and persistent non-compliance could lead to significant fines and penalties and other compliance costs. In addition, the difficulty of obtaining and complying with NPDES permits, and renewing expiring permits, may impose time and cost burdens on the Company’s operations. From time to time, discharge violations occur at the Company’s facilities, some of which result in fines. The Company does not expect any such violations or fines to have a material impact on its results of operations or financial condition. The EPA has identified leveraging wastewater discharge permitting and application of biosolids, or sewage sludge, containing PFAS as areas of focus in its PFAS Strategic Roadmap. Individual states may also take action in these areas. As indicated previously, capital expenditures and operating costs to comply with environmental mandates have been traditionally recognized by PUCs as appropriate for inclusion in establishing rates. As a result, the Company expects to recover the operating and capital costs resulting from any new requirements in these areas.

Research and Development

The Company's Research and Development Program

The Company maintains an industry-leading research and development (“R&D”) program that is designed to enhance its services, support its compliance activities, improve service quality and operational effectiveness, and provide environmental leadership. For more than three decades from its inception, American Water’s R&D program has evolved into an industry-leading effort and has achieved numerous advancements in the science of drinking water, wastewater, and desalination. Through laboratory and industry resources and the team’s expertise, efforts are focused on contaminants of emerging concern, including but not limited to COVID-19, PFAS, Legionella, cyanotoxin-forming algal blooms, a variety of pathogens (for example, Cryptosporidium, Giardia, enteric viruses, and various bacteria), microbial indicators and disinfection byproducts. The Company’s R&D personnel are located at the Company’s corporate headquarters and at two laboratory testing facilities in New Jersey and Illinois, the latter housing its quality control and testing laboratory, which supports the Company’s R&D activities through testing and analysis.

The Company continues to leverage its expertise and collaborates with the EPA and state agencies to help establish effective environmental, health and safety, and water quality standards and regulations. This relationship includes the sharing of the Company’s research, such as its treatment and distribution system optimization research and its national water quality monitoring data. The Company’s engagement with the EPA provides it with early insight into emerging regulatory issues and initiatives, thereby allowing the Company to anticipate and to accommodate its future compliance requirements. The Company also frequently engages with the Centers for Disease Control and Prevention, other state environmental agencies, and national and international water research foundations. The Company believes that continued R&D activities are critical for providing safe, reliable and affordable services, as well as maintaining its leadership position in the industry, which provides the Company with a competitive advantage as it seeks business and operational growth.

Contaminants of Emerging Concern

Contaminants of emerging concern include numerous chemicals such as PFAS, pharmaceuticals, personal care products, pesticides, herbicides, antibiotic resistant bacteria (ARB), antibiotic resistant genes (ARG), endocrine disrupting compounds, microplastics and industrial chemicals, as well as certain naturally occurring microbes, such as bacteria, viruses and parasites, which have been detected in drinking water supplies, for which the risk to the public’s health is not fully understood and/or has not been assessed. Technological advances have only recently made it possible to detect many of these contaminants at trace levels. The ability to detect contaminants, even at trace levels, has invited discussion about these contaminants among regulators and government agencies, which in turn shapes the public’s perception of drinking water quality.

The Chemicals Abstract Service Registry contains over 203 million registered chemicals, with an estimated 1,400 species of disease-causing microbes that can affect humans. The Company is continually investigating new substances and contaminants, employing a team of scientists, engineers and public health professionals to identify threats to its water supply, to act on emerging regulations and new health advisories, and to evaluate the benefits of alternative or advanced treatment technologies. The Company utilizes water quality testing equipment and implements new and emerging technologies to help detect potential water supply contamination issues. Examples of the Company’s efforts include:

- monitoring impacts of environmental pathogen loads and removal through wastewater systems;
- characterizing factors that contribute to the formation of potentially carcinogenic disinfection by-products to define best practices for their mitigation;
- advancing the science on holistic management strategies to improve distribution system water quality further;
- using its research findings to communicate information to its customers regarding potential actions to limit occurrences of Legionella in their buildings; in this regard, the Centers for Disease Control and

Prevention statistics indicate that water-associated disease from Legionella is on the rise, with exposure typically associated with customer-owned plumbing systems in large buildings;

- defining a framework to support management or possible future regulation of opportunistic pathogens;
- developing expanded monitoring methods for short-chain and fluorinated replacement PFAS and piloting treatment techniques;
- systematically investigating PFAS removal by treatment processes in a wide range of water matrices;
- leading a PFAS risk communication strategy for the water sector;
- using innovative technologies to detect and manage algal blooms to help prevent taste and odor events and cyanotoxins before they get to the water treatment plant;
- monitoring of taste and odor issues that impact customer satisfaction using expanded analytical methods to detect compounds, and evaluating and recommending treatment practices;
- implementing water source assessment tools, including sensors and data analytics, to evaluate and track chemical storage and aid in the identification of source water contamination events;
- developing methodology and advanced measurement techniques for contaminants of emerging concern to investigate transport, occurrence and treatment; and
- implementing activated carbon, biofiltration and ion exchange treatment to seek to control contaminants of emerging concern.

Service Company and Security

American Water Works Service Company, Inc. (“Service Company”) is a wholly owned subsidiary of the Company that provides support and operational services to the Company and its affiliates. These services are predominantly provided to the Company’s Regulated Businesses under contracts that have been approved by PUCs, where necessary, and are also provided to the MSG and CSG businesses as requested or may otherwise be necessary. Services provided by Service Company may include accounting and finance, administration, business development, communications, compliance, education and training, engineering, health and safety, human resources, information systems, internal audit, investor relations, legal and governance, operations, procurement, R&D, rates and regulatory support, security, risk management and insurance, treasury, and water quality. Service Company also provides customer support to the Company’s Regulated Businesses, which includes call handling, billing, a major accounts program and other related services. Services are provided by Service Company at cost, enabling the Company’s operating subsidiaries to fulfill their responsibilities in a cost-effective manner, while providing them access to in-depth, functional expertise.

The Company’s security team provides oversight and policy guidance on physical, cyber and information security, as well as business continuity, throughout its operations. It is responsible for designing, implementing, monitoring and supporting effective physical and technical security controls for the Company’s physical assets, business systems and operational technologies. Risk assessments are conducted periodically to evaluate the effectiveness of existing security controls and serve as the basis for additional safeguards, security controls and measures. Operational and technical security controls are deployed and integrated as safeguards against unauthorized access to the Company’s information systems. These controls are aimed at (i) assuring the continuity of business processes that are dependent upon automation, (ii) maintaining the integrity of the Company’s data, (iii) supporting regulatory and legislative compliance requirements, and (iv) maintaining safe and reliable service to the Company’s customers. The Company engages in partnerships with U.S. federal, state and local law enforcement agencies to coordinate and improve the security of its water delivery systems and to safeguard its water supply and operations.

Environmental, Social Responsibility and Governance

The Company considers environmental, social responsibility and governance (“ESG”) principles fundamental to its corporate strategy and values. Integration of these principles into the Company’s daily operations emphasizes its belief that “how” a company operates is just as important as “what” a company does.

Delivering a reliable supply of safe, clean and affordable water to customers and treating wastewater has been fundamental to the Company’s business for decades. Within every community in which the Company operates, there is an opportunity to make a sustainable positive impact on the community, reflect the communities served with diverse and skilled employees, and maintain the governance and diligence to meet or exceed service expectations for decades to come.

Key Highlights

Demonstrated ESG Leadership

- The Company’s values and actions have achieved prestigious recognition by many leading firms devoted to recognizing companies that demonstrate ESG leadership.
- The Company was ranked fifth in the Energy and Utilities industry category within Newsweek’s 2023 list of America’s Most Responsible Companies and ranked 19th within Barron’s list of the 100 Most Sustainable Companies in 2022.
- The Company was included in the Bloomberg Gender Equality Index for the fifth consecutive year, was recognized as a top-scoring company, for the fourth consecutive year, on the Disability Equality Index (DEI)[®], as well as a Military Friendly Employer and Supplier.
- The Company earned the U.S. Department of Homeland Security SAFETY Act Designation for its internal enterprise security program, which includes risk management processes, personnel training and emergency exercises, and security oversight activities. The Company was the first U.S. water and wastewater company and third utility to earn this designation.

Environmental and Sustainability

- Emissions for the Company’s Regulated Businesses
 - The Company established medium- and long-term goals that are science-based and aligned with the Paris Agreement, for scope 1 (direct) and scope 2 (indirect, derived from the Company’s purchase of power) greenhouse gas emissions reductions.
 - The goals aim to reduce absolute scope 1 and 2 emissions by 50% by 2035 (from a 2020 baseline year) and achieve net zero scope 1 and scope 2 emissions by 2050.
 - These goals complement the Company’s existing short-term goal of reducing absolute scope 1 and 2 greenhouse gas emissions by more than 40% by 2025 (from a 2007 baseline year).
 - The Company has also estimated certain of its scope 3 greenhouse gas emissions, including Categories 1 (Purchased Goods and Services), 2 (Capital Goods), 3 (Fuel and Energy Related Activities) and 6 (Business Travel).
- Water Quality & Wastewater
 - The Company employs a team of R&D scientists dedicated to partnering with water research organizations on water quality and technology-based source water monitoring.
 - The Company received 11 drinking water Notices of Violation (“NOVs”) in 2022, two of which were related to water quality and maximum contaminant level exceedances. These metrics are determined by counting the overall number of drinking water NOVs and drinking water NOVs

related to maximum contaminant level exceedances received by the Company in accordance with internally established procedures, which may exclude NOV's related to newly-acquired systems and associated with third-party violations, among others.

- The Company invested approximately \$2.3 billion in renewing and improving assets of the Regulated Businesses in 2022 and expects to invest between \$12.5 billion to \$13 billion over the next five years. Nearly 70% of the Company's capital plan is dedicated to infrastructure renewal and improvement, 10% to 12% is allocated to resiliency, and the balance is invested in water quality, operational efficiency, system expansion and other categories.
- Policy Leadership
 - The Company collaborates and partners with federal and state agencies to support effective environmental, health and safety, and water quality and affordability standards and regulations.
 - The Company participates in many industry organizations at the local, state and national level, including: The National Association of Water Companies (NAWC), American Water Works Association (AWWA) and Edison Electric Institute (EEI).

Social Responsibility

- Customers
 - The Company's average monthly residential water bills were approximately \$57 in 2022, or 0.77% of the median household income, based on data from the U.S. Census Bureau's American Community Survey. The Company is focused on keeping customer bills affordable compared to income, driving a culture of continuous improvement, diligent cost management, and technology enhancements that help drive affordability.
 - The Company supports low-income customer assistance programs across 12 states: California, Illinois, Indiana, Iowa, Kentucky, Maryland, Missouri, New Jersey, Pennsylvania, Tennessee, Virginia and West Virginia.
 - To better reflect the customers that the Company serves, the Company increased spend with diverse suppliers and small businesses in 2022 by more than 35% compared to last year.
 - For 2022, the Company achieved an aggregate residential customer satisfaction rating in the top half among the Company's industry peer group. We measure performance on Customer Experience through our performance on the J.D. Power U.S. Water Utility Residential Customer Satisfaction Study. The study measures the satisfaction of residential water customers of the 90 largest water utilities in the United States and considers six factors to score companies on a 1,000-point scale: quality and reliability; price; conservation; billing and payment; communications; and customer service.
- Employees
 - During 2022, over 117,000 hours of safety training, including physical security and cybersecurity training, were completed by the Company's employees, as well as a mandatory Code of Ethics training requirement.
 - The Company has made significant progress toward its zero injuries goal, reducing workplace injuries by 52% since 2017. Through year-end 2022, the Company has further reduced its OSHA recordable injury rate ("ORIR") to 0.85, the lowest in the Company's recorded history, which is approximately two times better than the water industry average.
 - During 2022, approximately 83% of the Company's job requisitions had a diverse candidate pool, with approximately 46% of transfers or promotions filled by diverse individuals.

- Communities
 - More than \$900,000 was donated in 2022 by the Company’s employees and the American Water Charitable Foundation (AWCF), a 501(c)(3) private foundation established by American Water in 2010, of which over \$430,000 was provided by employees through workplace giving campaigns including the United Way, Water For People and other volunteering giving campaigns that supported more than 1,600 public charities nationwide. These efforts were in addition to the \$2.3 million given by the AWCF through the Keep Communities Flowing Grant Program—more than \$3 million combined.
- Stakeholder Engagement
 - In 2022, the Company completed a materiality assessment to align ESG efforts with stakeholder priorities. Participants included, among others, regulators, investors, customers, employees, and a member of the Company’s Board of Directors. The results of the assessment will be included in the Company’s 2021-2022 Sustainability Report, which will be published in 2023.

Governance

- Board and Committees
 - The Board of Directors and each of its standing committees are led by an independent, non-executive chair.
 - The Board of Directors met 15 times in 2022.
 - The Board of Directors’ Safety, Environmental, Technology and Operations (SETO) Committee, which oversees several key ESG matters, met four times in 2022.
 - The Board of Directors reflects gender, racial and experiential diversity. As of December 31, 2022, approximately 64% of the Company’s directors voluntarily self-identified as diverse based on gender, race, disability and military veteran status.
 - The Company’s average director tenure was approximately 7 years as of December 31, 2022.
 - The members of the Company’s Board of Directors have demonstrated expertise, including, among others, experience in utility operations, regulatory matters, sustainability, customer service, cybersecurity, the military, financial services and capital markets, service as a public company CEO, CFO and/or board member, and management of global operations.
- ESG-Related Disclosures and Transparency
 - The Company issued its annual ESG Data Summary on its website, covering sustainability performance for key metrics within the 2022 calendar year.
 - In addition, the Company issued its second annual Inclusion, Diversity & Equity Report and launched a new diversity website, which describes the Company’s inclusion and diversity strategies, practices, policies and programs from across the business. New disclosures include:
 - EEO-1 data for 2020 and 2021;
 - Summary of results and conclusions from the Company’s third-party pay equity studies and internal labor market analyses; and
 - Two new people-related goals in the 2022 Annual Performance Plan (“APP”) meant to increase representation of women and increase ethnic and racial diversity among employees at American Water, adding to existing APP sustainability goals.
 - The Company discloses on its website its Political Contributions Policy, and, on an annual basis, information related to its political contributions, payments to tax-exempt organizations and trade associations, and lobbying expenditures.

Human Capital Resources

Overview

The Company's people are a critical part of its business, and the Company's investment in its people begins with the recruitment of qualified and diverse talent and continues throughout employment. The Company's employee value proposition, called weCARE, is a central part of the Company's human capital resources mission and focuses on employee experience as an influencer of an employee's opinions and emotional response about the Company as an employer.

Additionally, the Company believes that representing the communities in which it serves plays a key role in its ability to serve its customers and improves its talent. To support this proposition, the Company promotes an inclusive culture where its employees are given the opportunity to develop to their fullest potential and understand that they directly contribute to the Company's ability to operate, grow, and serve its customers. The Company also believes that investing in the safety, health and well-being of its employees is a key component of its people and culture goals, and that these investments allow employees to generate great ideas, provide quality customer service and make a difference in the lives of the Company's customers.

Employee Health and Safety

A longstanding value and strategy of the Company is safety. In this regard, the Company continues to focus on the safety of its employees and contractors so that they may return home from work in the same, or better, condition than when they arrived. The Company strives for all employees to feel emotionally safe, live a healthy lifestyle and be physically safe at work and at home. The Company assesses occupational health and safety to measure performance across the entire organization, with the ultimate goal of achieving zero incidents, injuries and fatalities for the Company's employees and contractors.

To uphold the Company's commitment to safety, the Company's employees completed over 117,000 hours of employee safety training, including physical security and cybersecurity training, during 2022. Additionally, through frequent labor-management meetings, the Company encourages open exchanges to explore new ways to further enhance safety on the job. All employees are empowered to demonstrate safety leadership by taking the time they need to complete a task safely and to use "Stop Work Authority"—the power to stop working immediately whenever they believe a task is unsafe—to personally mitigate the hazard or issue or collaborate with management to create a safe situation. The Company believes that this Stop Work Authority is so important that it is stated on the back of every employee's identification badge.

For 2022, the Company had its lowest ORIR injury rate in its recorded history, achieving an 18.8% reduction in injuries compared to 2021, taking into account a 7% decrease in labor hours due to the sales of HOS and the Company's New York subsidiary. Also, the number of Days Away Restricted or Transferred ("DART") injuries decreased by 36.1% compared to 2021. This decrease shows a significant improvement in those injuries that have a higher severity. For 2022, the Company's ORIR was 0.85 (52 injuries) and its DART rate was 0.37 (23 injuries), compared to an ORIR of 0.97 (64 injuries) and a DART rate of 0.54 (36 injuries) in 2021.

In 2022, American Water teams led by promoting safety leading indicator activities, including pre-job safety briefings and near miss reporting, and by achieving internal Certified Safe Worker designations. Near miss reports, where employees report potential hazards or incidents in a safe and secure manner, increased by 20% in 2022 over 2021, and 97% of near miss incident corrective actions were completed, with nearly 90% completed within 30 days. The Company utilizes near miss reporting and timely corrective actions as key measurements of employee engagement and safety performance.

The commitment to safety as a strategic imperative also includes building a culture of well-being where all employees can feel emotionally safe and live a healthy lifestyle. Through well-being education, the Company is able to encourage employees to take preventative actions and increase participation in annual well-care exams and cancer screenings, which increased by over 4% during 2022, compared to 2021.

Employee and Workplace Reintegration

As an essential business that provides water and wastewater services, during 2022, the Company continued to focus on the care and safety of its employees, contractors, vendors and others who work at or visit the Company's worksites. The Company launched its employee and workplace reintegration plan to bring its employees safely back to the workplace and in its field operations in the wake of easing of COVID-19-related restrictions by federal, state and local governmental and health authorities. The Company instituted greater workplace flexibility, including hybrid work opportunities, where feasible. The Company supported these reintegration efforts by keeping employees' safety, health and emotional well-being as a top priority and by continuing to follow guidance from the U.S. Centers for Disease Control and Prevention, as well as federal, state and local health authorities. The Company also continued to provide employees with temporary medical and emotional health benefits as needed during 2022. To keep employees informed on the changing conditions during reintegration and to support their emotional well-being, the Company held several all-employee podcasts featuring medical and emotional health speakers who discussed the status of the pandemic, provided updates on vaccine and booster activity, and led sessions focused on workforce and personal change management related to reintegration.

Inclusion, Diversity and Equity

During 2022, the Company continued to focus on creating a culture through its promotion of inclusion, diversity and equity. At all levels, the Company strives to understand, respect, value and provide equal opportunity to each employee, and to foster an environment where employees' differences are embraced and celebrated. The Company holds as an essential concept the right of employees to proudly share their ideas and unique perspectives in an environment built on mutual respect, equity and inclusion. The Company is committed to diversity among its workforce, executive and senior management leadership teams, by reflecting the diversity of the communities in which the Company serves. The Company expects all leaders to lead with inclusion, diversity and equity.

In 2022, the Company included in its APP new workforce diversity performance goals designed to increase the representation of women and ethnic and racial diversity in the Company's workplace. The goals measure the percentage of female and racial/ethnic diversity among the Company's workforce based on voluntary self-identification. In addition, the Company continues to hold its leaders accountable for developing a diverse workforce by maintaining management level representation goals.

In addition, in 2022, the Company introduced its DiversityatAW.com website to provide transparency and communicate progress on the Company's workforce diversity initiatives. This web site currently includes, among other information, the Company's ID&E report, its EEO-1 data for 2021, key employee diversity metrics (which are updated quarterly), and a discussion of the Company's pay equity study and internal labor market analysis.

During 2022, 83.1% of the Company's hiring candidate pools were diverse. Additionally, for 2022, approximately 46.4% of the Company's internal employee transfers and promotions were filled with a diverse individual, reflecting the Company's commitment to employee development and career growth as well as the Company's focus on diversity, inclusion and equity. For purposes of these metrics, diversity refers to gender, race, ethnicity, disability, veteran/military spouse status, and LGBTQ+ status, all based on voluntary, self-identified employee information.

The Company maintains active memberships with groups such as Hiring our Heroes, Military Spouse Employment Partnership, American Corporate Partners, CEO Action for Diversity and Inclusion, Disability: IN, Paradigm for Parity, and Out and Equal, to further enhance its ability to recruit and retain diverse employees. Among this year's recognitions, the Company was designated as a 2022 Military Friendly[®] Silver Employer and recognized by Military Times for its industry-leading efforts on hiring and supporting U.S. military veterans.

The Company was also a top scorer in the 2022 Disability Equality Index for the fourth consecutive year and was recognized by U.S. Veterans Magazine as a veteran-friendly company and as an organization with a

veteran-friendly supplier diversity program. The Company also received the 2022 DiversityInc Top Utility recognition for 2022.

In keeping with the Company's values, the Company does not tolerate discrimination, harassment or retaliation by or toward any employee, vendor, customer or other person in its workplace. All employees are required to complete anti-harassment, workplace respect and dignity, unconscious bias and inclusion and diversity training. In addition, annual Code of Ethics training is provided to all employees, which includes instructions on using the Company's anonymous hotline for reporting potential Code of Ethics violations.

The Company's four Employee Business Resource Groups ("EBRGs"), which represent diverse employee demographics (Women, African American/Black, LGBTQ+ and Disabilities/Caregivers), strive to create measurable and long-lasting positive impacts on employees' careers, as well as the Company's culture and communities in which it serves. EBRG members participate in community events throughout the year, which highlight the importance of supporting community partnerships. For example, employees participated in the annual Juneteenth Unity Walk that supported the National Alliance on Mental Illness, an organization that provides advocacy, education, and support for, and public awareness of, mental illness.

Total Rewards

American Water's health and well-being programs are approached holistically by offering the following benefits, among others: medical, prescription, dental, vision, disability, a retirement savings plan, and life insurance coverage, as well as a health and wellness program and a menu of additional voluntary benefits. The Company's Total Rewards programs are designed to reflect many aspects of employee health and well-being, cultivate an inclusive workforce, and motivate, attract and retain talent to seek to achieve the Company's strategic business priorities.

As part of Total Rewards, the Company provides a comprehensive compensation and benefit program designed to recognize the vital roles the Company's employees play. Further, all the Company's employees, including those who are union-represented, participate in the APP, to promote alignment between performance-based compensation and the Company's short-term performance goals. As part of its commitment to providing an inclusive and equitable culture for all employees, the Company regularly reviews pay equity to make sure pay decisions are based on the responsibilities, talents and skills of our employees, rather than, factors such as gender, race or ethnicity.

All employees who average 30 hours or more per week receive full-time benefits. Approximately 90% of all benefit eligible employees are enrolled in the Company's healthcare benefits. Full-time employees pay approximately 16% of the total cost of medical, dental and vision coverage. Additional medical benefits include coverage for applied behavior analysis, autism treatment, transgender services and hearing aids, as well as a fertility assistance benefit. The Company also offers additional employment benefits, including holiday, vacation and sick time, which are at levels generally greater than or equal to those offered by other companies in the utility industry.

Every five years, the Company negotiates national health and welfare benefits with its union-represented employees. On November 30, 2022, a five-year extension of the Company's national benefits agreement with its union-represented employees was reached and ratified, effective through July 2028. See—Workforce Data below for more information. The extension agreement includes, among other things, a revised benefit cost sharing allocation, six weeks of paid family leave, an increase in the target payout under the APP for covered employees, and coverage for infertility treatment beginning in plan year 2025.

Talent Development

The Company partners with business leaders to understand the key behaviors and competencies required to operate safely and effectively, and to foster professional growth with the goal to create and deploy programs

designed to attract, motivate, develop and retain talented employees, and foster a learning culture. The Company also requires every employee, including its union-represented employees, to complete a minimum of 25 hours of training each year. Approximately 96.7% of active full-time employees hired before October 1, 2022, met this requirement for 2022, with over 302,000 hours of total training completed during the year. In addition to required role-based training, managers assist employees to identify professional development opportunities, utilizing a framework of on-the-job learning, social learning, and formal learning, to help them reach their full potential and grow their careers.

Developing talent to provide a pathway to executive leadership is a critical priority for the Company. During 2022, the Company engaged in succession planning activities for the Company's business-critical and business-impact positions. These succession plans aid in providing continued leadership for the growth and future of the Company's business, while also seeking to promote diversity, retention and development. In addition to succession of executive and senior leadership roles, in 2022, the Company initiated talent reviews, which served to identify critical skills and competency areas as well as top and emerging talent with a focus on diversity, and supported a discussion of strengths, gaps and development plans. Talent reviews were conducted for a select group of employees, including employees who are being assessed for senior leadership or other critical roles.

Employee Experience

The Company has established its weCARE employee value proposition that focuses on employee experience as an influencer of an employee's opinions and emotional response about the Company as an employer. weCARE is composed of five elements: deeper connections; personal growth; shared purpose; flexibility; and well-being. weCARE represents the Company's commitment to value its employees and build a safe, healthy and inclusive culture where every employee knows their value and is appreciated for their talents and commitment to supporting the Company's success. The Company offers employees programs covering each of the five components of weCARE. The Company is committed to improving the employee experience by listening to employees through focus group discussions and employee surveys, among other tools. To that end, the Company captures employee feedback, which helps the Company understand how employees are feeling and permits appropriate refinement of the Company's employee programs, benefits and support.

In early 2022, the Company introduced a new development role of Culture Champion. Each Culture Champion is responsible for partnering with their local leadership and managing and communicating local activities and actions that seek to advance the Company's culture.

Workforce Data

As of December 31, 2022, the Company had approximately 6,500 employees. For 2022, the Company's employee turnover rate, which the Company defines as the ratio of the number of separated employees to the 12-month average headcount during 2022, was 12.3%, down from 13.1% in 2021. American Water seeks to reduce regrettable employee turnover by assessing the effectiveness of weCARE and through its efforts to foster the Company's employee experience.

As of December 31, 2022, approximately 47% of the Company's workforce was represented by unions, which include 75 collective bargaining agreements with 14 different unions. In 2022, the Company entered into three new collective bargaining agreements that cover approximately 215 employees, and renegotiated all 21 collective bargaining agreements that were set to expire during the year. During 2023, 18 of the Company's collective bargaining agreements will expire in accordance with their terms and the Company expects to be able to negotiate these agreements during the year. In addition, on November 30, 2022, a five-year extension of the Company's national benefits agreement was ratified through July 31, 2028. This agreement covers approximately 3,000 of the Company's union-represented employees and their families and provides them with healthcare and other benefits. The Company also collaborates with union leadership on topics such as safety, customer, technology and employee benefits in forums such as the Joint Healthcare Committee, National Labor Management Committee and the annual Labor Management Conference.

Board Oversight

The Executive Development and Compensation Committee (ED&CC) of the Board of Directors establishes and reviews the Company’s overall compensation philosophy and oversees the compensation and benefits plans and programs for its executive officers. The ED&CC oversees the process of planning for executive officer succession. It also provides oversight of the Company’s inclusion, diversity and equity programs and initiatives. Further, the ED&CC is responsible for reviewing and assessing, at least annually, the Company’s culture and related culture engagement, its organizational and leadership development plans and programs, and its programs designed to identify, attract and retain high-potential employees.

Information About Our Executive Officers

Presented in the table below are the name, age, offices held and business experience for each of the Company’s executive officers, as of February 15, 2023:

Name	Age	Office and Experience
M. Susan Hardwick	60	President and Chief Executive Officer. Ms. Hardwick has served as President and Chief Executive Officer of the Company since February 2, 2022. She joined the Company in June 2019 as the Company’s Executive Vice President—Finance and served as the Company’s Chief Financial Officer from July 2019 until May 16, 2022. From December 7, 2021 until January 31, 2022, Ms. Hardwick also served as Interim Chief Executive Officer. Prior to joining the Company, Ms. Hardwick served as the Executive Vice President and Chief Financial Officer of Vectren Corporation, which was sold to CenterPoint Energy, Inc., an electric and natural gas utility, on February 1, 2019. Ms. Hardwick joined Vectren Corporation in January 2000 and served in a variety of positions, including: Vice President, Controller and Assistant Treasurer; Senior Vice President, Finance; Senior Vice President, Chief Financial Officer; and Executive Vice President and Chief Financial Officer. Prior to joining Vectren, Ms. Hardwick was Assistant Corporate Comptroller at Cinergy Corp. She began her career with Arthur Andersen & Co. Ms. Hardwick is a Certified Public Accountant. Since September 2020, Ms. Hardwick has served on the Board of Directors of New Jersey Resources Corporation, a diversified energy services company, where she is currently serving a three-year term expiring in 2024, and since January 1, 2021, she has served as a member of its Audit Committee.
James H. Gallegos	62	Executive Vice President and General Counsel. Mr. Gallegos joined the Company on April 1, 2022 as its Executive Vice President and General Counsel. Prior to joining the Company, since February 2020, Mr. Gallegos served as the Executive Vice President, General Counsel and Corporate Secretary of Alliant Energy Corporation, a regulated, investor-owned public utility holding company, and its two utility subsidiaries (collectively, “Alliant Energy”). From February 2015 to February 2020, Mr. Gallegos served as Senior Vice President, General Counsel and Corporate Secretary of Alliant Energy. Prior to that, Mr. Gallegos served in various positions with U S WEST, Inc., which merged with Qwest Communications International Inc. in 2000.

Name	Age	Office and Experience
John C. Griffith	56	Executive Vice President and Chief Financial Officer. Mr. Griffith joined the Company on May 16, 2022 as its Executive Vice President and Chief Financial Officer. Prior to joining the Company, since 2014, Mr. Griffith served as Managing Director, Mergers and Acquisitions, for Bank of America Securities' Global Regulated Utilities and Renewable Energy practice. Prior to joining Bank of America Securities, from 2008 to 2014, Mr. Griffith served as the Chief Executive Officer of HighWave Energy, a renewable fuels start-up company, and from 1995 to 2008, he served in various capacities of increasing responsibility with Merrill Lynch & Co.
Melanie M. Kennedy	49	Executive Vice President, Chief Human Resources Officer. Ms. Kennedy has served as the Company's Executive Vice President, Chief Human Resources Officer since December 2021, and as Senior Vice President, Chief Human Resources Officer from December 2020 to December 2021. Prior to that, she served as the Company's Senior Vice President, Human Resources from March 2017 to December 2020. From August 2014 through February 2017, Ms. Kennedy served as the Company's Vice President, Human Resources, and from August 2012 to August 2014, she served as Director, Human Resources in the Company's Northeast Division. Ms. Kennedy initially joined the Company in 2007, and before that time, she practiced law for nine years.
Cheryl Norton	58	Executive Vice President and Chief Operating Officer. Ms. Norton has over 30 years of employment with the Company serving in various roles, including operational leadership, environmental stewardship, laboratory management and research. She has been serving as the Company's Executive Vice President and Chief Operating Officer since March 2021 and served as its Senior Vice President, Chief Environmental Officer from March 2020 to March 2021. She was also the Company's Senior Vice President, Eastern Division and President of its New Jersey subsidiary from March 2019 to March 2021. Prior to that, Ms. Norton served as President of the Company's Missouri subsidiary from November 2015 to March 2019, and President of its Kentucky subsidiary from January 2011 until November 2015. In addition, Ms. Norton also serves as a member of the Board of Directors of the Water Research Foundation.

Each executive officer is elected annually by the Board of Directors and serves until their respective successor has been elected and qualified or their earlier death, resignation or removal.

Available Information

The Company is subject to the reporting requirements of the Exchange Act. The Company files or furnishes annual, quarterly and current reports, proxy statements and other information with the SEC. Readers may obtain a copy of the Company's Annual Reports on Form 10-K, its Quarterly Reports on Form 10-Q or its Current Reports on Form 8-K, or any amendments to them, that are filed with or furnished to the SEC, free of charge, from the Investor Relations section of the Company's website, <https://ir.amwater.com>, as soon as reasonably practicable after the Company files or furnishes the information to the SEC.

The Company maintains a website at <https://amwater.com>. Information contained on the Company's website, including its Sustainability Report, its Inclusion, Diversity & Equity Annual Report, and other reports or documents, including the information and data on the Company's diversity website <https://Diversityataw.com>, shall not be deemed incorporated into, or to be a part of, this report, and any website references included herein are not intended to be made through active hyperlinks. The Company recognizes its website as a key channel of distribution to reach public investors and as a means of disclosing information to comply with SEC Regulation FD.

The American Water corporate governance guidelines and the charters for each of the standing committees of the Board of Directors, together with the American Water Code of Ethics and additional information regarding the Company's corporate governance, are available on its Investor Relations website, <https://ir.amwater.com>, and will be made available, without charge, in print to any shareholder who requests such documents from its Investor Relations Department, American Water Works Company, Inc., 1 Water Street, Camden, NJ, 08102.

ITEM 1A. RISK FACTORS

We operate in a market and regulatory environment that involves significant risks, many of which are beyond our control. In addition to the other information included or incorporated by reference in this Annual Report on Form 10-K, the following material factors should be considered in evaluating our business and future prospects. Any of the following risks, either alone or taken together, could materially and adversely affect our business, financial position, results of operations, cash flows and liquidity.

Risks Related to Our Industry and Business Operations

Our Regulated Businesses are subject to extensive regulation by state PUCs and other regulatory agencies, which significantly affects our business, financial condition, results of operations and cash flows. Our Regulated Businesses also may be subject to fines, penalties and other sanctions for an inability to meet these regulatory requirements.

Our Regulated Businesses provide water and wastewater services to our customers through subsidiaries that are subject to regulation by state PUCs. This regulation affects the rates we charge our customers and has a significant impact on our business and operations. Generally, the state PUCs authorize us to charge rates that they determine are sufficient to recover our prudently incurred operating expenses, including, but not limited to, operating and maintenance costs, depreciation, financing costs and taxes, and provide us with the opportunity to earn an appropriate rate of return on invested capital.

Our ability to successfully implement our business plan and strategy depends on the rates authorized by the various state PUCs. We periodically file rate increase applications with state PUCs. The ensuing administrative process may be lengthy and costly. Our rate increase requests may or may not be approved, or may be partially approved, and any approval may not occur in a timely manner. Moreover, a PUC may not approve a rate request in an amount that is sufficient to:

- cover our cost of operations, including: purchased water; chemicals; and fuel, power and other commodities used in our operations;
- cover our operational labor and labor-related expenses, including without limitation costs and expenses associated with our pension and other post-employment benefits;
- enable us to recover our investment; and
- provide us with an opportunity to earn an appropriate rate of return on our investment.

Approval by the PUCs is also required in connection with other aspects of our Regulated Businesses, which are required to have numerous permits, approvals and certificates from the PUCs that regulate their businesses and authorize acquisitions, dispositions, debt and/or equity financing, and, in certain cases, affiliated transactions. Some state PUCs are empowered to impose financial penalties, fines and other sanctions for non-compliance with applicable rules and regulations. Although we believe that each utility subsidiary has obtained or sought renewal of the material permits, approvals and certificates necessary for its existing operations, we are unable to predict the impact that future regulatory activities may have on our business.

In any of these cases, our business, financial condition, results of operations, cash flows and liquidity may be adversely affected. Even if the rates approved are sufficient, we face the risk that we will not achieve the rates of return on our invested capital to the extent permitted by state PUCs. This could occur if certain conditions exist, including, but not limited to, (i) water usage is less than the level anticipated in establishing rates, (ii) customers increase their conservation efforts, (iii) we experience unusual or emergent situations, events or conditions (including with respect to the COVID-19 pandemic), or (iv) our investments or expenses prove to be higher than the levels estimated in establishing rates. It may be difficult to predict the outcome or impact of these events on us or the actions that may be taken by the PUCs or other governmental authorities in response thereto.

Our operations and the quality of water we supply are subject to extensive and increasingly stringent environmental, water quality and health and safety laws and regulations, including with respect to contaminants of emerging concern, compliance with which could impact both our operating costs and capital expenditures, and violations of which could subject us to substantial liabilities and costs, as well as damage to our reputation.

Our water and wastewater operations are subject to extensive federal, state and local laws and regulations. These requirements include, among others, CERCLA, the Clean Water Act, the Safe Drinking Water Act, the LCRR and other federal and state requirements. For example, state PUCs and environmental regulators set conditions and standards for the water and wastewater services we deliver. If we deliver water or wastewater services to our customers that do not comply with regulatory standards, or otherwise violate environmental laws, regulations or permits, or other health and safety and water quality regulations, we could incur substantial fines, penalties or other sanctions or costs, as well as damage to our reputation. In the most serious cases, regulators could reduce requested rate increases or force us to discontinue operations and sell our operating assets to another utility or to a municipality. Given the nature of our business which, in part, involves providing water service for human consumption, any potential non-compliance with, or violation of, environmental, water quality and health and safety laws or regulations would likely pose a more significant risk to us than to a company not similarly involved in the water and wastewater industry.

In addition, CERCLA authorizes the EPA to issue orders and bring enforcement actions to compel responsible parties to investigate and take remedial actions with respect to actual or threatened releases of hazardous substances, and can impose joint and several liability, without regard to fault, on responsible parties for the costs thereof. We are also required to obtain various environmental permits from regulatory agencies for our operations.

We incur substantial operating and capital costs on an ongoing basis to comply with environmental, water quality and health and safety laws and regulations. These laws and regulations and their enforcement, have become more stringent over time, and new or stricter requirements could increase our costs. Although we may seek to recover ongoing compliance costs in our Regulated Businesses through customer rates, there can be no guarantee that the various state PUCs or similar regulatory bodies that govern our Regulated Businesses would approve rate increases that would enable us to recover such costs or that such costs will not materially and adversely affect our financial condition, results of operations, cash flows and liquidity.

We may also incur liabilities if, under environmental laws and regulations, we are required to investigate and clean up environmental contamination, including potential releases of hazardous chemicals, such as chlorine, which we use to treat water, or at off-site locations where we have disposed of residual waste or caused an adverse environmental impact. The discovery of previously unknown conditions, or the imposition of cleanup obligations in the future, could result in significant costs and could adversely affect our financial condition, results of operations, cash flows and liquidity. Such remediation costs may not be covered by insurance and may make it difficult for us to secure insurance at acceptable rates in the future.

Attention is being given to contaminants of emerging concern, including, without limitation, chemicals and other substances that currently do not have any regulatory standard in drinking water or have been recently created or discovered (including by means of scientific achievements in the analysis and detection of trace amounts of substances). Examples of sources of contaminants include, but are not limited to, newly created chemical compounds (including, for example, manufactured nanomaterials); human and veterinary products; perfluorinated and polyfluorinated compounds; bacteria, microbes, viruses (including COVID-19), amoebae and other pathogens; and residual by-products of disinfection. We rely upon governmental agencies to set appropriate regulatory standards to protect the public from these and other contaminants, and our role is to provide service that meets these standards, if any. In some of our states, PUCs may disapprove of cost recovery, in whole or in part, for implementation of treatment infrastructure for a contaminant in the absence of a regulatory standard. Furthermore, given the rapid pace at which these contaminants are being created and/or discovered, we may not

be able to detect and/or mitigate all such substances in our drinking water system or supplies, which could have a material adverse impact on our financial condition, results of operations and reputation. In addition, we believe these contaminants may form the basis for additional or increased federal or state regulatory initiatives and requirements in the future, which could significantly increase the cost of our operations.

Limitations on availability of water supplies or restrictions on our use of water supplies because of government regulation or action may adversely affect our access to sources of water, our ability to supply water to customers or the demand for our water services.

Our ability to meet the existing and future demand of our customers depends on the availability of an adequate supply of water. As a general rule, sources of public water supply, including rivers, lakes, streams, groundwater aquifers and recycled water sources, are held in the public trust and are not generally owned by private interests. As a result, we typically do not own the source water that we use in our operations, and the availability of our water supply is established through allocation rights (determined by legislation or court decisions) and passing-flow requirements set by governmental entities or by entering into water purchase agreements. These requirements, which can change from time to time, and vary by state or region, may adversely impact our water supply. Supply issues, such as drought, overuse of sources of water, the protection of threatened species or habitats, contamination or other factors may limit the availability of ground and surface water. If we are unable to secure available or alternative sources of water, our business, financial condition, results of operations and cash flows could be adversely affected.

For example, in our Monterey County, California operations, we are seeking to augment our sources of water supply, principally to comply with the cease and desist orders issued by the SWRCB in July 1995 and October 2009 (the “1995 Order,” the “2009 Order” and, as amended in July 2016, the “2016 Order” and, collectively, the “Orders”) that require Cal Am to significantly decrease its diversions from the Carmel River in accordance with a reduction schedule that terminated on December 31, 2021. See Item 3—Legal Proceedings—Alternative Water Supply in Lieu of Carmel River Diversions, which includes additional information regarding this matter. We are also required to augment our Monterey County sources of water supply to comply with the requirements of the Endangered Species Act. For 2022, Cal Am complied with the diversion limitations contained in the 2016 Order, but continued compliance with these limitations in 2023 and future years may be impacted by a number of factors, including without limitation continued drought conditions in California and the exhaustion of water supply reserves, and will require successful development of alternate water supply sources sufficient to meet customer demand. While the Company cannot currently predict the likelihood or result of any adverse outcome associated with these matters, further attempts to comply with the Orders may result in material additional costs or obligations, including fines and penalties against Cal Am in the event of noncompliance with the Orders, which could have a material adverse effect upon us and our business, results of operations and cash flows.

Service disruptions caused by severe weather conditions, climate variability patterns or natural or other disasters may disrupt our operations or reduce the demand for our water services, which could adversely affect our financial condition, results of operations, cash flows and liquidity.

Service interruptions due to severe weather, climate variability patterns and natural or other events are possible across all our businesses. These include, among other things, storms, freezing conditions, high wind conditions, hurricanes, tornadoes, earthquakes, landslides, drought, wildfires, coastal and intercoastal floods or high water conditions, including those in or near designated flood plains, pandemics (including COVID-19) and epidemics, severe electrical storms, sinkholes and solar flares. Weather and other natural events such as these may affect the condition or operability of our facilities, limiting or preventing us from delivering water or wastewater services to our customers, or requiring us to make substantial capital expenditures to repair any damage. Tariffs in place or cost recovery proceedings with respect to our Regulated Businesses may not provide reimbursement to us, in whole or in part, for any of these impacts.

Government restrictions on water use may also result in decreased use of water services, even if our water supplies are sufficient to serve our customers, which may adversely affect our financial condition, results of operations and cash flows. Seasonal and other drought conditions, including, for example, those currently being experienced in California, that may impact our water services are possible across all of our service areas. Governmental restrictions imposed in response to a drought may apply to all systems within a region independent of the supply adequacy of any individual system. Responses may range from voluntary to mandatory water use restrictions, rationing restrictions, water conservation regulations, and requirements to minimize water system leaks. While expenses incurred in implementing water conservation and rationing plans may generally be recoverable provided the relevant PUC determines they were reasonable and prudent, we cannot be certain that any such expenses incurred will, in fact, be fully recovered. Moreover, reductions in water consumption, including those resulting from installation of equipment or changed consumer behavior, may persist even after a drought has ended and restrictions are lifted, which could adversely affect our business, financial condition, results of operations and cash flows.

Climate variability may cause increased volatility in weather and may impact water usage and related revenue or require additional expenditures, all of which may not be fully recoverable in rates or otherwise.

The issue of climate variability is receiving increasing attention nationally and worldwide. There is consensus among climate scientists that there will be worsening of weather volatility in the future associated with climate variability. Many climate variability predictions present several potential challenges to water and wastewater utilities, including us, such as:

- increased frequency and duration of droughts;
- increased precipitation and flooding;
- increased frequency and severity of storms and other weather events;
- challenges associated with changes in temperature or increases in ocean levels;
- potential degradation of water quality;
- decreases in available water supply and changes in water usage patterns;
- increases in disruptions in service;
- increased costs to repair damaged facilities; or
- increased costs to reduce risks associated with the increasing frequency and severity of natural events, including to improve the resiliency and reliability of our water and wastewater treatment and conveyance facilities and systems.

Because of the uncertainty of weather volatility related to climate variability, we cannot predict its potential impact on our business, financial condition, results of operations, cash flows and liquidity. Furthermore, laws and regulations have been enacted or proposed that seek to reduce or limit greenhouse gas emissions and require or would require additional reporting and monitoring, and these regulations may become more pervasive or stringent in light of changing governmental agendas and priorities, although the exact nature and timing of these changes is uncertain. Although some or all potential expenditures and costs associated with the impact of climate variability and related laws and regulations on our Regulated Businesses could be recovered through rates, infrastructure replacement surcharges or other regulatory mechanisms, there can be no assurance that state PUCs would authorize rate increases to enable us to recover such expenditures and costs, in whole or in part.

The current regulatory rate setting process may result in a significant delay, also known as “regulatory lag,” from the time that we invest in infrastructure improvements, incur increased operating expenses as a result of inflation or other factors, incur increased cost of capital, including as a result of increasing short- and long-term rates, or experience declining water usage, to the time at which we can seek to address these events in rate case applications; our inability to mitigate or minimize regulatory lag could adversely affect our business.

There is typically a delay, known as “regulatory lag,” between the time our Regulated Businesses make a capital investment or incur an operating expense increase and the time when those costs are reflected in rates. In addition, billings permitted by state PUCs typically are, to a considerable extent, based on the volume of water usage in addition to a minimum base rate. Thus, we may experience regulatory lag between the time our revenues are affected by declining usage and the time we are able to adjust the rate per gallon of usage to address declining usage. Our inability to mitigate or reduce regulatory lag could have an adverse effect on our financial condition, results of operations, cash flows and liquidity.

We endeavor to mitigate or reduce regulatory lag by pursuing constructive regulatory practices. For example, two of our states have approved revenue stability mechanisms that adjust rates periodically to ensure that a utility’s revenue will be sufficient to cover its costs regardless of sales volume, including recognition of declining sales resulting from reduced consumption, while providing an incentive for customers to use water more efficiently. In addition, 10 of our state PUCs permit rates to be adjusted outside of the general rate case application process through surcharges that address certain capital investments, such as replacement of aging infrastructure. These surcharges are adjusted periodically based on factors such as project completion or future budgeted expenditures, and specific surcharges are eliminated once the related capital investment is incorporated in new PUC approved rates. Furthermore, in setting rates, nine of our state PUCs allow us to use future test years, which extend beyond the date a rate request is filed to allow for current or projected revenues, expenses and investments to be reflected in rates on a more timely basis. Other examples of such regulatory practices include expense mechanisms that allow us to increase rates for certain cost increases that are beyond our control, such as purchased water costs, property or other taxes, or power, conservation, chemical or other expenditures. These mechanisms enable us to adjust rates in less time after costs have been incurred than would be the case under a general rate case application process without the mechanisms.

While these mechanisms have mitigated or reduced regulatory lag in several of our regulated states, we continue to seek approval of regulatory practices to mitigate or reduce regulatory lag in those jurisdictions that have not approved them. Furthermore, PUCs may fail to adopt new surcharges and existing mechanisms may not continue in their current form, or at all, or we may be unable or become ineligible to continue to utilize certain of these mechanisms in the future. Although we intend to continue our efforts to seek state PUC approval of constructive regulatory practices to mitigate or reduce regulatory lag, our efforts may not be successful, or even if partially successful, our business, financial condition, results of operations, cash flows and liquidity may be materially and adversely affected.

Changes in laws and regulations can significantly and materially affect our business, financial condition, results of operations, cash flows and liquidity.

The impact of any future revisions or changes in interpretations of existing regulations or the adoption of new laws and regulations applicable to our Regulated Businesses is uncertain. Changes in laws or regulations, the imposition of additional laws and regulations, changes in enforcement practices of regulators, government policies or court decisions can materially affect our operations, results of operations and cash flows. Certain of the individuals who serve as regulators are elected or political appointees. Therefore, elections which result in a change of political administration or new appointments may also result in changes of the individuals who serve as regulators and changes in the policies of the regulatory agencies that they serve. New laws or regulations, new interpretations of existing laws or regulations, changes in agency policy, including those made in response to shifts in public opinion, or conditions imposed during the regulatory hearing process could have the following consequences, among others:

- making it more difficult for us to increase our rates and, as a consequence, to recover our costs or earn our expected rates of return;

- changing the determination of the costs, or the amount of costs, that would be considered recoverable in rate cases and other regulatory proceedings;
- restricting our ability to terminate our services to customers who owe us money for services previously provided or limiting our bill collection efforts;
- requiring us to provide water or wastewater services at reduced rates to certain customers;
- limiting or restricting our ability to acquire water or wastewater systems, purchase or dispose of assets, or issue long-term debt or equity, or making it less cost-effective for us to do so;
- negatively impacting, among other things: (i) tax rates or positions or the deductibility of expenses under federal or state tax laws, (ii) the availability or amount of, or our ability to comply with the terms and conditions of, tax credits or tax abatement benefit, (iii) the amount of taxes owed, (iv) the timing of tax effects on rates or (v) the ability to utilize our net operating loss carryforwards;
- changing regulations that affect the benefits we expected to receive when we began offering services in a particular area;
- increasing the associated costs of, or difficulty complying with, environmental, health, safety, consumer privacy, water quality, and water quality accountability laws and regulations to which our operations are subject;
- changing or placing additional limitations on change in control requirements relating to any concentration of ownership of our common stock;
- making it easier for governmental entities to convert our assets to public ownership via condemnation, eminent domain or other similar process, or for governmental agencies or private plaintiffs to assess liability against us for damages under these or similar processes;
- increasing the costs or difficulty of complying with proposed changes to federal contractor affirmative action audits;
- placing limitations, prohibitions or other requirements with respect to the sharing of information and participation in transactions by or between a regulated subsidiary and us or our other affiliates, including Service Company and any of our other subsidiaries;
- restricting or prohibiting our extraction of water from rivers, streams, reservoirs or aquifers; and
- revoking or altering the terms of a CPCN issued to us by a state PUC or other governmental authority.

Regulatory and environmental risks associated with the collection, treatment and disposal of wastewater may impose significant costs and liabilities.

The wastewater collection, treatment and disposal operations of our subsidiaries are subject to substantial regulation and involve environmental risks. If collection, treatment or disposal systems fail, overflow, or do not operate properly, untreated or inadequately treated wastewater or other contaminants could spill onto nearby properties or into nearby streams and rivers, causing damage to persons or property, injury to aquatic life and economic damages. This risk is most acute during periods of substantial rainfall or flooding, which are the main causes of sewer overflow and system failure. Liabilities resulting from such damage could adversely and materially affect our business, financial condition, results of operations and cash flows. Certain of our wastewater systems have commercial and industrial customers that are subject to specific limitations on the type, character and strength of the wastewater they are permitted to discharge into our systems. The failure by these commercial and industrial customers to comply with their respective discharge requirements could, in turn, negatively impact our operations, damage our facilities or cause us to exceed applicable discharge limitations and requirements. Liabilities resulting from such exceedance events could adversely and materially affect our business, financial condition, results of operations and cash flows.

A loss of one or more large industrial or commercial customers could have a material adverse impact upon the results of operations of one or more of our Regulated Businesses.

Adverse economic conditions may cause our customers, particularly industrial and large commercial customers, to curtail operations. A curtailment of operations by such a customer typically results in reduced water usage by that customer. In more severe circumstances, the decline in usage could be permanent. Any decrease in demand resulting from difficult economic conditions affecting these customers could adversely affect our financial condition and results of operations. Tariffs in place with respect to our Regulated Businesses may not reimburse us, in whole or in part, for any of these impacts.

Our Regulated Businesses require significant capital expenditures and may suffer if we fail to secure appropriate funding to make investments, experience increases in short- and long-term interest rates or if we experience delays in completing major capital expenditure projects.

The water and wastewater utility business is capital intensive. We invest significant amounts of capital to add, replace and maintain property, plant and equipment, and to improve aging infrastructure. In 2022, we invested \$2.3 billion in net Company-funded capital improvements. The level of capital expenditures necessary to maintain the integrity of our systems will continue into the future and, we believe, will increase. We expect to fund capital improvement projects using cash generated from operations (including, among other things, a portion of the net proceeds from the sale of HOS) borrowings under our revolving credit facility and commercial paper programs and issuances of long-term debt and equity. We may not be able to access our revolving credit facility or the commercial paper, long-term debt and equity capital markets, when necessary or desirable to fund capital improvements on favorable terms or at all. If we are not able to obtain sufficient financing, we may be unable to maintain our existing property, plant and equipment, fund our capital investment strategies or expand our rate base to enable us to meet our growth targets. Even with adequate financial resources to make required capital expenditures, we face the additional risk that we will not complete our major capital projects on time, as a result of supply chain interruptions, construction delays, permitting delays, labor shortages or other disruptions, environmental restrictions, legal and regulatory challenges, or other obstacles. Each of these outcomes could adversely affect our business, financial condition, results of operations and cash flows.

Aging infrastructure may lead to service disruptions, property damage and increased capital expenditures and O&M expenses and other costs, all of which could negatively impact our financial results.

We have risks associated with aging infrastructure, including water and sewer mains, pumping stations and water and wastewater treatment facilities. Additionally, we may have limited information regarding buried and newly acquired assets, which could challenge our ability to conduct efficient asset management and maintenance practices. Assets that have aged beyond their expected useful lives may experience a higher rate of failure. Failure of aging infrastructure could result in increased capital expenditures and O&M expenses and other costs, and negatively impact our future O&M efficiency ratio. In addition, failure of aging infrastructure may result in property damage, and in safety, environmental and public health impacts. To the extent that any increased costs or expenditures are not fully recovered in rates, our results of operations, liquidity and cash flows could be negatively impacted.

Seasonality could adversely affect the volume of water sold and our revenues.

The volume of water we sell during the warmer months, typically in the summer, is generally greater than during other months, due primarily to increased water usage for irrigation systems, swimming pools, cooling systems and other applications. Throughout the year, and particularly during typically warmer months, the volume of water sold tends to vary with temperature, rainfall levels and rainfall frequency. In the event that temperatures during the typically warmer months are cooler than normal, or if there is more rainfall than normal, the amount of water we sell may decrease and adversely affect our revenues.

Two of our jurisdictions, California and Illinois, currently have revenue stability mechanisms that permit us to recover the revenues authorized in a general rate case, regardless of sales volume. Revenue stability

mechanisms are designed to recognize declining sales resulting from reduced consumption, while providing an incentive for customers to use water more efficiently. In those jurisdictions that have not adopted a revenue stability mechanism, our operating results could continue to be affected by seasonality.

Contamination of water supplies or our water service provided to our customers could result in service limitations and interruptions and exposure to substances not typically found in potable water supplies, and could subject us and our subsidiaries to reductions in usage and other responsive obligations, government enforcement actions, damage to our reputation and private litigation.

The water supplies that flow into our treatment plants or are delivered through our distribution system, or the water service that is provided to our customers, may be subject to contamination, including, among other items, contamination from naturally-occurring compounds, chemicals in groundwater systems, pollution resulting from manufactured sources (such as perchlorate, perfluorinated and polyfluorinated compounds, methyl tertiary butyl ether, 1,4-dioxane, lead and other materials, or chemical spills or other incidents that result in contaminants entering the water source), and possible terrorist attacks or other similar incidents. In addition, new categories of contaminants continue to emerge in the water industry. If one of our water supplies or the water service provided to our customers is contaminated, depending on the nature of the contamination, we may have to take responsive actions that could include, among other things (1) limiting use of the water supply under a “Do Not Use” protective order that enables continuation of basic sanitation and essential fire protection, or (2) interrupting the use of that water supply, in whole or in part, potentially impacting basic sanitation and fire protection needs. If service is disrupted, our financial condition, results of operations, cash flows, liquidity and reputation may be adversely affected. In addition, we may incur significant costs in order to treat the contaminated source through the expansion of our current treatment facilities or the development of new sources of supply or new treatment methods. We may be unable to recover costs associated with treating or decontaminating water supplies through insurance, customer rates, tariffs or contract terms, and any recovery of these costs that we are able to obtain through regulatory proceedings or otherwise may not occur in a timely manner. Moreover, we could be subject to claims for damages arising from government enforcement actions or toxic tort or other lawsuits arising out of an interruption of service or human exposure to hazardous substances in our drinking water and water supplies. See Item 3—Legal Proceedings for information on certain pending lawsuits related to interruptions of water service.

Since we are engaged in the business of providing water service to our customers, contamination of the water supply, or the water service provided to our customers, could result in substantial injury or damage to our customers, employees or others and we could be exposed to substantial claims and litigation. Such claims could relate to, among other things, personal injury, loss of life, business interruption, property damage, pollution, and environmental damage and may be brought by our customers or third parties. Litigation and regulatory proceedings are subject to inherent uncertainties and unfavorable rulings can and do occur. We may not be protected from these claims or negative impacts of these claims in whole or in part by tariffs or other contract terms. Negative impacts to our reputation may occur even if we are not liable for any contamination or other environmental damage or the consequences arising out of human exposure to contamination or hazardous substances within the water supply or distributed finished drinking water. In addition, insurance coverage may not cover all or a portion of these losses, and are subject to deductibles and other limitations. Pending or future claims against us could have a material adverse impact on our business, financial condition, results of operations and cash flows.

We are subject to adverse publicity and reputational risks, which make us vulnerable to negative customer perception and could lead to increased regulatory oversight or sanctions.

Our business and operations have a large direct and indirect customer base and, as a result, we are exposed to public criticism regarding, among other things, the reliability of water service, wastewater and related or ancillary services, the quality of water provided, and the amount, timeliness, content, accuracy and format of bills that are provided for such services. Adverse publicity and negative consumer sentiment arising out of our

operations may render legislatures and other governing bodies, state PUCs and other regulatory authorities, and government officials less likely to view us in a favorable light, and may cause us to be susceptible to less favorable legislative, regulatory and economic outcomes, as well as increased regulatory or other oversight and more stringent regulatory or economic requirements. Unfavorable regulatory and economic outcomes may include the enactment of more stringent laws and regulations governing our operations and less favorable economic terms in our agreements related to MSG, as well as fines, penalties or other sanctions or requirements. The imposition of any of the foregoing could have a material negative impact on us and our financial condition, results of operations and cash flows.

The failure of, or the requirement to repair, upgrade or dismantle, any of our dams may adversely affect our financial condition, results of operations, cash flows and liquidity.

The properties of our Regulated Businesses segment include 73 dams, the majority of which are earthen dams. The failure of any of these dams could result in personal injury and property damage, including without limitation downstream property damage, for which we may be liable. The failure of a dam would also adversely affect our ability to supply water in sufficient quantities to our customers and could adversely affect our financial condition and results of operations. Any losses or liabilities incurred due to a failure of one of our dams might not be covered by insurance policies or be recoverable in rates, and such losses may make it difficult for us to secure insurance at acceptable rates in the future.

We also are required from time to time to decommission, repair or upgrade the dams that we own. The cost of such repairs or upgrades can be and has been material. The federal and state agencies that regulate our operations may adopt rules and regulations requiring us to dismantle our dams, which also could entail material costs. Although in most cases the PUC has permitted recovery of expenses and capital investment related to dam rehabilitation, we might not be able to recover costs of repairs, upgrades or dismantling through rates in the future. The inability to recover these costs or delayed recovery of the costs as a result of regulatory lag can affect our financial condition, results of operations, cash flows and liquidity.

Any failure of our network of water and wastewater pipes, water mains and water reservoirs could result in losses and damages that may affect our financial condition and reputation.

Our operating subsidiaries distribute water and collect wastewater through an extensive network of pipes, water mains and storage systems located across the United States. A failure of major pipes, mains or reservoirs could result in injuries, property and other damage for which we may be liable. The failure of major pipes, mains and reservoirs may also result in the need to shut down some facilities or parts of our network in order to conduct repairs. Such failures and shutdowns may limit our ability to supply water in sufficient quantities to our customers and to meet the water and wastewater delivery requirements prescribed by government regulators, including state PUCs with jurisdiction over our operations, and adversely affect our financial condition, results of operations, cash flows, liquidity and reputation. Any business interruption or other losses might not be covered by insurance policies or be recoverable in rates, and such losses may make it difficult for us to secure insurance at acceptable rates in the future. Moreover, to the extent such business interruptions or other losses are not covered by insurance, they may not be recovered through rate adjustments.

An important part of our growth strategy is the acquisition of water and wastewater systems, which involves risks, including competition for acquisition opportunities from other regulated utilities, governmental entities and other buyers, which may hinder or limit our ability to grow our business.

An important element of our growth strategy is the acquisition and optimization of water and wastewater systems in order to broaden our current, and move into new, service areas. We may not be able to acquire other systems or businesses if we cannot identify suitable acquisition opportunities or reach mutually agreeable terms with acquisition candidates, and whether or not any particular acquisition is successfully completed, these activities are expensive and time consuming and are subject to the availability of capital and personnel resources to complete such acquisitions.

Further, competition for acquisition opportunities from other regulated utilities, governmental entities and other strategic and financial buyers may hinder our ability to expand our business. As consolidation activity increases in the water and wastewater industries and competition for acquisitions continues to increase, the prices for suitable acquisition candidates may increase and limit our ability to expand through acquisitions.

The negotiation and execution of potential acquisitions as well as the integration of acquired systems or businesses with our existing operations could require us to incur significant costs, cause diversion of our management's time and resources and have a material adverse impact on our results of operations. Future acquisitions by us could result in, among other things:

- unanticipated capital expenditures;
- unanticipated acquisition-related expenses;
- incurrence or assumption of debt, contingent liabilities and environmental liabilities and obligations, including liabilities that were unknown or undisclosed at the time of acquisition;
- failure to recover acquisition adjustments or premiums due to unfavorable decisions by PUCs and other governmental authorities;
- failure to maintain effective internal control over financial reporting;
- recording goodwill and other intangible assets at values that ultimately may be subject to impairment charges;
- fluctuations in quarterly and/or annual results;
- failure to realize anticipated benefits and synergies, such as cost savings and revenue enhancements; and
- difficulties in integrating or assimilating acquired systems' operations, personnel, benefits, services and systems and water quality, cybersecurity and infrastructure protection measures.

Some or all of these items could have a material adverse effect on our business. The systems and businesses we acquire in the future may not achieve anticipated revenue, return on equity or profitability, or other perceived synergies, and any difficulties we encounter in the integration process could interfere with our operations, reduce our net income and profitability or adversely affect our internal control over financial reporting.

Our Regulated Businesses are subject to condemnation and other proceedings through eminent domain or other similar authorized process, which could materially and adversely affect their results of operations and financial condition.

Municipalities and other government subdivisions have historically been involved in the provision of water and wastewater services in the United States, and organized efforts may arise from time to time in one or more of the service areas in which our Regulated Businesses operate to convert our assets to public ownership and operation through exercise of the governmental power of eminent domain, or another similar authorized process. A municipality, other government subdivision or a citizen group may seek to acquire our assets through eminent domain or such other process, either directly or indirectly as a result of a citizen petition.

For example, in November 2018, Monterey, California ballot Measure J, which was added by a citizens group, was certified as having been approved by a public vote, requiring the MPWMD to conduct a study and submit a written plan concerning the feasibility of a potential purchase of the Monterey system assets without an additional public vote. The public vote led to the issuance by the MPWMD of (i) a preliminary report finding, among other things, that the acquisition of the Monterey system assets by the MPWMD would be economically feasible, and (ii) a final environmental impact report analyzing the environmental impacts of such an acquisition through the power of eminent domain. See Item 1—Business—Regulated Businesses—Condemnation and Eminent Domain and Item 3—Legal Proceedings—Proposed Acquisition of Monterey System Assets—Local Area Formation Commission Litigation, which includes additional information regarding these matters.

Furthermore, the law in certain jurisdictions in which our Regulated Businesses operate provides for eminent domain rights allowing private property owners to file a lawsuit to seek just compensation against a public utility, if the public utility's infrastructure has been determined to be a substantial cause of damage to that property. In these actions, the plaintiff would not have to prove that the public utility acted negligently. In California, lawsuits have been filed in connection with large-scale natural events such as wildfires. Some of these lawsuits have included allegations that infrastructure of certain utilities triggered the natural event that resulted in damage to the property. In some cases, the PUC has disallowed recovery in rates of losses incurred by these utilities as a result of such lawsuits.

Contesting an exercise of condemnation, eminent domain or other similar process, or responding to a citizen petition, may result in costly legal proceedings and may divert the attention of management. Moreover, our efforts to resist the condemnation, eminent domain or other process may not be successful, which may require us to sell the operations at issue in a condemnation proceeding or to pay a private property owner compensation for the property damage suffered. If a municipality or other government subdivision succeeds in acquiring the assets of one or more of our Regulated Businesses through eminent domain or other process, there is a risk that we will not receive adequate compensation for the business, that we will not be able to keep the compensation, or that we will not be able to divest the business without incurring significant charges. Any of these outcomes may have a material adverse effect on our business, results of operations, financial condition, cash flows and liquidity.

We may be subject to physical and cyber attacks.

As operators of critical infrastructure, we may face a heightened risk of physical and cyber attacks from internal or external sources. Our water and wastewater systems may be vulnerable to disability or failures as a result of physical or cyber attacks, acts of war or terrorism, vandalism or other causes. Our operational and technology systems throughout our businesses may be vulnerable to unauthorized external or internal access, due to hacking, viruses, acts of violence, war or terrorism, and other causes. Unauthorized access to confidential information located or stored on these systems could negatively and materially impact our reputation, customers, employees, suppliers and other third parties. Further, third parties, including vendors, suppliers and contractors, who perform certain services for us or administer and maintain our sensitive information, could also be targets of cyber attacks and unauthorized access to their operational or technology systems. While we have instituted safeguards to protect our operational and technology systems, those safeguards may not always be effective due to the evolving nature of cyber attacks and cyber vulnerabilities. We cannot guarantee that such protections will be completely successful in the event of a cyber attack.

If, despite our security measures, a significant physical attack or cyber breach occurred, our operations could be disrupted, property damaged, and customer and other confidential information lost or stolen; we could experience substantial loss of revenues, response costs and other financial loss; we could suffer a loss of management time, attention and resources from our regular business operations; we may be subject to increased regulatory requirements; and we may experience litigation and damage to our reputation, any of which could have a negative impact on our business, results of operations and cash flows. Experiencing a physical or cyber security incident could also cause us to be non-compliant with applicable laws and regulations or contracts that require us to report cybersecurity incidents or breaches or securely maintain confidential data, causing us to incur costs related to legal claims or proceedings and regulatory fines or penalties. These types of events, either impacting our facilities or the industry in general, could also cause us to incur additional security and insurance related costs. In addition, in the ordinary course of business, we collect and retain sensitive information, including personally identifiable information, about our customers and employees. In many cases, we outsource administration of certain functions to vendors that have been and will continue to be targets of cyber attacks. Any theft, loss or fraudulent use of customer, employee or proprietary data as a result of a cyber attack on us or a vendor could also subject us to significant litigation, liability and costs, as well as adversely impact our reputation with customers and regulators, among others.

We have obtained insurance to provide coverage for a portion of the losses and damages that may result from a physical attack, cyber attack or a security breach, but such insurance is subject to a number of exclusions

and may not cover the total loss or damage caused by an attack or a breach. Furthermore, the market for cybersecurity insurance is relatively new and coverage available for cybersecurity events will likely evolve as the industry matures. In the future, adequate insurance may not be available at rates that we believe are reasonable, and the costs of responding to and recovering from a physical attack, cyber attack or security breach incident may not be covered by insurance or recoverable in rates.

Our business is subject to complex and evolving federal, state and local laws and regulations regarding consumer privacy and the protection or transfer of data relating to individuals, which could result in, among other things, public disclosure of incidents, private or governmental claims or litigation against us, changes to our business practices, monetary penalties, reputational harm and increased cost of operations.

Laws and regulations are changing and increasing rapidly with respect to data and consumer privacy, security and protection. We are subject to an increasing number of complex and continually evolving data and consumer privacy, security and protection laws and regulations administered by various federal, state and local governments, including, for example, the California Consumer Privacy Act of 2018, together with its amendments and implementing regulations, the Virginia Consumer Data Protection Act and the Cyber Incident Reporting for Critical Infrastructure Act of 2022. New laws and regulations may require us to disclose incidents to authorities, regulators and/or the public, when we otherwise may not have been required to disclose such incidents under previous laws and regulations, and such disclosures could negatively and materially impact our reputation, customers, employees, suppliers and other third parties. Federal and state governments have also adopted or are proposing other limitations on, or requirements regarding, the collection, distribution, use, security and storage of personally identifiable information. In addition, the Federal Trade Commission and state attorneys general are applying federal and state consumer protection laws to impose standards on the collection, use and dissemination of data. Moreover, we expect that current laws, regulations and industry standards concerning privacy, data protection and information security in the United States will continue to evolve and increase, and we cannot determine the impact that compliance with such future laws, regulations or standards will have on us or on our business. Any failure or perceived failure by us to comply with current or future federal, state, or local data or consumer privacy or security laws, regulations, policies, guidance, industry standards, or legal obligations, or any incident resulting in unauthorized access to, or the acquisition, release, or transfer of, personally identifiable information or other data relating to our customers, employees and others, may result in private or governmental enforcement actions, litigation or other claims against us, fines and penalties, or adverse perception or publicity about us and our businesses, which could have a material adverse effect on our reputation and business and could result in us incurring substantial costs. These events could also require us to change our business practices, and the events or such changes may result in significant diversions of resources, distract management and divert the focus and attention of our security and technical personnel from other critical activities. Any of the foregoing consequences could have a material adverse effect on our business, financial condition, results of operations, cash flows and liquidity.

We may sustain losses that exceed or are excluded from our insurance coverage or for which we are self-insured.

We maintain insurance coverage, some of which may be self-insured, as part of our overall legal and risk management strategy to minimize potential liabilities arising from our Regulated Businesses, as well as the operations of MSG and CSG. Our insurance programs have varying coverage limits, exclusions and maximums, and insurance companies may seek to deny claims we might make. Generally, our insurance policies cover property damage, worker's compensation, employer's liability, general liability, cybersecurity, terrorism risks and automobile liability. Each policy includes deductibles or self-insured retentions and policy limits for covered claims. As a result, we may sustain losses that exceed or that are excluded from our insurance coverage, or for which we are self-insured and must therefore utilize our own financial resources to cover such losses. Although in the past we have been generally able to obtain insurance coverage related to our business, there can be no assurance that we can secure all necessary or appropriate insurance in the future, or that such insurance can be economically secured. For example, catastrophic events can result in decreased coverage limits, more limited coverage, increased premium costs or deductibles.

We rely on technology to facilitate the management of our business as well as our customer and supplier relationships, and a failure or disruption of implemented technology could materially and adversely affect our business.

Technology is an integral part of our business and operations, and any failure or disruption of the technology or related systems we implement could significantly limit our ability to manage and operate our business effectively and efficiently, which, in turn, could cause our business and competitive position to suffer and adversely affect our results of operations. We use technology systems to, among other things, bill customers, process orders, provide customer service, manage certain plant operations and construction projects, create and manage our financial records and other operational data, track assets, remotely monitor our plants and facilities, and manage human resources, supply chain, inventory, and accounts receivable collections. As a specific example, we depend on water meters to record and communicate the amount of water our customers use, which information in turn is used to generate customer bills, and in recent years, we have experienced greater than expected performance failures with certain water meters used in the Regulated Businesses. When failures occur, we work with meter manufacturers to determine and address the cause of such failures. While these and other failures that we have experienced have not to date had a material adverse effect on our operations, there can be no assurance that efforts to address performance failures or other issues we may experience with water meters or other implemented technology will be successful in the future and that these or future failures of water meters or other technological issues will not have a material adverse effect on us.

Although we do not believe that the technology we have implemented or may in the future implement is at a materially greater risk of failure than that used by other similar organizations, our technology and operations that use or rely on technology remain vulnerable to damage or interruption from, among other things: failure or interruption of the technology or its related systems; loss or failure of power, internet, telecommunications or data network systems; and operator error or improper operation by, the negligent or improper supervision of, or the intentional acts of, employees, contractors and other third parties. Any or all of these events could have a material adverse impact on our business, results of operations, financial condition and cash flows.

An inability to successfully develop and implement new technologies poses substantial risks to our business and operational excellence strategies, which could have a material adverse effect on our business and financial results.

A significant part of our long-term strategic plan focuses on safety, operational excellence, cost and expense efficiency (including O&M expense efficiency), water quality and affordability, asset and capital management and the customer experience. For example, we have made and plan to continue to make significant investments in developing, deploying, integrating and maintaining customer-facing technologies, applications to support field service and customer service operations, water source sensor and evaluation technologies, meter data management and analytics, and intelligent automation technologies. There can be no assurance that we will be successful in designing, developing, deploying, integrating or maintaining these new technologies. Because these efforts can be long-term in nature, these new technologies may be more costly or time-consuming than expected to design, develop, integrate and complete and may not ultimately deliver the expected or desired benefits upon completion. While we have and will continue to seek to recover costs and earn a return on capital expenditures with respect to the costs and expenses of development and deployment of these new technologies in our Regulated Businesses, there can be no assurance that we will be able to do so in every instance or at all, and our inability to do so may adversely affect our ability to achieve intended cost and expense, including O&M expense, efficiencies or other key performance results and, ultimately, could materially and adversely impact our business, financial condition, results of operations and cash flows.

Our inability to efficiently upgrade and improve our operational and technology systems, or implement new systems, could result in higher than expected costs or otherwise adversely impact our internal controls environment, operations and profitability.

Upgrades and improvements to computer systems and networks, or the implementation of new systems, may require substantial amounts of management's time and financial resources to complete, and may also result in system or network defects or operational errors due to multiple factors, including employees' ability to effectively use the new or upgraded system. We continue to implement technology to improve our business processes and customer interactions, and have installed new, and upgraded existing, technology systems. Any technical or other difficulties in upgrading and improving existing or implementing new technology systems may increase costs beyond those anticipated and have an adverse or disruptive effect on our operations and reporting processes, including our internal control over financial reporting. We may also experience difficulties integrating current systems with new or upgraded systems, which may impact our ability to serve our customers effectively or efficiently. Although we make efforts to minimize any adverse impact on our controls, business and operations, we cannot assure that all such impacts have been or will be mitigated, and any such impacts could harm our business (individually or collectively) and have a material adverse effect on our results of operations, financial condition and cash flows.

Disruptions in our supply chain related to goods, such as pipe, chemicals, power and other fuel, equipment, water and other raw materials, and services, could adversely impact our operations and our ability to serve our customers, as well as our financial results.

Our ability to serve our customers and operate our business in compliance with regulatory requirements is dependent upon purchasing or securing necessary goods and services from our suppliers and vendors. These items include but are not limited to contracted services, chemicals, pipe, valves, hydrants, fittings, equipment (including personal protective equipment), water, and power and other fuel. Examples of supply chain disruptions include reduced quantities of goods available in the marketplace, delays in manufacturing or shipping goods, labor shortages at our suppliers or vendors, natural or other disasters and operational impacts to some of our suppliers or vendors. Disruptions in our supply chain related to goods and services have occurred and we anticipate will continue to occur into the foreseeable future. For example, a recent fire at a plant owned by the sole supplier of permanganate in the Western Hemisphere has severely limited the U.S. supply of potassium and sodium permanganate, two chemicals used by water utilities to treat water. The Company is seeking to utilize alternative methods of treatment and to manage its existing supplies of permanganate, but any inability to source sufficient quantities of these chemicals or utilize alternative chemicals may have a material adverse effect on the Company's ability to comply with applicable environmental and regulatory requirements.

Supply chain disruptions may cause us to be unable to purchase or otherwise obtain needed goods or services at a reasonable price or at all, and may significantly increase the price of goods and services we may obtain from suppliers and vendors. This, in turn, may adversely impact our operations and our ability to serve our customers in compliance with regulatory requirements, as well as our associated results of operations, cash flows and financial condition. While we attempt to plan for and have contingencies in place to address supply chain disruptions, our mitigation efforts may not be successful or may have further negative impacts on us.

Our business has inherently dangerous work sites. If we fail to maintain safe work sites, we may experience workforce or customer injuries or loss of life, and be exposed to financial losses, including penalties and other liabilities.

Safety is a core value and a strategy at American Water. Our safety performance and progress to our ultimate desired goal of zero injuries are critical to our ability to carry out our operations effectively and to serve our customers, and thereby, to support our reputation. We maintain health and safety practices to protect our employees, customers, contractors, vendors and the public. Eliminating all hazards all of the time is extremely challenging, but through strict adherence to our health and safety practices, and empowering employees to be

safety leaders who are instructed to and expected to stop work if deemed “unsafe,” we believe we can achieve an injury-free workplace.

At our business sites, including construction and maintenance sites, our employees, contractors and others are often in close proximity to large mechanical operating equipment, moving vehicles, pressurized water, electric and gas utility lines, below grade trenches and vaults, electrical and pneumatic hazards, fall from height hazards, suspended loads, hazardous chemicals and other regulated materials. On many sites, we are responsible for safety and, accordingly, must implement important safety procedures and practices above governmental regulatory requirements. As an essential business that provides water and wastewater services, we are focused on the health and safety of our employees, contractors, vendors, customers and others who work at or visit our worksites. If the procedures we implement are ineffective or are not followed by our employees or others, or we fail to implement procedures, our employees, contractors and others may experience illness, or minor, serious or fatal injuries. Unsafe work sites have the potential to increase employee turnover, expose us to litigation and raise our operating costs. Any of the foregoing could result in financial losses, which could have a material adverse impact on our business, financial condition, results of operations and cash flows.

In addition, our operations can involve the delivery, handling, storage, use and disposal of hazardous chemicals, which, if improperly delivered, handled, stored, used or disposed of, could result in serious injury, death, environmental damage or property damage, and could subject us to penalties or other liabilities. We are also subject to various environmental, transportation and occupational health and safety regulations. Although we maintain functional employee groups whose primary purpose is to implement effective environmental health and safety work procedures and practices throughout our organization, including construction sites and operating facilities, the failure to comply with these regulations or procedures could subject us to liability.

Work stoppages and other labor relations matters could adversely affect our results of operations and the ability to serve our customers.

As of December 31, 2022, approximately 47% of our workforce was represented by unions, and we had 75 collective bargaining agreements in place with 14 different unions representing our unionized employees. These collective bargaining agreements, 18 of which will expire during 2023, are subject to periodic renewal and renegotiation. We may not be able to successfully renew or renegotiate these labor contracts, or enter into new agreements, on terms that are acceptable to us. Any negotiations or dispute resolution processes undertaken in connection with our labor contracts could be delayed or affected by labor actions or work stoppages. Labor actions, work stoppages or the threat of work stoppages, and our failure to obtain favorable labor contract terms during renegotiations, may disrupt our operations, negatively impact the ability to serve our customers, and result in higher labor costs, which could adversely affect our reputation, financial condition, results of operations, cash flows and liquidity. While we have developed contingency plans to be implemented as necessary if a work stoppage or strike does occur, a strike or work stoppage may have a material adverse impact on our financial position, results of operations and cash flows.

Financial, Economic and Market-Related Risks

Our indebtedness could adversely affect our business and limit our ability to plan for or respond to changes in our business, and we may be unable to generate sufficient cash flows to satisfy our liquidity needs.

As of December 31, 2022, our aggregate long-term and short-term debt balance (including preferred stock with mandatory redemption requirements) was \$12.4 billion, and our working capital (defined as current assets less current liabilities) was in a deficit position. Our indebtedness could have important consequences, including:

- limiting our ability to obtain additional financing to fund future working capital requirements or capital expenditures;
- exposing us to interest rate risk with respect to the portion of our indebtedness that bears interest at variable rates;

- limiting our ability to pay dividends on our common stock or make payments in connection with our other obligations;
- impairing our access to the capital markets for debt and equity;
- requiring that an increasing portion of our cash flows from operations be dedicated to the payment of the principal and interest on our debt, thereby reducing funds available for future operations, dividends on our common stock or capital expenditures;
- limiting our ability to take advantage of significant business opportunities, such as acquisition opportunities, and to react to changes in market or industry conditions; and
- placing us at a competitive disadvantage compared to those of our competitors that have less debt.

During 2022, we utilized existing sources of liquidity, such as our current cash balances, cash flows from operations and borrowings under our commercial paper program, to meet our short-term liquidity requirements. We believe that existing sources of liquidity will be sufficient to meet our cash requirements for the foreseeable future. In order to meet our capital expenditure and other operational needs, however, we may be required to borrow additional funds under the revolving credit facility. In the event of a sustained market deterioration, we may need to obtain additional sources of liquidity, which would require us to evaluate available alternatives and take appropriate actions. Moreover, additional borrowings may be required to repay or refinance outstanding indebtedness. Debt maturities and sinking fund payments in 2023, 2024 and 2025 will be \$281 million, \$476 million and \$598 million, respectively. We can provide no assurance that we will be able to access the debt or equity capital markets on favorable terms, if at all, to repay or refinance this debt. Moreover, as new debt is added to our current debt levels, the related risks we now face could intensify, limiting our ability to repay or refinance existing debt on favorable terms.

We have in the past entered into, and in the future may enter into, financial derivative instruments, including without limitation, interest rate swaps, forward starting swaps and U.S. Treasury lock agreements. See Item 7A—Quantitative and Qualitative Disclosures About Market Risk. However, these efforts may not be effective to fully mitigate interest rate risk, and may expose us to other risks and uncertainties, including quarterly “mark to market” valuation risk associated with these instruments, that could negatively and materially affect our financial condition, results of operations and cash flows.

Our ability to pay our expenses and satisfy our debt service obligations depends in significant part on our future performance, which will be affected by the financial, business, economic, competitive, legislative (including tax initiatives and reforms, and other similar legislation or regulation), regulatory and other risk factors described in this section, many of which are beyond our control. If we do not have sufficient cash flows to pay the principal and interest on our outstanding debt, we may be required to refinance all or part of our existing debt, reduce capital investments, sell assets, borrow additional funds or sell additional equity. In addition, if our business does not generate sufficient cash flows from operations, or if we are unable to incur indebtedness sufficient to enable us to fund our liquidity needs, we may be unable to plan for or respond to changes in our business, which could cause our financial condition, operating results and prospects to be affected materially and adversely.

Our inability to access the debt or equity capital or financial markets or other events could affect our ability to meet our long-term commitments or liquidity needs at reasonable cost, which could adversely affect our financial condition and results of operations.

In addition to cash from operations, during 2022, we relied primarily on a revolving credit facility, which was increased from \$2.25 billion to \$2.75 billion in October 2022, a commercial paper program, which was increased from \$2.10 billion to \$2.60 billion in October 2022, and the debt capital markets, to satisfy our liquidity needs. The revolving credit facility currently expires in accordance with its terms in October 2027. Historically, we have regularly used our commercial paper program rather than the revolving credit facility as a

principal source of short-term borrowing due to the generally more attractive rates we generally could obtain in the commercial paper market. As of December 31, 2022, there were no outstanding borrowings under the revolving credit facility, \$1,177 million of commercial paper outstanding and \$78 million in outstanding letters of credit. There can be no assurance that we will be able to continue to access this commercial paper program or revolving credit facility, when, as and if desired, or that the amount of capital available thereunder will be sufficient to meet all of our liquidity needs at a reasonable, or any, cost.

Our ability to comply with covenants in our revolving credit facility and our other consolidated indebtedness is subject to various risks and uncertainties, including events beyond our control. For example, under the terms of the revolving credit facility, our consolidated debt cannot exceed 70% of our consolidated capitalization, as determined under the terms of the facility. If our equity were to decline or debt were to increase to a level that causes us to exceed this limit, lenders under the facility would be entitled to refuse any further extension of credit and to declare all of the outstanding debt thereunder immediately due and payable. Events that could cause a reduction in equity include, without limitation, a significant write-down of our goodwill. To avoid such a default, a waiver or renegotiation of this covenant would be required, which would likely increase funding costs and could result in additional covenants that would restrict our operational and financing flexibility. Even if we are able to comply with this or other covenants, the limitations on our operational and financial flexibility could harm our business by, among other things, limiting our ability to incur indebtedness or reduce equity in connection with financings or other corporate opportunities that we may believe would be in our best interests or the interests of our shareholders to complete.

In order to meet our capital expenditure needs, we intend to issue a combination of short-term and long-term debt securities and/or additional equity shares of common stock. Disruptions in the debt or equity capital markets or changes in our credit ratings or other events could limit our ability to access capital on terms favorable to us or at all. While the lending banks that participate in the revolving credit facility have to date honored their commitments under those facilities, disruptions in the credit markets, changes in our credit ratings, or deterioration of the banking industry's financial condition could discourage or prevent lenders from meeting their existing lending commitments, extending the terms of such commitments, or agreeing to new commitments. In such a case, we may not be able to access the commercial paper, debt or equity capital markets, or other sources of potential liquidity, in the future on terms acceptable to us or at all. Furthermore, our inability to maintain, renew or replace commitments under our revolving credit facility could materially increase our cost of capital and adversely affect our financial condition, results of operations and liquidity. Short- or long-term disruptions or volatility in the debt or equity capital and credit markets as a result of economic, legislative, political or other uncertainties, including as a result of changes in U.S. tax and other laws, reduced financing alternatives, or failures of significant financial institutions could adversely affect our access to the capital necessary to provide adequate liquidity for our business. Significant volatility or disruptions in the debt or equity capital or credit markets, or financial institution failures, could require us to take measures to conserve cash until the market stabilizes or until alternative financing can be arranged. Such measures could include delaying or deferring capital expenditures, reducing or suspending dividend payments, and reducing other discretionary expenditures. Finally, even absent significant volatility or disruptions in the capital markets, there can be no assurance that we will be able to access markets to obtain capital or financing when necessary or desirable and on terms that are reasonable or acceptable to us.

The occurrence of any of these circumstances could expose us to increased interest or other expense, require us to institute cash or liquidity conservation measures or otherwise adversely and materially affect our business, financial condition, results of operations, cash flows and liquidity, which may limit or impair our ability to achieve our strategic, business and operational goals and objectives.

Parent company may be unable to meet its ongoing and future financial obligations and to pay dividends on its common stock if its subsidiaries are unable to pay upstream dividends or repay funds.

Parent company is a holding company and, as such, it has no substantive operations of its own. Substantially all of our consolidated assets are held by subsidiaries. Parent company's ability to meet its financial obligations

and to pay dividends on its common stock is primarily dependent on the net income and cash flows of its subsidiaries and their ability to pay upstream dividends or repay indebtedness to parent company. Prior to paying dividends to parent company, our regulated subsidiaries must comply with applicable regulatory restrictions and financial obligations, including, for example, debt service and preferred and preference stock dividends, as well as applicable corporate, tax and other laws and regulations and agreements, and our covenants and other agreements. Our subsidiaries are separate legal entities and have no obligation to pay or upstream dividends to parent company. A failure or inability of any of these subsidiaries to pay such dividends or repay intercompany obligations could have a material adverse impact on our liquidity and parent company's ability to pay dividends on its common stock and meet its other obligations.

We have a significant amount of goodwill and intangible and other assets, and we may be required to record impairments or changes in fair value to these assets, which may negatively affect our financial condition and results of operations.

Our assets as of December 31, 2022 included \$1.1 billion of goodwill and \$347 million of total assets measured and recorded at fair value on a recurring basis. The goodwill is primarily associated with the acquisition of American Water by an affiliate of our previous owner in 2003. Goodwill represents the excess of the purchase price the purchaser paid over the fair value of the net tangible and other intangible assets acquired. Goodwill is recorded at fair value on the date of an acquisition and is reviewed annually or more frequently if changes in circumstances indicate the carrying value may not be recoverable. As required by the applicable accounting rules, in the past, we have taken significant non-cash charges to operating results for impairments to goodwill or other intangible assets, and have recorded changes in fair value of financial instruments and other assets. We may be required to recognize in the future an impairment of goodwill or a change in fair value of financial instruments or certain other assets due to market conditions, other factors related to our performance or the performance of an acquired business, or other circumstances that may impact the fair value of a financial instrument or the other asset. See Note 18—Fair Value of Financial Information in the Notes to the Consolidated Financial Statements for information on the fair value of financial and other assets. These market conditions could include a decline over a period of time of our stock price, a decline over a period of time in valuation multiples of comparable water utilities, market price performance of our common stock that compares unfavorably to our peer companies, decreases in control premiums, or other circumstances. A decline in the results forecasted in our business plan due to events such as changes in rate case results, capital investment budgets or interest rates, could also result in an impairment charge. Recognition of impairments of goodwill and changes in fair value of certain of our other assets would result in a charge to income in the period in which the impairment or change occurred, which may negatively affect our financial condition, results of operations and total capitalization. The effects of any such impairment or change could be material and could make it more difficult to maintain our credit ratings, secure financing on attractive terms, maintain compliance with debt covenants and meet the expectations of our regulators.

Market volatility and other conditions may impact the value of benefit plan assets and liabilities, as well as assumptions related to the benefit plans, which may require us to provide significant additional funding.

The performance of the capital markets affects the values of the assets that are held in trust to satisfy significant future obligations under our pension and postretirement benefit plans. The value of these assets is subject to market fluctuations and volatility, which may cause investment returns to fall below our projected return rates. A decline in the market value of our pension and postretirement benefit plan assets as of the measurement date or a change in the projection of the future return on plan assets can increase the funding requirements under our pension and postretirement benefit plans. Additionally, our pension and postretirement benefit plan liabilities are sensitive to changes in interest rates. Interest rates have experienced volatility and are subject to potential further adjustments based on the actions of the U.S. Federal Reserve, and others. If interest rates are lower at the current measurement date than the prior measurement date, our liabilities would increase, potentially increasing benefit expense and funding requirements. Further, changes in assumptions, such as increases in life expectancy assumptions and increasing trends in health care costs may also increase our funding

requirements. Future increases in pension and other postretirement costs as a result of reduced plan assets may not be fully recoverable in rates, in which case our results of operations and financial position could be negatively affected. In addition, market factors can affect assumptions we use in determining funding requirements with respect to our pension and postretirement plans. For example, a relatively modest change in our assumptions regarding discount rates can materially affect our calculation of funding requirements. To the extent that the discount rate used in our assumptions is reduced, our benefit obligations could be materially increased, which could adversely affect our financial position, results of operations and cash flows.

Additional Risks Related to Other Businesses

Parent company provides performance guarantees with respect to certain of the obligations of our Other businesses, including financial guarantees or deposits, which may adversely affect parent company if the guarantees are successfully enforced.

Under the terms of certain agreements under which our Other businesses, primarily MSG, provide water and wastewater services to municipalities and federal governmental entities, parent company provides guarantees of specified performance obligations, including financial guarantees or deposits. In the event these obligations are not performed, the entity holding the guarantees may seek to enforce the performance commitments against parent company or proceed against the deposit. In that event, our financial condition, results of operations, cash flows and liquidity could be adversely affected. At December 31, 2022, we had remaining performance commitments, as measured by remaining contract revenue, totaling approximately \$6.9 billion related to MSG's contracts, and this amount is likely to increase if the number of military bases served by MSG increases. The presence of these commitments may adversely affect our financial condition and make it more difficult for us to secure financing on attractive terms.

MSG's operations are subject to various risks associated with doing business with the U.S. government.

MSG enters into contracts with the U.S. government for the operation and maintenance of water and wastewater systems, which contracts may be terminated, in whole or in part, prior to the end of the 50-year term for convenience of the U.S. government or as a result of default or non-performance by the subsidiary performing the contract. In addition, the contract price for each of these military contracts is typically subject to either an annual economic price adjustment, or a price redetermination two years after commencement of operations and every three years thereafter. Annual economic price adjustment is an inflation index-based contract price increase mechanism. Price redetermination is a contract mechanism to periodically adjust the service fee in the next period to reflect changes in contract obligations and market conditions. Any early contract termination or unfavorable annual economic price adjustment or price redetermination could adversely affect our financial condition, results of operations and cash flows. Moreover, entering into contracts with the U.S. government subjects us to a number of operational and compliance risks, including dependence on the level of government spending and compliance with and changes in governmental procurement and security regulations. We are subject to potential government investigations of our business practices and compliance with government procurement and security regulations, which are complex, and compliance with these regulations can be expensive and burdensome. If we were charged with wrongdoing as a result of an investigation, we could be suspended or debarred from bidding on or receiving awards of new contracts with the U.S. government or our existing contracts could be terminated, which could have a material adverse effect on our results of operations and cash flows.

General Risk Factors

New accounting standards or changes to existing accounting standards could materially impact how we report our results of operations, cash flows and financial condition.

Our Consolidated Financial Statements are prepared in accordance with GAAP. The SEC, the Financial Accounting Standards Board or other authoritative bodies or governmental entities may issue new

pronouncements or new interpretations of existing accounting standards that may require us to change our accounting policies or critical accounting estimates. These changes are beyond our control, can be difficult to predict and could materially impact how we report our results of operations, cash flows and financial condition. We could be required to apply a new or revised standard retroactively, which could also adversely affect our previously reported results of operations, cash flows and financial condition.

Undetected errors in internal controls and information reporting could result in the disallowance of cost recovery and noncompliant disclosure.

Our internal controls, accounting policies and practices and internal information systems are designed to enable us to capture and process transactions and information in a timely and accurate manner in compliance with GAAP, taxation requirements, federal securities laws and regulations and other laws and regulations applicable to us. We have also implemented corporate governance, internal control and accounting policies and procedures in connection with the Sarbanes-Oxley Act of 2002 (the “Sarbanes-Oxley Act”) and relevant SEC rules, as well as other applicable regulations. Such internal controls and policies have been and continue to be closely monitored by our management and Board of Directors to ensure continued compliance with these laws, rules and regulations. Management is also responsible for establishing and maintaining internal control over financial reporting and is required to assess annually the effectiveness of these controls. While we believe these controls, policies, practices and systems are adequate to verify data integrity, unanticipated or unauthorized actions of employees or temporary lapses in internal controls due to shortfalls in oversight or resource constraints could lead to undetected errors that could result in the disallowance of cost recovery and non-compliant disclosure and reporting. The consequences of these events could have a negative impact on our results of operations, cash flows and financial condition. The inability of management to certify as to the effectiveness of these controls due to the identification of one or more material weaknesses in these controls could also harm our reputation, increase financing costs or adversely affect our ability to access the capital markets.

Our continued success is dependent upon our ability to attract, hire and retain highly qualified, skilled and/or diverse talent.

The success of our business is dependent upon our ability to attract, hire and retain highly qualified, skilled and/or diverse talent, including engineers, licensed operators, water quality and management professionals who have the desired experience and expertise. Similar to other organizations, the Company may have challenges implementing its human capital management and employee succession plans to attract and retain such talent based on a number of factors including, among others, market conditions, retirements and geography. If we are unable to meet these human capital resource challenges, our business, financial condition, results of operations and cash flows may be materially and adversely impacted.

Our business may be adversely affected by the intentional misconduct of our employees and contractors.

Our Code of Ethics requires employees and contractors to make decisions ethically and in compliance with applicable law and regulatory requirements, and our Code of Ethics and its underlying policies, practices and procedures. All employees are required to complete training on and review the Code of Ethics on an annual basis, and violations of the Code of Ethics could result in disciplinary actions up to, and including, termination. Despite these efforts to prevent misconduct, it is possible for employees or contractors to engage in intentional misconduct and violate laws and regulations through, among other things, theft, fraud, misappropriation, bribery, corruption and engaging in conflicts of interest or related person transactions, or otherwise committing serious breaches of our Code of Ethics and our policies, practices and procedures. Intentional misconduct by employees or contractors could result in substantial liability, higher costs, increased regulatory scrutiny and significant reputational harm, any of which could have a material adverse effect on our financial condition, results of operations and cash flows.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The Company's properties consist primarily of (i) water and wastewater treatment plants, (ii) mains and pipes used for transmission, distribution and collection of water and wastewater, (iii) wells and other sources of water supply, such as reservoirs, (iv) water and wastewater pumping stations, (v) meters and fire hydrants, (vi) general structures, including buildings, dams and treated water storage facilities, (vii) land and easements, (viii) vehicles, (ix) software rights, and (x) other equipment and facilities, the majority of which are used directly in the operation of its systems. Substantially all of the Company's properties are owned by its subsidiaries, with a large percentage subject to liens of its mortgage bonds. A wholly owned subsidiary of parent company owns the Company's corporate headquarters, located in Camden, New Jersey, and the Company and its operating subsidiaries lease office space, equipment and furniture from certain of the Company's wholly owned subsidiaries. These properties are utilized by the Company's directors, officers and staff in the conduct of the business.

The properties of the Company's Regulated Businesses consist mainly of approximately:

- 80 surface water treatment plants;
- 490 groundwater treatment plants;
- 175 wastewater treatment plants;
- 53,500 miles of transmission, distribution and collection mains and pipes;
- 1,100 groundwater wells;
- 1,700 water and wastewater pumping stations;
- 1,100 treated water storage facilities; and
- 73 dams.

The Company has ongoing infrastructure renewal programs in all states in which its Regulated Businesses operate. These programs consist of both the rehabilitation of existing mains and equipment, and the replacement of mains and equipment that have been damaged or have reached, or are near, the end of their useful service lives. The properties within Other consist mainly of office furniture and IT equipment. Approximately 51% of all properties that the Company owns are located in New Jersey and Pennsylvania.

The Company maintains property insurance against loss or damage to its properties by fire or other perils, subject to certain exceptions. For insured losses, the Company is self-insured to the extent that any losses are within the policy deductible or exceed the amount of insurance maintained.

The Company believes that its properties are generally maintained in good operating condition and in accordance with current standards of good water and wastewater industry practice.

ITEM 3. LEGAL PROCEEDINGS

Set forth below is information related to the Company's material pending legal proceedings as of February 15, 2023, other than ordinary routine litigation incidental to the business, required to be disclosed in this Annual Report on Form 10-K. The information below should be read together with Note 16—Commitments and Contingencies in the Notes to the Consolidated Financial Statements. In accordance with the SEC's disclosure rules, the Company has elected to disclose environmental proceedings involving the Company and a governmental authority if the amount of potential monetary sanctions, exclusive of interest and costs, that the Company reasonably believes will result from such proceeding is \$1 million or more.

Alternative Water Supply in Lieu of Carmel River Diversions

Compliance with SWRCB Orders to Reduce Carmel River Diversions

Under the 2009 Order, Cal Am is required, among other things, to decrease significantly its yearly diversions of water from the Carmel River according to a set reduction schedule. See Item 1—Business—Regulated Businesses—Water Supply and Wastewater Services and Item 1A—Risk Factors. The 2009 Order responded to claims that Cal Am had not sufficiently implemented actions to terminate its unpermitted diversions of water from the Carmel River as required by the 1995 Order issued by the SWRCB. In July 2016, at the request of Cal Am and several Monterey County government agencies, the SWRCB issued the 2016 Order approving a deadline of December 31, 2021 for Cal Am’s compliance with the 2009 Order.

The 2009 Order includes a condition prohibiting Cal Am from diverting water from the Carmel River for new service connections or for any increased use of water at existing service addresses resulting from a change in zoning or use. In 2011, the California Public Utilities Commission (the “CPUC”) issued a decision directing modifications in Cal Am’s tariffs to recognize the moratorium mandated by the 2009 Order, and directing Cal Am to seek written guidance from the SWRCB with respect to any unresolved issues of interpretation or implementation of this condition. In 2012, the Deputy Director of the SWRCB sent a letter to Cal Am providing an interpretation as to the calculation of a baseline to determine increases in use of water at existing service addresses. In March 2018, the MPWMD adopted a resolution directing Cal Am to interpret the baseline in a manner that conflicts with the SWRCB’s written interpretation. In May 2018, Cal Am notified the MPWMD and the SWRCB that it intends to seek declaratory relief concerning the conflicting regulatory interpretations under the 2009 Order. In an attempt to resolve these conflicting interpretations prior to seeking judicial intervention, Cal Am has met with the MPWMD and the SWRCB several times. The SWRCB agreed to circulate revisions to its 2012 interpretive letter, which would be subject to a public comment period. Any failure to follow the MPWMD’s resolution or the SWRCB’s written interpretation, despite these conflicting interpretations, could potentially result in fines, penalties and other actions against Cal Am.

Following issuance by the Coastal Commission in November 2022 of a coastal development permit, as described below, Cal Am continues to work constructively with all appropriate agencies to obtain the remaining required permits for the Water Supply Project. However, there can be no assurance that the Water Supply Project in its current configuration will be completed on a timely basis, if ever. For the year ended December 31, 2022, Cal Am has complied with the diversion limitations contained in the 2016 Order. Continued compliance with the diversion limitations in 2023 and future years may be impacted by a number of factors, including without limitation continued drought conditions in California and the exhaustion of water supply reserves, and will require successful development of alternate water supply sources sufficient to meet customer demand. The 2009 Order and the 2016 Order remain in effect until Cal Am certifies to the SWRCB, and the SWRCB concurs, that Cal Am has obtained a permanent supply of water to substitute for past unauthorized Carmel River diversions. While the Company cannot currently predict the likelihood or result of any adverse outcome associated with these matters, further attempts to comply with the 2009 Order and the 2016 Order in the future may result in material additional costs and obligations to Cal Am, including fines and penalties against Cal Am in the event of noncompliance with the 2009 Order and the 2016 Order.

Monterey Peninsula Water Supply Project

CPUC Final Approval of Water Supply Project

Cal Am’s ability to move forward on the Water Supply Project is and has been subject to extensive administrative review by the CPUC and other government agencies, obtaining necessary permits, and intervention from other parties. In 2016, the CPUC unanimously approved a final decision to authorize Cal Am to enter into a water purchase agreement for the GWR Project and to construct a pipeline and pump station facilities and recover up to the incurred \$50 million in associated costs plus AFUDC, subject to meeting certain criteria.

In 2018, the CPUC unanimously approved another final decision finding that the Water Supply Project meets the CPUC's requirements for a CPCN and an additional procedural phase was not necessary to consider alternative projects. The CPUC's 2018 decision concludes that the Water Supply Project is the best project to address estimated future water demands in Monterey, and, in addition to the cost recovery approved in its 2016 decision, adopts Cal Am's cost estimates for the Water Supply Project, which amounted to an aggregate of \$279 million plus AFUDC at a rate representative of Cal Am's actual financing costs. The 2018 final decision specifies the procedures for recovery of all of Cal Am's prudently incurred costs associated with the Water Supply Project upon its completion, subject to the frameworks included in the final decision related to cost caps, O&M costs, financing, ratemaking and contingency matters. The reasonableness of the Water Supply Project costs will be reviewed by the CPUC when Cal Am seeks cost recovery for the Water Supply Project. Cal Am is also required to implement mitigation measures to avoid, minimize or offset significant environmental impacts from the construction and operation of the Water Supply Project and comply with a mitigation monitoring and reporting program, a reimbursement agreement for CPUC costs associated with that program, and reporting requirements on plant operations following placement of the Water Supply Project in service. Cal Am has incurred \$206 million in aggregate costs as of December 31, 2022, related to the Water Supply Project, which includes \$51 million in AFUDC.

In September 2021, Cal Am, Monterey One Water and the MPWMD reached an agreement on Cal Am's purchase of additional water from an expansion to the GWR Project, which is not expected to produce additional water until 2024 at the earliest. The amended and restated water purchase agreement for the GWR Project expansion is subject to review and approval of the CPUC, and in November 2021, Cal Am filed an application with the CPUC that sought review and approval of the amended and restated water purchase agreement. Cal Am also requested rate base treatment of the additional capital investment for certain Cal Am facilities required to maximize the water supply from the expansion to the GWR Project and a related Aquifer Storage and Recovery Project, totaling approximately \$81 million. This requested amount was in addition to, and consistent in regulatory treatment with, the prior \$50 million of cost recovery for facilities associated with the original water purchase agreement, which was approved by the CPUC in its unanimous 2016 final decision.

On December 5, 2022, the CPUC issued a final decision that authorizes Cal Am to enter into the amended water purchase agreement, and specifically to increase pumping capacity and reliability of groundwater extraction from the Seaside Groundwater Basin. The final decision sets the cost cap for the proposed facilities at approximately \$62 million. Cal Am may seek recovery of amounts above the cost cap in a subsequent rate filing or general rate case. Additionally, the final decision authorizes AFUDC at Cal Am's actual weighted average cost of debt for most of the facilities.

On December 30, 2022, Cal Am filed with the CPUC an application for rehearing of the CPUC's December 5, 2022 final decision. Cal Am is requesting inclusion in the cost cap all infrastructure costs for the GWR Project expansion that were not included in the final decision. Cal Am believes that the December 5, 2022 final decision is contrary to the CPUC's precedent and that obtaining recovery of these infrastructure costs is a key component of the GWR Project expansion and Cal Am's ability to meet the future water supply needs of its customers in Monterey. This application remains pending.

While Cal Am believes that its expenditures to date have been prudent and necessary to comply with the 2009 Order and the 2016 Order, as well as the CPUC's 2016 and 2018 final decisions, Cal Am cannot currently predict its ability to recover all of its costs and expenses associated with the Water Supply Project and there can be no assurance that Cal Am will be able to recover all of such costs and expenses in excess of the \$112 million in aggregate construction costs, plus applicable AFUDC, previously approved by the CPUC in its 2016 and December 2022 final decisions. See Note 16—Commitments and Contingencies in the Notes to the Consolidated Financial Statements for further discussion.

Coastal Development Permit Application

In 2018, Cal Am submitted a coastal development permit application (the “Marina Application”) to the City of Marina (the “City”) for those project components of the Water Supply Project located within the City’s coastal zone. Members of the City’s Planning Commission, as well as City councilpersons, have publicly expressed opposition to the Water Supply Project. In May 2019, the City issued a notice of final local action based upon the denial by the Planning Commission of the Marina Application. Thereafter, Cal Am appealed this decision to the Coastal Commission, as permitted under the City’s code and the California Coastal Act. At the same time, Cal Am submitted an application (the “Original Jurisdiction Application”) to the Coastal Commission for a coastal development permit for those project components located within the Coastal Commission’s original jurisdiction. After Coastal Commission staff issued reports recommending denial of the Original Jurisdiction Application, noting potential impacts on environmentally sensitive habitat areas and wetlands and possible disproportionate impacts to communities of concern, in September 2020, Cal Am withdrew the Original Jurisdiction Application in order to address the staff’s environmental justice concerns. The withdrawal of the Original Jurisdiction Application did not impact Cal Am’s appeal of the City’s denial of the Marina Application, which remains pending before the Coastal Commission. In November 2020, Cal Am refiled the Original Jurisdiction Application.

On October 5, 2022, Cal Am announced a phasing plan for the proposed desalination plant component of the Water Supply Project. The desalination plant and slant wells originally approved by the CPUC would produce up to 6.4 million gallons of desalinated water per day. Under the phased approach, the facilities would initially be constructed to produce up to 4.8 million gallons per day of desalinated water, enough to meet anticipated demand through about 2030, and would limit the number of slant wells initially constructed. As demand increases in the future, desalination facilities would be expanded to meet the additional demand. The phased approach seeks to meet near-term demand by allowing for additional supply as it becomes needed, while also providing an opportunity for regional future public participation and was developed by Cal Am based on feedback received from the community.

On November 18, 2022, the Coastal Commission approved the Marina Application and the Original Jurisdiction Application with respect to the phased development of the proposed desalination plant, subject to compliance with a number of conditions, all of which Cal Am expects to satisfy. Cal Am continues to seek the remaining permits necessary to construct the Water Supply Project.

On December 29, 2022, the City, Marina Coast Water District (“MCWD”), MCWD’s groundwater sustainability agency (“GSA”), and the MPWMD jointly filed a petition for writ of mandate in Monterey County Superior Court against the Coastal Commission, alleging that the Coastal Commission violated the California Coastal Act and the California Environmental Quality Act in issuing a coastal development permit to Cal Am for construction of the MPWSP slant wells. Cal Am is named as a real party in interest. This matter remains pending.

Subject to the impact or resolution of this litigation, construction of the desalination plant is expected to begin in 2024 and the desalination plant is estimated to be in-service by the end of 2027.

Desalination Plant Development Permit

The proposed desalination plant for the Water Supply Project is to be located in an unincorporated portion of Monterey County, California, on a site owned by CEMEX, Inc. (“CEMEX”), and requires a combined development permit from Monterey County prior to commencement of construction. In April 2019, Monterey County’s Planning Commission voted to approve the permit. In July 2019, the Board of Supervisors heard appeals filed by MCWD and a public advocacy group, at which time it denied the appeals and approved the permit. In August 2019, MCWD filed a petition in Monterey County Superior Court challenging Monterey County’s approval of Cal Am’s combined development permit application and seeking injunctive relief to enjoin Monterey County and Cal Am from commencing construction of the desalination plant. In October 2019, after a

hearing, the court denied, without prejudice, MCWD's motion for a preliminary injunction, but issued a stay of Monterey County's approval of the combined development permit, precluding commencement of physical construction of the desalination plant, but allowing Cal Am to continue to obtain permits needed for the desalination plant's construction. In January 2021, the court issued its decision granting in part and denying in part MCWD's petition. The court found that Monterey County did not completely comply with all of the requirements necessary to approve the combined development permit and set aside its approval so that Monterey County could come into compliance. The court denied all of MCWD's other claims. The court also lifted its stay on physical construction at the plant site.

In May 2021, Cal Am filed a notice of appeal as to the Monterey County Superior Court's January 2021 decision, seeking to challenge the court's decision on Monterey County's statement of overriding considerations. Monterey County filed a notice of appeal as to the same issue in May 2021. In June 2021, MCWD filed cross-appeals on its claims that had been denied by the court. These appeals remain pending.

Proposed Zoning Changes at CEMEX Site for Slant Wells

In August 2018, the City circulated a public review draft of proposed amendments to its local coastal program and zoning ordinance, and placed the matter for consideration on the Planning Commission's agenda for its September 2018 meeting. The proposed amendments would change zoning at the CEMEX site to open space and restrict future uses, including with respect to Cal Am's planned use of the site for the slant wells for the Water Supply Project. Any change to the City's local coastal program must ultimately be approved by the Coastal Commission. Cal Am, CEMEX and the Coastal Commission each submitted letters opposing the proposed amendments. At its November 2018 meeting, the Planning Commission adopted a resolution recommending that the Marina City Council consider approving the amendments.

In December 2018, the Marina City Council considered the proposed amendments. Cal Am, CEMEX and the Coastal Commission again submitted letters opposing the proposed changes, but the City Council unanimously adopted a resolution amending its local coastal plan and a draft amendment to its zoning ordinance. Changes to the ordinance require a second reading before becoming final, which occurred at the City's December 2018 meeting. The changes to the local coastal plan must be submitted to the Coastal Commission for approval and are not effective until such approval is obtained.

Test Slant Well Permitting

A preliminary step to building the Water Supply Project desalination plant is the construction and operation of a test slant well to confirm the suitability of the property on which intake wells will be located to draw water from under Monterey Bay. In November 2014, the Coastal Commission approved coastal development permits for the test slant well, enabling Cal Am to construct and operate the test slant well. Effective February 28, 2018, test slant well pumping ceased, except for minimal maintenance pumping activities, in accordance with Cal Am's coastal development permits. Because Cal Am may use the test slant well as one of the slant wells for the Water Supply Project, Cal Am sought and obtained from the Coastal Commission permit amendments to allow the test slant well to remain in place and be maintained until February 28, 2024. A required lease obtained from the California State Lands Commission, as amended, expired on December 16, 2022. Cal Am has filed an applications for extension of the State Lands Commission lease. This application remains pending.

Water Supply Project Land Acquisition and Slant Well Site Use

In July 2017, the Coastal Commission adopted a consent agreement and cease and desist order requiring sand mining operations on the property owned by CEMEX on which intake wells for the Water Supply Project will be located, to cease by the end of 2020 and the property to be sold to either a non-profit or governmental entity. The consent agreement strictly limits future use of the property but preserves Cal Am's existing property rights and allows uses consistent with existing easements and other rights of record. A permanent easement

granted by CEMEX to Cal Am was recorded in June 2018 to allow Cal Am access to the property and to construct, operate and maintain the Water Supply Project intake wells. In November 2019, the City notified CEMEX that, based on this permanent easement and Cal Am's proposed use of the site for the intake wells, CEMEX has breached or will soon breach a prior 1996 annexation agreement (to which Cal Am was not a party). The City states that it intends to seek declaratory relief from CEMEX and Cal Am ordering that Cal Am's extraction is limited to 500 acre-feet per year of groundwater, that Cal Am cannot export extracted water out of the basin, and that the permanent easement granted by CEMEX to Cal Am is void. CEMEX has denied the City's claims and requested indemnification from Cal Am under the terms of the permanent easement. Cal Am and CEMEX believe that there is no valid limitation under the annexation agreement on Cal Am's right to pump brackish groundwater and seawater at the site for desalination and use by Cal Am's customers.

In May 2020, the City filed a lawsuit in Monterey County Superior Court, naming Cal Am and CEMEX as defendants, and MCWRA and MCWD as real parties in interest. The lawsuit, as amended, alleges a claim for breach of contract against CEMEX and seeks declaratory relief to void the permanent easement and prohibiting extraction of water by Cal Am's slant wells at the CEMEX site in excess of 500 acre-feet per year and the export of such water outside the groundwater basin. In November 2020, Cal Am, CEMEX and MCWRA filed demurrers, which were overruled by the court at a hearing held in February 2021.

In August 2020, MCWD filed a cross-complaint in the May 2020 lawsuit against Cal Am, CEMEX and MCWRA, alleging claims for specific performance of certain provisions of the 1996 annexation agreement related to the property owned by CEMEX on which intake wells for the Water Supply Project will be located, as well as claims of water rights, nuisance and unreasonable water use, and seeking additional declaratory relief. Following various rulings on demurrers filed by Cal Am, CEMEX and MCWRA, in February 2021, the court sustained, without leave to amend, the demurrer to MCWD's nuisance claim and overruled the remainder of the demurrers. In October 2021, the court granted a motion filed by Cal Am related to MCWD's cross-complaint, which motion requested a referral of certain issues related to MCWD's water rights and unreasonable use claims to the SWRCB for its expert advisory opinion. The SWRCB has scheduled hearings on the referred issues before its Administrative Hearing Officer, which took place in the fourth quarter of 2022 and are set to continue into early 2023. The Monterey County Superior Court has set a trial date of October 23, 2023, for the City's lawsuit.

Challenges Related to Compliance with California's Sustainable Groundwater Management Act

Under California's Sustainable Groundwater Management Act ("SGMA") enacted in 2015, groundwater basins designated by the state as critically overdrafted must be managed by a GSA by 2020 in accordance with an approved groundwater sustainability plan ("GSP") designed to achieve sustainability by 2040. Under the SGMA, GSAs have broad powers to achieve sustainability including, but not limited to, regulating groundwater extraction by imposing fees on groundwater extractions and controlling groundwater extractions by regulating, limiting or suspending extractions from wells. The 400-acre CEMEX site overlies a small portion of the 180/400 Subbasin of the Salinas Valley Groundwater Basin; the 84,000-acre 180/400 Subbasin has been designated by the state as critically overdrafted, mainly due to seawater intrusion into the subbasin.

In late 2016, the Salinas Valley Basin Groundwater Sustainability Agency (the "SVBGSA") was formed as a joint powers authority to become the GSA for the Salinas Valley Groundwater Basin and prepare a GSP. In April 2018, the City filed a notice to become the GSA for the CEMEX site, creating an overlap with the SVBGSA's filing for the 180/400 Subbasin. In 2016, the SVBGSA commenced preparation of a GSP covering the entire 180/400 subbasin, including the CEMEX site, but in August 2019 the City filed a notice that it intends to prepare its own GSP for the CEMEX site with the intent to severely limit or prohibit groundwater pumping at that site. The State Department of Water Resources ("SDWR") has taken the position that until the overlap is resolved, it will not accept the GSP from either agency, placing the subbasin at risk of being placed in a probationary status and subject to state management. In December 2019, the County of Monterey filed its own notice to become the exclusive GSA at the CEMEX site in order to resolve the overlap, which is permitted under SGMA. SDWR accepted Monterey County's filing in December 2019, and now lists Monterey County as the exclusive GSA for the site.

In December 2019, the City filed a lawsuit in Monterey County Superior Court challenging Monterey County's filing, and SDWR's acceptance of the filing, as the exclusive GSA for the CEMEX site. The City has named Monterey County and its Board of Supervisors, its GSA, and SDWR and its director as defendants, and the SVBGSA and its Board of Directors as real parties. The City seeks to invalidate Monterey County's filing, as well as injunctive relief to preserve the City's status as a GSA for the site. To protect its interest in the matter, Cal Am filed an application to intervene in this lawsuit, which was granted. Monterey County filed cross-claims against the City and SDWR. After a hearing, in August 2021, the court denied the claims brought by the City and granted Monterey County's cross-claims, finding that the City's GSA notice was untimely, the Monterey County GSA was the exclusive GSA for the CEMEX site, and the SVBGSA's GSP was properly adopted for the entire 180/400 subbasin, including the CEMEX site. In November 2021, the City appealed this decision, and in December 2021, Monterey County appealed the court's decision as to the finding that the City's action creating a GSA was not void.

In September 2020, Cal Am filed a separate but related complaint in Monterey County Superior Court challenging the validity of actions taken by the City and its GSA in adopting a groundwater sustainability plan for the CEMEX site, and the validity of the provisions of such plan. Due to the overlap of issues in the City's lawsuit with those in the validation action, the parties stipulated to a stay of the validation action pending determination of the claims in the City's action, which was approved by the court in December 2020.

In February 2021, the City filed a separate but related *in rem* reverse validation complaint challenging the adoption by Monterey County of a GSP for the CEMEX site. This complaint remains pending. Currently, both validation actions remain stayed during the pendency of the City's appeals.

Proposed Acquisition of Monterey System Assets — Local Area Formation Commission Litigation

In November 2018, voters in Monterey, California passed "Measure J," which decided that the MPWMD should conduct a feasibility study concerning the potential purchase of Cal Am's Monterey system assets, and, if feasible, to proceed with a purchase of those assets without an additional public vote. This service territory represents approximately 40,000 customers. See Item 1—Business—Regulated Businesses—Condemnation and Eminent Domain for more information on this matter.

In February 2021, the MPWMD filed an application with LAFCO seeking approval to become a retail water provider and annex approximately 58 parcels of land into the MPWMD's boundaries. In December 2021, LAFCO's commissioners denied the MPWMD's application to become a retail water provider, determining that the MPWMD does not have the authority to operate the Monterey system assets, a result that precludes the MPWMD from proceeding with a condemnation thereof. On April 1, 2022, the MPWMD filed a lawsuit against LAFCO challenging its denial. On June 17, 2022, the court granted, with conditions, a motion by Cal Am to intervene in the MPWMD's lawsuit against LAFCO. On December 13, 2022, the court sustained in part, and denied in part, demurrers that had been filed by LAFCO seeking to dismiss the MPWMD's lawsuit. This matter remains pending.

West Virginia Elk River Freedom Industries Chemical Spill

See Note 16—Commitments and Contingencies—Contingencies—West Virginia Elk River Freedom Industries Chemical Spill in the Notes to Consolidated Financial Statements for information regarding the final court approval of the global settlement with respect to the January 2014 Freedom Industries, Inc. chemical spill.

Dunbar, West Virginia Water Main Break Class Action Litigation

On the evening of June 23, 2015, a 36-inch pre-stressed concrete transmission water main, installed in the early 1970s, failed. The water main is part of the West Relay pumping station located in the City of Dunbar, West Virginia and owned by West Virginia-American Water Company, the Company's West Virginia subsidiary

("WVAWC"). The failure of the main caused water outages and low pressure for up to approximately 25,000 WVAWC customers. In the early morning hours of June 25, 2015, crews completed a repair, but that same day, the repair developed a leak. On June 26, 2015, a second repair was completed and service was restored that day to approximately 80% of the impacted customers, and to the remaining approximately 20% by the next morning. The second repair showed signs of leaking but the water main was usable until June 29, 2015, to allow tanks to refill. The system was reconfigured to maintain service to all but approximately 3,000 customers while a final repair was being completed safely on June 30, 2015. Water service was fully restored on July 1, 2015, to all customers affected by this event.

On June 2, 2017, a complaint captioned *Jeffries, et al. v. West Virginia-American Water Company* was filed in West Virginia Circuit Court in Kanawha County on behalf of an alleged class of residents and business owners who lost water service or pressure as a result of the Dunbar main break. The complaint alleges breach of contract by WVAWC for failure to supply water, violation of West Virginia law regarding the sufficiency of WVAWC's facilities and negligence by WVAWC in the design, maintenance and operation of the water system. The *Jeffries* plaintiffs seek unspecified alleged damages on behalf of the class for lost profits, annoyance and inconvenience, and loss of use, as well as punitive damages for willful, reckless and wanton behavior in not addressing the risk of pipe failure and a large outage.

In February 2020, the *Jeffries* plaintiffs filed a motion seeking class certification on the issues of breach of contract and negligence, and to determine the applicability of punitive damages and a multiplier for those damages if imposed. In July 2020, the Circuit Court entered an order granting the *Jeffries* plaintiffs' motion for certification of a class regarding certain liability issues but denying certification of a class to determine a punitive damages multiplier. In August 2020, WVAWC filed a Petition for Writ of Prohibition in the Supreme Court of Appeals of West Virginia seeking to vacate or remand the Circuit Court's order certifying the issues class. In January 2021, the Supreme Court of Appeals remanded the case back to the Circuit Court for further consideration in light of a decision issued in another case relating to the class certification issues raised on appeal. On July 5, 2022, the Circuit Court entered an order again certifying a class to address at trial certain liability issues but not to consider damages. On August 26, 2022, WVAWC filed another Petition for Writ of Prohibition in the Supreme Court of Appeals of West Virginia challenging the West Virginia Circuit Court's July 5, 2022 order. The Writ Petition has been supported by an amicus brief filed by certain water and utility industry trade groups. On February 9, 2023, the Supreme Court of Appeals accepted the Writ Petition by issuing a Rule to Show Cause and scheduling oral argument for April 26, 2023.

The Company and WVAWC believe that WVAWC has meritorious defenses to the claims raised in this class action complaint and WVAWC will continue to vigorously defend itself against these allegations.

Chattanooga, Tennessee Class Action Litigation

On September 12, 2019, Tennessee-American Water Company, the Company's Tennessee subsidiary ("TAWC"), experienced a leak in a 36-inch water transmission main, which caused service fluctuations or interruptions to TAWC customers and the issuance of a boil water notice. TAWC repaired the main by early morning on September 14, 2019, and restored full water service by the afternoon of September 15, 2019, with the boil water notice lifted for all customers on September 16, 2019.

On September 17, 2019, a complaint captioned *Bruce, et al. v. American Water Works Company, Inc., et al.* was filed in the Circuit Court of Hamilton County, Tennessee against TAWC, the Company and Service Company (collectively, the "Tennessee-American Water Defendants"), on behalf of a proposed class of individuals or entities who lost water service or suffered monetary losses as a result of the Chattanooga incident (the "Tennessee Plaintiffs"). The complaint alleged breach of contract and negligence against the Tennessee-American Water Defendants, as well as an equitable remedy of piercing the corporate veil. In the complaint as originally filed, the Tennessee Plaintiffs were seeking an award of unspecified alleged damages for wage losses, business and economic losses, out-of-pocket expenses, loss of use and enjoyment of property and annoyance and

inconvenience, as well as punitive damages, attorneys' fees and pre- and post-judgment interest. In September 2020, the court dismissed all of the Tennessee Plaintiffs' claims in their complaint, except for the breach of contract claims against TAWC, which remain pending. In October 2020, TAWC answered the complaint, and the parties have been engaging in discovery. On January 12, 2023, after hearing oral argument, the court issued an oral ruling denying the Tennessee Plaintiffs' motion for class certification. On February 9, 2023, the Tennessee Plaintiffs sought reconsideration of the ruling by the court, and any final ruling is appealable to the Tennessee Court of Appeals, as allowed under Tennessee law.

TAWC and the Company believe that TAWC has meritorious defenses to the claims raised in this class action complaint, and TAWC is vigorously defending itself against these allegations.

Other Matters

In April 2021, American Water Resources, LLC ("AWR"), which, prior to the December 9, 2021 sale of the Company's former HOS business was one of the indirect, wholly owned subsidiaries comprising that business, received a grand jury subpoena in connection with an investigation by the U.S. Attorney's Office for the Eastern District of New York (the "EDNY"). The subpoena seeks documents regarding AWR's operations and its contractor network in the New York City metropolitan area. On September 9, 2022, a former employee of AWR pled guilty in U.S. District Court to two felony counts in connection with the matters being investigated by the EDNY. The Company has been fully cooperating with the EDNY investigation and continues to do so, and continues to believe that the investigation is not focused on the Company.

In connection with the sale of the HOS operations (including all of the Company's equity interests in AWR), in December 2021, the Company and AWR entered into an agreement with the buyer of the HOS operations, which facilitates a common defense for, and the sharing of information concerning, the EDNY investigation and any legal or regulatory inquiries or proceedings related to or resulting from it or the subject matter in the subpoena (collectively, the "Covered Matters"). The Company, on behalf of AWR, is required to defend any Covered Matter, using commercially reasonable efforts to resolve it on a reasonably expedient basis. Further, the Company is required to consult with the buyer in specified circumstances and obtain its prior written consent (which consent may not be unreasonably withheld, conditioned or delayed) before entering into any resolution of any Covered Matter that imposes non-monetary provisions or undertakings or any other terms for which there will be no indemnification under this agreement. In addition, until March 9, 2025, the Company is required to indemnify the buyer for any monetary losses or out-of-pocket damages (as described in the agreement) incurred by the buyer or certain of the HOS subsidiaries to the extent directly arising in connection with, or directly resulting from, any Covered Matter.

While it is not possible at this time to predict the outcome of the investigation or determine the amount, if any, of fines, penalties or other liabilities that may be incurred in connection with it, the Company does not currently believe that the investigation will have a material adverse effect on the Company's results of operations, financial condition or liquidity.

General

Periodically, the Company is involved in other proceedings or litigation arising in the ordinary course of business. Other than those proceedings described in this Item 3—Legal Proceedings, the Company does not believe that the ultimate resolution of these matters will materially affect its financial position or results of operations. However, litigation and other proceedings are subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. It is possible that some litigation and other proceedings could be decided unfavorably to the Company, and that any such unfavorable decisions could have a material adverse effect on its business, financial condition, results of operations and cash flows.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Since April 23, 2008, the Company's common stock has traded on the New York Stock Exchange ("NYSE") under the symbol "AWK." As of January 31, 2023, there were 181,858,619 shares of common stock outstanding held by approximately 2,234 record holders. Holders of the Company's common stock are entitled to receive dividends when they are declared by its Board of Directors. See Note 9—Shareholders' Equity in the Notes to Consolidated Financial Statements for additional information regarding the Company's dividends.

In February 2015, the Board of Directors authorized an anti-dilutive stock repurchase program to mitigate the dilutive effect of shares issued through the Company's dividend reinvestment, employee stock purchase and executive compensation activities. The program allows the Company to purchase up to 10 million shares of its outstanding common stock over an unrestricted period of time in the open market or through privately negotiated transactions. The program is conducted in accordance with Rule 10b-18 of the Exchange Act, and, to facilitate these repurchases, the Company enters into Rule 10b5-1 stock repurchase plans with a third-party broker, which allow the Company to repurchase shares of its common stock at times when it otherwise might be prevented from doing so under insider trading laws or because of self-imposed trading blackout periods. Subject to applicable regulations, the Company may elect to amend or cancel the program or the stock repurchase parameters at its discretion to manage dilution.

From April 1, 2015, the date repurchases under the anti-dilutive stock repurchase program commenced, through December 31, 2022, the Company repurchased an aggregate of 4,860,000 shares of its common stock under the program, leaving an aggregate of 5,140,000 shares available for repurchase under this program. There were no repurchases of common stock in 2022.

ITEM 6. [RESERVED]

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read together with the Consolidated Financial Statements and the Notes thereto included elsewhere in this Annual Report on Form 10-K. This discussion contains forward-looking statements that are based on management's current expectations, estimates and projections about the Company's business, operations and financial performance. The cautionary statements made in this Form 10-K should be read as applying to all related forward-looking statements whenever they appear in this Form 10-K. The Company's actual results may differ materially from those currently anticipated and expressed in such forward-looking statements as a result of a number of factors, including those that are discussed under "Forward-Looking Statements," Item 1A—Risk Factors and elsewhere in this Form 10-K. The Company has a disclosure committee consisting of members of senior management and other key employees involved in the preparation of the Company's SEC reports. The disclosure committee is actively involved in the review and discussion of the Company's SEC filings. For a discussion and analysis of the Company's financial statements for fiscal 2021 compared to fiscal 2020, please refer to Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations in the Company's Annual Report on Form 10-K for the year ended December 31, 2021, filed with the SEC on February 16, 2022.

Overview

American Water is the largest and most geographically diverse, publicly-traded water and wastewater utility company in the United States, as measured by both operating revenues and population served. The Company employs approximately 6,500 professionals who provide drinking water, wastewater and other related services to

over 14 million people in 24 states. The Company’s primary business involves the ownership of utilities that provide water and wastewater services to residential, commercial, industrial, public authority, fire service and sale for resale customers, collectively presented as the “Regulated Businesses.” The Company’s utilities operate in approximately 1,600 communities in 14 states in the United States, with 3.4 million active customers with services provided by its water and wastewater networks. Services provided by the Company’s utilities are subject to regulation by PUCs. The Company also operates other businesses not subject to economic regulation by state PUCs that provide water and wastewater services to the U.S. government on military installations, as well as municipalities, collectively presented throughout this Form 10-K within “Other.” See Item 1—Business for additional information.

Selected Financial Data

This selected financial data below should be read in conjunction with the Company’s Consolidated Financial Statements and related Notes in this Annual Report on Form 10-K as well as the remainder of this Item 7—Management’s Discussion and Analysis of Financial Condition and Results of Operations.

(In millions, except per share data)	For the Years Ended December 31,				
	2022	2021	2020	2019	2018
Statement of Operations data:					
Operating revenues	\$ 3,792	\$ 3,930	\$ 3,777	\$ 3,610	\$ 3,440
Net income attributable to common shareholders	820	1,263	709	621	567
Net income attributable to common shareholders per basic common share	4.51	6.96	3.91	3.44	3.16
Net income attributable to common shareholders per diluted common share	4.51	6.95	3.91	3.43	3.15
Balance Sheet data:					
Total assets	\$27,787	\$26,075	\$24,766	\$22,682	\$21,223
Long-term debt and redeemable preferred stock at redemption value	10,929	10,344	9,333	8,644	7,576
Other data:					
Cash dividends declared per common share	\$ 2.62	\$ 2.41	\$ 2.20	\$ 2.00	\$ 1.82
Net cash provided by operating activities	1,108	1,441	1,426	1,383	1,386
Net cash used in investing activities	(2,127)	(1,536)	(2,061)	(1,945)	(2,036)
Net cash provided by (used in) financing activities	1,000	(345)	1,120	494	726
Capital expenditures included in net cash used in investing activities	(2,297)	(1,764)	(1,822)	(1,654)	(1,586)

Financial Results

For the years ended December 31, 2022, 2021 and 2020, diluted earnings per share (GAAP) were \$4.51, \$6.95 and \$3.91, respectively. The 2021 financial results included a pre-tax gain of \$748 million relating to the sale of HOS and a \$45 million pre-tax contribution to the American Water Charitable Foundation, a consolidated net impact of \$2.70 diluted earnings per share. After excluding the gain related to the sale of HOS and charitable contribution in 2021, diluted earnings per share increased \$0.26 in 2022 as compared to 2021. This increase was primarily driven by continued growth in the Regulated Businesses from infrastructure investment and acquisitions, as well as organic growth, offset somewhat by impacts from inflationary pressures on production costs and higher interest costs along with higher depreciation expenses from the growth of the business. Results for 2022 also reflect the favorable impact of weather, estimated at \$0.06 per share, primarily due to hot and dry weather in the third quarter of 2022 as compared to a \$0.02 per share favorable impact in 2021. Also, included in the results for 2022 are \$0.24 per share from interest income earned on the seller note and income earned on revenue share agreements, which compares to HOS operating results for 2021 of \$0.31 per share. Lastly, the operating results for the Company’s New York subsidiary, which was sold on January 1, 2022, were \$0.12 per

share in 2021. See Note 5—Acquisitions and Divestitures in the Notes to Consolidated Financial Statements for additional information.

Growth Through Capital Investment in Infrastructure and Regulated Acquisitions

The Company continues to grow its businesses, with the majority of its growth to be achieved in the Regulated Businesses through (i) continued capital investment in the Company's infrastructure to provide safe, reliable and affordable water and wastewater services to its customers, and (ii) regulated acquisitions to expand the Company's services to new customers. In 2022, the Company invested \$2.6 billion, primarily in the Regulated Businesses, as discussed below:

Regulated Businesses Growth and Optimization

- \$2.3 billion capital investment in the Regulated Businesses, the substantial majority for infrastructure improvements and replacements; and
- \$315 million to fund acquisitions in the Regulated Businesses, which added approximately 70,000 customers during 2022, in addition to approximately 18,500 customers added through organic growth during 2022. This includes the Company's Pennsylvania subsidiary's acquisition of the wastewater system assets from the York City Sewer Authority and the City of York on May 27, 2022, for a cash purchase price of \$235 million, \$20 million of which was funded as a deposit to the seller in April 2021 in connection with the execution of the acquisition agreement.

On October 11, 2022, the Company's Pennsylvania subsidiary entered into an agreement to acquire the wastewater assets of the Butler Area Sewer Authority for a total purchase price of \$232 million in cash, subject to adjustment as provided for in the Asset Purchase Agreement. This system provides wastewater service for approximately 14,700 customer connections. The Company expects to close this acquisition by the end of 2023, pending regulatory approval.

On March 29, 2021, the Company's New Jersey subsidiary entered into an agreement to acquire the water and wastewater assets of Egg Harbor City for \$22 million. The water and wastewater systems currently serve approximately 1,500 customers each, or 3,000 combined, and are being sold through the New Jersey Water Infrastructure Protection Act process. The Company expects to close this acquisition in early 2023.

As of December 31, 2022, the Company has entered into agreements for 21 pending acquisitions in the Regulated Businesses, including the two agreements discussed above, to add approximately 32,400 additional customers.

Sale of Homeowner Services Group

On December 9, 2021, the Company sold all of the equity interests in subsidiaries that comprised the Company's HOS to a wholly owned subsidiary of funds advised by Apax Partners LLP, a global private equity advisory firm (the "Buyer"), for total consideration of approximately \$1.275 billion, resulting in pre-tax gain of \$748 million during the fourth quarter of 2021. The consideration was comprised of \$480 million in cash, a seller promissory note issued by the Buyer in the principal amount of \$720 million, and a contingent cash payment of \$75 million payable upon satisfaction of certain conditions on or before December 31, 2023. See Note 18—Fair Value of Financial Information for additional information relating to the seller promissory note and contingent cash payment. For the year ended December 31, 2022, the Company recorded post-close adjustments, primarily related to working capital, of pre-tax income of \$20 million, which is included in Gain on sale of businesses on the Consolidated Statements of Operations.

The seller note has a five-year term, is payable in cash, and bears interest at a rate of 7.00% per year during the term. The Company recognized \$50 million of interest income during the year ended December 31, 2022, from the seller note.

The Company and the Buyer also entered into revenue share agreements, pursuant to which the Company is to receive 10% of the revenue generated from customers who are billed for home warranty services through an applicable Company subsidiary (an “on-bill” arrangement), and 15% of the revenue generated from any future on-bill arrangements entered into after the closing. Unless earlier terminated, this agreement has a term of up to 15 years, which may be renewed for up to two five-year periods. The Company recognized \$9 million of income during the year ended December 31, 2022, from the revenue share agreements, which is included in Other, net on the Consolidated Statements of Operations. See Note 5—Acquisitions and Divestitures in the Notes to Consolidated Financial Statements for additional information.

Sale of New York American Water Company, Inc.

On January 1, 2022, the Company completed the previously disclosed sale of its regulated utility operations in New York to Liberty Utilities (Eastern Water Holdings) Corp. (“Liberty”), an indirect, wholly owned subsidiary of Algonquin Power & Utilities Corp. Liberty purchased from the Company all of the capital stock of the Company’s New York subsidiary for a purchase price of \$608 million in cash. See Note 5—Acquisitions and Divestitures in the Notes to Consolidated Financial Statements for additional information.

Sale of Michigan American Water Company

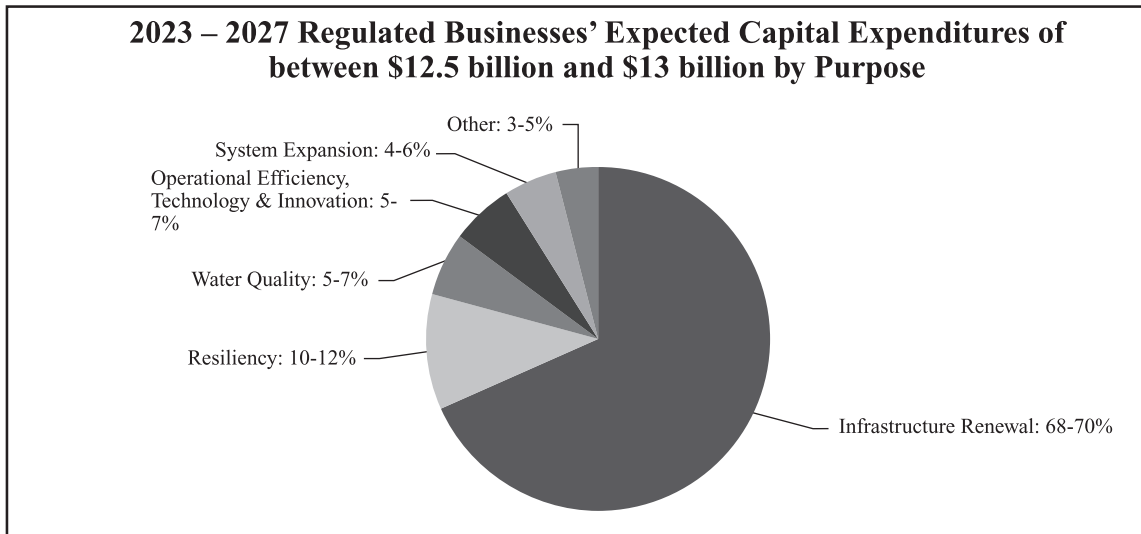
On February 4, 2022, the Company completed the sale of its operations in Michigan for \$6 million in cash.

Future Growth

The Company expects to invest between \$14 billion to \$15 billion over the next five years, and between \$30 billion to \$34 billion over the next 10 years, including \$2.9 billion in 2023. The Company’s expected future investments include:

- capital investment for infrastructure improvements in the Regulated Businesses between \$12.5 billion to \$13 billion over the next five years, and between \$27 billion to \$30 billion over the next 10 years, including \$2.5 billion expected in 2023; and
- growth from acquisitions in the Regulated Businesses to expand the Company’s water and wastewater customer base of between \$1.5 billion to \$2 billion over the next five years, and between \$3 billion to \$4 billion over the next 10 years, including \$400 million expected in 2023.

Presented in the following chart is the estimated allocation of the Company’s expected capital investment for infrastructure improvements in its Regulated Businesses over the next five years, by purpose:



Other Matters

Military Services Group

On June 30, 2022, MSG was awarded a contract for the ownership, operation, maintenance and replacement of the wastewater utility system assets at Naval Station Mayport in Jacksonville, Florida. The contract was effective July 1, 2022, and its total revenue is approximately \$341 million over a 50-year period, subject to an annual economic price adjustment. The performance start date for operation is scheduled for March 1, 2023. MSG operates and maintains water and/or wastewater systems and related capital programs as part of the U.S. government's Utilities Privatization Program. This contract represents the 18th installation in MSG's footprint and the first contract with respect to a U.S. Navy installation.

Permanganate Supply Disruption

In January 2023, a fire occurred at a plant owned by the sole supplier of permanganate in the Western Hemisphere, which has severely limited the U.S. supply of potassium and sodium permanganate, two chemicals used by water utilities to treat water. The Company is seeking to utilize alternative methods of treatment and to manage its existing supplies of permanganate, but any inability to source sufficient quantities of these chemicals or utilize alternative chemicals may have a material adverse effect on the Company's ability to comply with applicable environmental and regulatory requirements.

Operational Excellence

The Company's adjusted regulated O&M efficiency ratio was 33.7% for the year ended December 31, 2022, compared to 34.1% for the year ended December 31, 2021. The ratio reflects an increase in operating revenues for the Regulated Businesses, after considering the adjustment for the amortization of the excess accumulated deferred income taxes ("EADIT") shown in the table below, as well as the continued focus on operating costs.

The Company's adjusted regulated O&M efficiency ratio is a non-GAAP measure and is defined by the Company as its operation and maintenance expenses from the Regulated Businesses, divided by the operating revenues from the Regulated Businesses, where both operation and maintenance expenses and operating revenues were adjusted to eliminate purchased water expense. Operating revenues were further adjusted to exclude reductions for the amortization of the EADIT. Also excluded from operation and maintenance expenses is the allocable portion of non-O&M support services costs, mainly depreciation and general taxes, which is reflected in the Regulated Businesses segment as operation and maintenance expenses, but for consolidated financial reporting purposes, is categorized within other line items in the accompanying Consolidated Statements of Operations. The items discussed above were excluded from the O&M efficiency ratio calculation as they are not reflective of management's ability to increase the efficiency of the Regulated Businesses.

The Company evaluates its operating performance using this ratio, and believes it is useful to investors because it directly measures improvement in the operating performance and efficiency of the Regulated Businesses. This information is derived from the Company's consolidated financial information but is not presented in its financial statements prepared in accordance with GAAP. This information supplements and should be read in conjunction with the Company's GAAP disclosures, and should be considered as an addition to, and not a substitute for, any GAAP measure. The Company's adjusted regulated O&M efficiency ratio (i) is not an accounting measure that is based on GAAP; (ii) is not based on a standard, objective industry definition or method of calculation; (iii) may not be comparable to other companies' operating measures; and (iv) should not be used in place of the GAAP information provided elsewhere in this Annual Report on Form 10-K.

Presented in the table below is the calculation of the Company's adjusted regulated O&M efficiency ratio and a reconciliation that compares operation and maintenance expenses and operating revenues, each as determined in accordance with GAAP, to those amounts utilized in the calculation of its adjusted O&M efficiency ratio:

(Dollars in millions)	For the Years Ended December 31,		
	2022	2021	2020
Total operation and maintenance expenses	\$ 1,589	\$ 1,777	\$ 1,622
Less:			
Operation and maintenance expenses—Other	244	452	364
Total operation and maintenance expenses—Regulated Businesses	1,345	1,325	1,258
Less:			
Regulated purchased water expenses	154	153	149
Allocation of non-operation and maintenance expenses	31	34	41
Adjusted operation and maintenance expenses—Regulated Businesses (i)	\$ 1,160	\$ 1,138	\$ 1,068
Total operating revenues	\$ 3,792	\$ 3,930	\$ 3,777
Less:			
Operating revenues—Other	287	546	522
Total operating revenues—Regulated Businesses	3,505	3,384	3,255
Less:			
Regulated purchased water revenues (a)	154	153	149
Revenue reductions from the amortization of EADIT	(89)	(104)	(7)
Adjusted operating revenues—Regulated Businesses (ii)	\$ 3,440	\$ 3,335	\$ 3,113
Adjusted O&M efficiency ratio—Regulated Businesses (i) / (ii)	33.7%	34.1%	34.3%

(a) The calculation assumes regulated purchased water revenues approximate regulated purchased water expenses.

Regulatory Matters

General Rate Cases

Presented in the table below are annualized incremental revenues, including reductions for the amortization of EADIT that are generally offset in income tax expense, assuming a constant water sales volume and customer count, resulting from general rate case authorizations that became effective during 2022:

(In millions)	Effective Date	Amount
General rate cases by state:		
New Jersey	September 1, 2022	\$ 46
Hawaii	July 1, 2022	2
West Virginia	February 25, 2022	13
California, Step Increase	January 1, 2022	9
Pennsylvania, Step Increase	January 1, 2022	20
Total general rate case authorizations		\$ 90

Presented in the table below are annualized incremental revenues, including reductions for the amortization of EADIT that are generally offset in income tax expense, assuming a constant water sales volume and customer count, resulting from general rate case authorizations that became effective on or after January 1, 2023:

(In millions)	Effective Date	Amount
General rate cases by state:		
Pennsylvania	January 28, 2023	\$ 138
Illinois	January 1, 2023	67
California, Step Increase	January 1, 2023	13
Total general rate case authorizations		\$ 218

On December 15, 2022, the Illinois Commerce Commission issued an order approving the adjustment of base rates requested in a rate case filed on February 10, 2022, by the Company's Illinois subsidiary. As updated in the Illinois subsidiary's June 29, 2022 rebuttal filing, the request sought \$83 million in additional annualized revenues excluding previously recovered infrastructure surcharges. The general rate case order approved a \$67 million annualized increase in water and wastewater system revenues excluding previously recovered infrastructure surcharges, effective January 1, 2023, based on an authorized return on equity of 9.8%, authorized rate base of \$1.64 billion, a common equity ratio of 49.0% and a debt ratio of 51.0%. The annualized revenue increase is being driven primarily by significant water and wastewater system capital investments since the Illinois subsidiary's 2017 rate case order that have been completed or are planned through December 31, 2023, expected higher pension and other postretirement benefit costs, and increases in production costs, including chemicals, fuel and power costs.

On December 8, 2022, the Pennsylvania Public Utility Commission issued an order approving the joint settlement of the rate case filed on April 29, 2022, by the Company's Pennsylvania subsidiary. The general rate case order approved a \$138 million annualized increase in water and wastewater revenues and authorizes implementation of the new water and wastewater rates effective January 28, 2023. The rate case proceeding was resolved through a "black box" settlement agreement and did not specify an approved return on equity ("ROE"). The annualized revenue increase is driven primarily by significant incremental capital investments since the Pennsylvania subsidiary's 2021 rate case order that will be completed through December 31, 2023, increases in pension and other postretirement benefits expense and increases in production costs, including chemicals, fuel and power costs. The general rate case order also includes recovery of the Company's Pennsylvania subsidiary's COVID-19 deferral balance.

On August 17, 2022, the Company's New Jersey subsidiary was authorized additional annual revenues of \$46 million in its general rate case, effective September 1, 2022, based on an authorized return on equity of 9.6%, authorized rate base of \$4.15 billion, a common equity ratio of 54.6% and a long-term debt ratio of 45.4%. The request incorporated updated estimates of production costs, including chemicals, fuel and power costs. Beginning January 1, 2023, the Company's New Jersey subsidiary will defer as a regulatory asset or liability, as appropriate, the difference between its pension expense and other postretirement benefits expense and those amounts included in base rates. The deferral period for this regulatory asset or liability will be two years or, if earlier, will end at the conclusion of the Company's New Jersey subsidiary's next general rate case. The Company's New Jersey subsidiary also withdrew its request, without prejudice, to recover its existing authorized COVID-19-related regulatory asset in the general rate case and will seek recovery in a separate proceeding within the process established in the New Jersey Board of Public Utilities' (the "NJBP") generic COVID-19-related proceeding.

On February 24, 2022, WVAWC was authorized additional annual revenues of \$13 million in its general rate case, effective February 25, 2022, based on an authorized return on equity of 9.8%, authorized rate base of \$734 million and a common equity ratio of 47.9%. Staff of the Public Service Commission of West Virginia moved for reconsideration of the final order on several grounds. WVAWC filed its response to the Staff's Petition for Reconsideration on March 28, 2022, in support of the authorized revenue requirement. On October 21, 2022, the Public Service Commission of West Virginia denied the motion for reconsideration.

Pending General Rate Case Filings

On July 1, 2022, the Company's California subsidiary filed a general rate case requesting an increase in 2024 revenue of \$56 million and a total increase in revenue over the 2024 to 2026 period of \$95 million, with all increases compared against 2022 revenues. The Company updated its filing in January 2023 to capture the authorized step increase effective January 1, 2023. The filing was also updated to incorporate a decoupling proposal and a revision to the Company's sales and associated variable expense forecast. The revised requested additional annualized revenues for the test year 2024 is now \$37 million, compared against 2023 revenues. This excludes the proposed step rate and attrition rate increase for 2025 and 2026 of \$20 million and \$19 million,

respectively. The total revenue requirement request for the three-year rate case cycle, incorporating updates to present rate revenues and forecasted demand, is \$76 million.

On July 1, 2022, the Company's Missouri subsidiary filed a general rate case requesting \$105 million in additional annualized revenues.

On November 15, 2021, the Company's Virginia subsidiary filed a general rate case requesting \$14 million in additional annualized revenues. Interim rates were effective on May 1, 2022, and the difference between interim and final approved rates is subject to refund. On September 26, 2022, a settlement agreement, supported by all parties except one, was filed with the Virginia State Corporation Commission for a \$11 million annual revenue increase. Public hearings were held on September 27 and 28, 2022. A final decision on this matter is expected in the first quarter of 2023.

The Company's California subsidiary submitted its application on May 3, 2021, to set its cost of capital for 2022 through 2024. According to the CPUC's procedural schedule, a decision setting the authorized cost of capital is expected to be issued in the first quarter of 2023.

Infrastructure Surcharges

A number of states have authorized the use of regulatory mechanisms that permit rates to be adjusted outside of a general rate case for certain costs and investments, such as infrastructure surcharge mechanisms that permit recovery of capital investments to replace aging infrastructure. Presented in the table below are annualized incremental revenues, assuming a constant water sales volume and customer count, resulting from infrastructure surcharge authorizations that became effective during 2022:

(In millions)	<u>Effective Date</u>	<u>Amount</u>
Infrastructure surcharges by state:		
New Jersey	(a)	\$ 11
Pennsylvania	(b)	19
Missouri	(c)	30
Tennessee	August 8, 2022	3
Kentucky	July 1, 2022	3
Indiana	March 21, 2022	8
West Virginia	March 1, 2022	3
Illinois	January 1, 2022	6
Total infrastructure surcharge authorizations		<u>\$ 83</u>

(a) In 2022, \$1 million was effective December 30 and \$10 million was effective June 27.

(b) In 2022, \$8 million was effective on October 1, \$9 million was effective July 1 and \$2 million was effective April 1.

(c) In 2022, \$18 million was effective August 11 and \$12 million was effective February 1.

Presented in the table below are annualized incremental revenues, assuming a constant water sales volume and customer count, resulting from infrastructure surcharge authorizations that became effective on or after January 1, 2023:

(In millions)	<u>Effective Date</u>	<u>Amount</u>
Infrastructure surcharge filings by state:		
Missouri	January 16, 2023	\$ 15
West Virginia	January 1, 2023	7
Pennsylvania	January 1, 2023	3
Total infrastructure surcharge filings		<u>\$ 25</u>

Pending Infrastructure Surcharge Filings

On January 20, 2023, the Company’s Indiana subsidiary filed an infrastructure surcharge proceeding requesting \$21 million in additional annualized revenue

On November 18, 2022, the Company’s Indiana subsidiary filed an infrastructure surcharge proceeding requesting \$7 million in additional annualized revenues.

Other Regulatory Matters

In September 2020, the CPUC released a decision under its Low-Income Rate Payer Assistance program rulemaking that required the Company’s California subsidiary to file a proposal to alter its water revenue adjustment mechanism in its next general rate case filing in 2022, which would become effective in January 2024. On October 5, 2020, the Company’s California subsidiary filed an application for rehearing of the decision and following the CPUC’s denial of its rehearing application in September 2021, the Company’s California subsidiary filed a petition for writ of review with the California Supreme Court on October 27, 2021. On May 18, 2022, the California Supreme Court issued a writ of review for the Company’s California subsidiary’s petition and the petitions filed by other entities challenging the decision. Independent of the judicial challenge, California passed Senate Bill 1469, which allows the CPUC to consider and authorize the implementation of a mechanism that separates the water corporation’s revenue and its water sales. Legislation was signed by the Governor on September 30, 2022, and became effective on January 1, 2023. In response to the legislation, on January 27, 2023, the Company’s California subsidiary filed an updated application requesting the CPUC to consider a Water Resources Sustainability Plan decoupling mechanism in its pending 2022 general rate case, which would be effective 2024 through 2026.

On March 2, 2021, an administrative law judge (“ALJ”) in the Office of Administrative Law of New Jersey filed an initial decision with the NJBPU that recommended denial of a petition filed by the Company’s New Jersey subsidiary, which sought approval of acquisition adjustments in rate base of \$29 million associated with the acquisitions of Shorelands Water Company, Inc. in 2017 and the Borough of Haddonfield’s water and wastewater systems in 2015. On July 29, 2021, the NJBPU issued an order adopting the ALJ’s initial decision without modification. The Company’s New Jersey subsidiary filed a Notice of Appeal with the New Jersey Appellate Division on September 10, 2021. The Company’s New Jersey subsidiary filed its brief in support of the appeal on March 4, 2022. Response and Reply briefs were filed on June 22, 2022, and August 4, 2022, respectively. There is no financial impact to the Company as a result of the NJBPU’s order, since the acquisition adjustments are currently recorded as goodwill on the Consolidated Balance Sheets.

Consolidated Results of Operations

Presented in the table below are the Company’s consolidated results of operations:

	For the Years Ended December 31,		
	2022	2021	2020
(In millions)			
Operating revenues	\$ 3,792	\$ 3,930	\$ 3,777
Operating expenses:			
Operation and maintenance	1,589	1,777	1,622
Depreciation and amortization	649	636	604
General taxes	281	321	303
Total operating expenses, net	<u>2,519</u>	<u>2,734</u>	<u>2,529</u>
Operating income	1,273	1,196	1,248

	For the Years Ended December 31,		
	2022	2021	2020
(In millions)			
Other income (expense):			
Interest expense	(433)	(403)	(397)
Interest income	52	4	2
Non-operating benefit costs, net	77	78	49
Gain on sale of businesses	19	747	—
Other, net	20	18	22
Total other income (expense)	<u>(265)</u>	<u>444</u>	<u>(324)</u>
Income before income taxes	1,008	1,640	924
Provision for income taxes	188	377	215
Net income attributable to common shareholders	<u>\$ 820</u>	<u>\$ 1,263</u>	<u>\$ 709</u>

Segment Results of Operations

The Company's operating segments are comprised of its businesses which generate revenue, incur expense and have separate financial information which is regularly used by management to make operating decisions, assess performance and allocate resources. The Company operates its business primarily through one reportable segment, the Regulated Businesses segment. Other primarily includes MSG, which does not meet the criteria of a reportable segment in accordance with GAAP. Other also includes corporate costs that are not allocated to the Regulated Businesses segment, interest income related to the seller promissory note and income from the revenue share agreement from the sale of HOS, eliminations of inter-segment transactions and fair value adjustments related to acquisitions that have not been allocated to the Regulated Businesses segment. This presentation is consistent with how management assesses the results of these businesses. For a discussion and analysis of the Company's financial statements for fiscal 2021 compared to fiscal 2020, please refer to Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations in the Company's Annual Report on Form 10-K for the year ended December 31, 2021, filed with the SEC on February 16, 2022.

As a result of the sale of HOS, the categories which were previously shown as "Market-Based Businesses" and "Other" have been combined and shown as Other. Segment results for the year ended December 31, 2021, have been adjusted retrospectively to reflect this change.

Regulated Businesses Segment

Presented in the table below is financial information for the Regulated Businesses:

	For the Years Ended December 31,		
	2022	2021	2020
(In millions)			
Operating revenues	\$ 3,505	\$ 3,384	\$ 3,255
Operation and maintenance	1,345	1,325	1,258
Depreciation and amortization	633	601	562
General taxes	264	301	285
Other operating expenses	—	1	(3)
Other income (expense)	(220)	(195)	(221)
Income before income taxes	1,042	962	932
Provision for income taxes	188	172	217
Net income attributable to common shareholders	<u>\$ 854</u>	<u>\$ 789</u>	<u>\$ 715</u>

Operating Revenues

Presented in the tables below is information regarding the main components of the Regulated Businesses' operating revenues:

	For the Years Ended December 31,		
	2022	2021	2020
(In millions)			
Water services:			
Residential	\$ 1,941	\$ 1,935	\$ 1,895
Commercial	710	676	627
Fire service	147	151	147
Industrial	153	141	133
Public and other	267	239	226
Total water services	<u>3,218</u>	<u>3,142</u>	<u>3,028</u>
Wastewater services:			
Residential	174	151	134
Commercial	45	37	34
Industrial	4	4	3
Public and other	19	16	14
Total wastewater services	<u>242</u>	<u>208</u>	<u>185</u>
Other (a)	45	34	42
Total operating revenues	<u>\$ 3,505</u>	<u>\$ 3,384</u>	<u>\$ 3,255</u>

(a) Includes other operating revenues consisting primarily of miscellaneous utility charges, fees and rents.

	For the Years Ended December 31,		
	2022	2021	2020
(Gallons in millions)			
Billed water services volumes:			
Residential	162,105	173,644	178,753
Commercial	77,627	77,476	75,875
Industrial	37,265	35,738	34,875
Fire service, public and other	51,966	51,957	49,031
Total billed water services volumes	<u>328,963</u>	<u>338,815</u>	<u>338,534</u>

Included in operating revenues for 2021, was \$127 million related to the Company's New York operations. Excluding the Company's New York operations, for 2022, operating revenues increased \$248 million, primarily due to: (i) a \$180 million increase from authorized rate increases, including infrastructure surcharges, principally to fund infrastructure investment in various states; (ii) a \$36 million increase from water and wastewater acquisitions, as well as organic growth in existing systems; (iii) a \$17 million net increase as a result of reduced amortization of EADIT, primarily in the Company's New Jersey subsidiary; and (iv) a \$13 million estimated net increase primarily due to warmer and drier than normal weather in the third quarter of 2022 in the Company's New Jersey and Missouri service territories, which was partially offset by warmer and drier than normal weather in the second quarter of 2021 in the Northeast.

Operation and Maintenance

Presented in the table below is information regarding the main components of the Regulated Businesses' operating and maintenance expense:

	For the Years Ended December 31,		
	2022	2021	2020
(In millions)			
Employee-related costs	\$ 505	\$ 522	\$ 495
Production costs	387	353	335
Operating supplies and services	242	245	242
Maintenance materials and supplies	96	93	84
Customer billing and accounting	59	66	58
Other	56	46	44
Total	<u>\$ 1,345</u>	<u>\$ 1,325</u>	<u>\$ 1,258</u>

Employee-Related Costs

	For the Years Ended December 31,		
	2022	2021	2020
(In millions)			
Salaries and wages	\$ 395	\$ 402	\$ 382
Group insurance	59	66	65
Pensions	21	25	20
Other benefits	30	29	28
Total	<u>\$ 505</u>	<u>\$ 522</u>	<u>\$ 495</u>

Included in employee-related costs for 2021, was \$16 million related to the Company's New York operations. After excluding the Company's New York operations, for 2022, employee-related costs remained consistent compared to 2021. In 2022, the Regulated Businesses experienced an increase in salaries and wages due to merit increases and higher headcount to support growth, which was offset by higher capitalized labor and overhead rates, as well as lower pension service costs.

Production Costs

	For the Years Ended December 31,		
	2022	2021	2020
(In millions)			
Purchased water	\$ 154	\$ 153	\$ 149
Fuel and power	104	97	88
Chemicals	78	59	57
Waste disposal	51	44	41
Total	<u>\$ 387</u>	<u>\$ 353</u>	<u>\$ 335</u>

Included in production costs for 2021, was \$8 million related to the Company's New York operations. Excluding the Company's New York operations, for 2022, production costs increased \$42 million, primarily due to inflationary pressures which resulted in increased fuel, power and chemical costs.

Customer Billing and Accounting

In 2022, as compared to 2021, customer billing and accounting decreased \$7 million primarily due to the sale of the Company's New York operations and lower uncollectible customer accounts expense.

Other

In 2022, as compared to 2021, other increased \$10 million primarily due to increase to the insurance other than group reserve which had an unfavorable claims experience compared to prior year.

Depreciation and Amortization

In 2022, as compared to 2021, depreciation and amortization increased \$32 million primarily due to additional utility plant placed in service from capital infrastructure investments and acquisitions.

General Taxes

In 2022, as compared to 2021, general taxes decreased \$37 million, primarily related to the sale of the Company's New York operations.

Other Income (Expense)

In 2022, as compared to 2021, other expenses increased \$25 million primarily due to higher interest expense as a result of an \$800 million long-term debt issuance in May 2022 and higher interest rates on short-term debt due to macroeconomic market conditions.

Provision for Income Taxes

In 2022, as compared to 2021, the Regulated Businesses' provision for income taxes increased \$16 million. The Regulated Businesses' effective income tax rate was 18.0% and 17.9% for the years ended December 31, 2022 and 2021, respectively. The increase was primarily due to the decrease in the amortization of EADIT due to the completion of stub period amortization, pursuant to regulatory orders. The amortization of EADIT is generally offset with reductions in revenue.

Other

Presented in the table below is information for Other:

	For the Years Ended December 31,		
	2022	2021	2020
(In millions)			
Operating revenues	\$ 287	\$ 546	\$ 522
Operation and maintenance	244	452	364
Depreciation and amortization	16	35	42
Gain on sale of businesses	19	748	3
Income before income taxes	(34)	678	(8)
Provision for income taxes	—	205	(2)
Net (loss) income attributable to common shareholders	<u>\$ (34)</u>	<u>\$ 474</u>	<u>\$ (6)</u>

Operating Revenues

In 2022, operating revenues decreased \$259 million primarily due to the sale of HOS, which had operating revenues of \$293 million in 2021. Excluding the Company's HOS operations, for 2022, operating revenues increased \$34 million, largely driven by an increase in capital and O&M projects in MSG, primarily at Joint Base Lewis-McChord and the United States Military Academy at West Point, New York.

Operation and Maintenance

Presented in the table below is information regarding the main components of Other’s operating and maintenance expense:

	For the Years Ended December 31,		
	2022	2021	2020
(In millions)			
Operating supplies and services	\$ 120	\$ 191	\$ 118
Maintenance materials and supplies	35	123	114
Employee-related costs	73	109	111
Production costs	10	7	6
Other	6	22	15
Total	<u>\$ 244</u>	<u>\$ 452</u>	<u>\$ 364</u>

Operating Supplies and Services

Included in operating supplies and services for 2021, was \$39 million related to the Company’s HOS operations and a \$45 million pre-tax contribution to the AWCF. Excluding the Company’s HOS operations and AWCF contribution, for 2022, operating supplies and services increased \$13 million, primarily driven by costs associated with increased capital and O&M projects in MSG, as discussed above.

Maintenance Materials and Supplies

Included in maintenance materials and supplies for 2021, was \$96 million related to the Company’s HOS operations. Excluding the Company’s HOS operations, for 2022, operating supplies and services increased \$8 million, primarily due to an increase in CSG costs related to contract with the City of Camden, New Jersey.

Employee-Related Costs

In 2022, as compared to 2021, employee-related costs decreased \$36 million primarily due to the sale of HOS.

Depreciation and Amortization

In 2022, as compared to 2021, depreciation and amortization decreased \$19 million primarily due to the sale of HOS.

Gain on Sale of Businesses

During the fourth quarter of 2021, the Company recognized a pre-tax gain of \$748 million relating to the sale of HOS. In 2022, the Company recorded post-closing adjustments, primarily related to working capital, of pre-tax income of \$20 million, which increased the total gain related to the sale of HOS. See Note 5—Acquisitions and Divestitures in the Notes to Consolidated Financial Statements for additional information.

Provision for Income Taxes

In 2022, as compared to 2021, provision for income taxes decreased \$205 million primarily due to the sale of HOS. See Note 5—Acquisitions and Divestitures in the Notes to Consolidated Financial Statements for additional information.

Tax Matters

On August 16, 2022, President Biden signed into law the Inflation Reduction Act of 2022 (the “IRA”). The IRA contains a Corporate Alternative Minimum Tax (“CAMT”) provision, effective January 1, 2023. To

determine if a company is considered an applicable corporation subject to CAMT, the company's average adjusted financial statement income ("AFSI") for the three consecutive years preceding the tax year must exceed \$1 billion. An applicable corporation must make several adjustments to AFSI when determining CAMT under the new law. Initial guidance regarding the application of the CAMT was issued on December 27, 2022, and additional guidance is forthcoming. The Company is continuing to assess the impact of the initial guidance and will continue to monitor as additional guidance is released.

On July 8, 2022, Pennsylvania Governor Tom Wolf signed into law Act 53 of 2022, which reduces the Pennsylvania State Income Tax Rate in yearly increments starting January 1, 2023, with an initial rate of 8.99% and ending effective January 1, 2031, with a rate of 4.99%. Under Accounting Standards Codification Topic 740, Income Taxes ("ASC 740"), the tax effects of changes in tax laws must be recognized in the period in which the law is enacted. ASC 740 also requires deferred tax assets and liabilities to be measured at the enacted tax rate expected to apply when temporary differences are to be realized or settled. As such, the Company's accumulated deferred income tax ("ADIT") balances for its Pennsylvania subsidiary were remeasured during the quarter ended September 30, 2022, to estimate the impacts of the recently enacted tax rate. The remeasurement reduced the ADIT liability by \$159 million as of December 31, 2022 and created a corresponding regulatory liability since the EADIT is expected to be returned to customers in a future rate case. However, since the rate is declining in yearly increments, the total EADIT will be subject to change.

On September 27, 2022, Iowa's Department of Revenue announced a reduction in the state's top corporate rate from 9.8% to 8.4% effective January 1, 2023. As such, the Company's ADIT balances for its Iowa subsidiary were remeasured during the quarter ended September 30, 2022, to estimate the impacts of the recently enacted tax rate. The remeasurement reduced the ADIT liability by \$2 million as of December 31, 2022 and created a corresponding regulatory liability since the EADIT is expected to be returned to customers in a future rate case.

Federal Net Operating Loss

The Company had no federal NOL carryover balance as of December 31, 2021.

Legislative Updates

During 2022, the Company's regulatory jurisdictions enacted the following legislation that has been approved and is effective as of February 15, 2023:

- Indiana passed Senate Enrolled Act 272, which requires public reporting of a non-jurisdictional utility's asset management programs. Non-jurisdictional utilities are exempt from the jurisdiction of the Indiana Utility Regulatory Commission (the "IURC"). The legislation also creates a water and wastewater research and extension program at a state university to serve as a repository for data collected from utilities. Additionally, the legislation establishes oversight and a receivership program in the IURC for non-jurisdictional utilities with violations that create environmental or human health and safety issues. Legislation was signed by the Governor on March 7, 2022, and became effective on July 1, 2022.
- Indiana passed water and wastewater utility asset financing legislation, Senate Enrolled Act 273, which authorizes the recovery of property tax in Distribution System Improvement Charge filings. The legislation also permits the IURC to allow recovery through tracking mechanisms for changes in property tax and for costs attributable to referenda or action by elected or appointed individuals. Legislation was signed by the Governor on March 10, 2022, and became effective on July 1, 2022.
- Virginia passed Senate Bill 500 and House Bill 182, which requires the Virginia State Corporation Commission, in any future ratemaking proceeding for an investor-owned water/wastewater utility, to evaluate the utility on a stand-alone basis and utilize the utility's actual end-of-test period capital

structure and cost of capital without regard to the cost of capital, capital structure, or investments of any other entities with which the utility may be affiliated. Legislation was signed by the Governor on April 11, 2022, and became effective on July 1, 2022.

- Illinois passed House Bill 900/Public Act 102-0698, which contains appropriations to the Department of Commerce and Economic Opportunity of \$3 million for the purposes of the Water and Sewer Finance Assistance Act (H.B. 414/Public Act 102-0262) and \$55 million for the purposes of the federal Low-Income Household Water Assistance Program (LIHWAP). Legislation was signed by the Governor on April 19, 2022, with these provisions of the bill taking effect on July 1, 2022.
- Tennessee passed Senate Bill 2282 and House Bill 2346, which requires all utilities to implement a cyber security plan and update it every two years to provide for the protection of the utility's facilities from unauthorized use, alteration, ransom, or destruction of electronic data. The relevant regulatory body will verify if a utility has complied or impose reasonable sanctions if out of compliance. Utility compliance will be required by July 1, 2023. Legislation was signed by the Governor on June 1, 2022, and became effective immediately.
- The Missouri General Assembly passed state and local property tax tracker legislation, Senate Bill 745, which requires a utility to defer to a regulatory asset or liability account any difference in what was actually paid in state or local property taxes and what was used to set the revenue requirement in the utility's most recently completed general rate case. Legislation was signed by the Governor on June 29, 2022, and became effective on August 28, 2022.
- California passed Senate Bill 1469, which allows the CPUC to consider and authorize the implementation of a mechanism that separates the water corporation's revenue and its water sales. Legislation was signed by the Governor on September 30, 2022 and became effective on January 1, 2023.

Liquidity and Capital Resources

The Company uses its capital resources, including cash, primarily to (i) fund operating and capital requirements, (ii) pay interest and meet debt maturities, (iii) pay dividends, (iv) fund acquisitions, (v) fund pension and postretirement benefit obligations, and (vi) to pay federal income taxes. The Company invests a significant amount of cash on regulated capital projects where it expects to earn a long-term return on investment. Additionally, the Company operates in rate regulated environments in which the amount of new investment recovery may be limited, and where such recovery generally takes place over an extended period of time, and certain capital recovery is also subject to regulatory lag. See Item 1—Business—Regulated Businesses—Regulation and Rate Making for additional information. The Company expects to fund future maturities of long-term debt through a combination of external debt and, to the extent available, cash flows from operations. Since the Company expects its capital investments over the next few years to be greater than its cash flows from operating activities, the Company currently plans to fund the excess of its capital investments over its cash flows from operating activities for the next five years through a combination of long-term debt and equity in addition to the remaining proceeds from the sale of HOS. The remaining proceeds from the sale of HOS include receipt of a seller promissory note, plus interest, and a contingent cash payment payable upon satisfaction of certain conditions on or before December 31, 2023. If necessary, the Company may delay certain capital investments or other funding requirements or pursue financing from other sources to preserve liquidity. In this event, the Company believes it can rely upon cash flows from operations to meet its obligations and fund its minimum required capital investments for an extended period of time.

The Company regularly evaluates and monitors its cash requirements for capital investments, acquisitions, operations, commitments, debt maturities, interest and dividends. The Company's business is capital intensive, with a majority of this capital funded by cash flows from operations. The Company also obtains funds from external sources, primarily in the debt markets and through short-term commercial paper borrowings, and may also access the equity capital markets as needed or desired to support capital funding requirements. In order to

meet short-term liquidity needs, American Water Capital Corp. (“AWCC”), the wholly owned finance subsidiary of parent company, issues commercial paper that is supported by its revolving credit facility. The Company’s access to external financing on reasonable terms may depend on, as appropriate, any or all of the following: current business conditions, including that of the utility and water utility industry in general; conditions in the debt or equity capital markets; the Company’s credit ratings; and conditions in the national and international economic and geopolitical arenas. Disruptions in the credit markets may discourage lenders from extending the terms of such commitments or agreeing to new commitments. Market disruptions may also limit the Company’s ability to issue debt and equity securities in the capital markets.

If these unfavorable business, market, financial and other conditions deteriorate to the extent that the Company is no longer able to access the commercial paper and/or capital markets on reasonable terms, AWCC has access to an unsecured revolving credit facility. AWCC’s revolving credit facility is used principally to support its commercial paper program, to provide additional liquidity support, and to provide a sublimit for the issuance of up to \$150 million in letters of credit. On October 26, 2022, AWCC and certain lenders amended and restated the credit agreement with respect to the revolving credit facility to, among other things, increase the maximum commitments under the facility from \$2.25 billion to \$2.75 billion and to extend the expiration date of the facility from March 2025 to October 2027. Subject to satisfying certain conditions, the credit agreement also permits AWCC to increase the maximum commitment under the facility by up to an aggregate of \$500 million and to request extensions of its expiration date for up to two one-year periods. Also, effective October 26, 2022, the maximum aggregate principal amount of short-term borrowings authorized under AWCC’s commercial paper program was increased from \$2.10 billion to \$2.60 billion. As of December 31, 2022, AWCC had no outstanding borrowings and \$78 million of outstanding letters of credit under its revolving credit facility, with \$1.50 billion available to fulfill its short-term liquidity needs and to issue letters of credit.

The Company believes that its ability to access the debt and equity capital markets, the revolving credit facility and cash flows from operations will generate sufficient cash to fund the Company’s short-term requirements. The Company believes it has sufficient liquidity and the ability to manage its expenditures, should there be a disruption of the capital and credit markets. However, there can be no assurance that the lenders will be able to meet existing commitments to AWCC under the revolving credit facility, or that AWCC will be able to access the commercial paper or loan markets in the future on acceptable terms or at all.

Cash Flows from Operating Activities

Cash flows from operating activities primarily result from the sale of water and wastewater services and, due to the seasonality of demand, are generally greater during the warmer months. The Company’s future cash flows from operating activities will be affected by, among other things: customers’ ability to pay for service in a timely manner, economic utility regulation, inflation, compliance with environmental, health and safety standards, production costs, maintenance costs, customer growth, declining customer usage of water, employee-related costs, including pension funding, weather and seasonality, taxes, and overall economic conditions.

Operating cash flows can be negatively affected by changes in the Company’s rate regulated environments, changes in the economy, interest rates, the timing of tax payments, and the Company’s customers’ ability to pay for service in a timely manner, among other items. The Company can provide no assurance that its customers’ historical payment pattern will continue in the future. The Company’s current liabilities may exceed current assets mainly from debt maturities due within one year and the use of short-term debt as a funding source, primarily to meet scheduled maturities of long-term debt, fund acquisitions and construction projects, as well as cash needs, which can fluctuate significantly due to the seasonality of the business and other factors. The Company addresses cash timing differences primarily through its short-term liquidity funding mechanisms.

Presented in the table below is a summary of the major items affecting the Company's cash flows from operating activities:

(In millions)	For the Years Ended December 31,		
	2022	2021	2020
Net income	\$ 820	\$ 1,263	\$ 709
Add (less):			
Depreciation and amortization	649	636	604
Deferred income taxes and amortization of investment tax credits (c)	80	230	207
Other non-cash activities (a)	(16)	(27)	—
Changes in working capital (b)	(355)	126	(55)
Pension and non-pension postretirement benefit contributions	(51)	(40)	(39)
(Gain) or loss on sale of businesses	(19)	(747)	—
Net cash provided by operating activities	<u>\$ 1,108</u>	<u>\$ 1,441</u>	<u>\$ 1,426</u>

- (a) Includes provision for losses on accounts receivable, pension and non-pension postretirement benefits and other non-cash, net. Details of each component can be found on the Consolidated Statements of Cash Flows.
- (b) Changes in working capital include changes to receivables and unbilled revenues, income tax receivable, accounts payable and accrued liabilities, accrued taxes and other current assets and liabilities, net.
- (c) The decrease in the 2022 deferred tax activity is primarily due to the settlement of the deferred tax liability related to New York American Water, sold in January 2022.

In 2022, cash flows provided by operating activities decreased \$333 million. The changes were driven by \$338 million of estimated tax payments primarily for taxable gains on the sales of the Company's HOS business and its New York regulated operations, as well as the contribution of \$45 million to the American Water Charitable Foundation. Partially offsetting these changes was a decrease due to the gain recognized from the sale of HOS in 2021.

The Company expects to make pension contributions to the plan trusts of \$39 million in 2023. Actual amounts contributed could change materially from this estimate as a result of changes in assumptions and actual investment returns, among other factors.

Cash Flows from Investing Activities

Presented in the table below is a summary of the major items affecting the Company's cash flows from investing activities:

(In millions)	For the Years Ended December 31,		
	2022	2021	2020
Capital expenditures	\$ (2,297)	\$ (1,764)	\$ (1,822)
Acquisitions, net of cash acquired	(315)	(135)	(135)
Proceeds from sale of assets, net of cash on hand	608	472	2
Removal costs from property, plant and equipment retirements, net	(123)	(109)	(106)
Net cash used in investing activities	<u>\$ (2,127)</u>	<u>\$ (1,536)</u>	<u>\$ (2,061)</u>

In 2022, cash flows used in investing activities increased \$591 million primarily due to increased payments for capital expenditures and acquisitions partially offset by proceeds of \$608 million received from the sale of the Company's New York operations. The Company continues to invest across all infrastructure categories, mainly replacement and renewal of transmission and distribution and services, meter and fire hydrants infrastructure in the Company's Regulated Businesses, as discussed below.

The Company's infrastructure investment plan consists of both infrastructure renewal programs, where the Company replaces mains, services, meters, hydrants and valves, as needed, and major capital investment

projects, where the Company constructs new water and wastewater treatment and delivery facilities to meet new customer growth and water quality regulations. The Company's projected capital expenditures and other investments are subject to periodic review and revision to reflect changes in economic conditions and other factors.

Presented in the table below is a summary of the Company's capital expenditures by category:

(In millions)	For the Years Ended December 31,		
	2022	2021	2020
Transmission and distribution	\$ 901	\$ 749	\$ 704
Treatment and pumping	190	197	306
Services, meter and fire hydrants	546	366	333
General structure and equipment	380	251	299
Sources of supply	95	64	54
Wastewater	185	137	126
Total capital expenditures	<u>\$ 2,297</u>	<u>\$ 1,764</u>	<u>\$ 1,822</u>

In 2022, the Company's capital expenditures increased \$533 million due to an increase across most infrastructure categories.

The Company also grows its business primarily through acquisitions of water and wastewater systems. These acquisitions are generally located in geographic proximity to the Company's existing Regulated Businesses and support continued geographical diversification and growth of its operations. Generally, acquisitions are funded initially with short-term debt, and later refinanced with long-term financing. During 2022, the Company paid \$315 million for the acquisition of 26 water and wastewater systems, representing in the aggregate approximately 70,000 customers.

As previously noted, over the next five years the Company expects to invest between \$14 billion to \$15 billion, with \$12.5 billion to \$13 billion for infrastructure improvements in the Regulated Businesses, and the Company expects to invest between \$30 billion to \$34 billion over the next 10 years. In 2023, the Company expects to invest \$2.9 billion, consisting of \$2.5 billion for infrastructure improvements and \$400 million for acquisitions in the Regulated Businesses.

Cash Flows from Financing Activities

Presented in the table below is a summary of the major items affecting the Company's cash flows from financing activities:

(In millions)	For the Years Ended December 31,		
	2022	2021	2020
Proceeds from long-term debt	\$ 822	\$ 1,118	\$ 1,334
Repayments of long-term debt	(15)	(372)	(342)
(Repayments of) proceeds from term loan	—	(500)	500
Net short-term borrowings (repayments) with maturities less than three months	591	(198)	(5)
Dividends paid	(467)	(428)	(389)
Other financing activities, net (a)	69	35	22
Net cash provided by (used in) financing activities	<u>\$ 1,000</u>	<u>\$ (345)</u>	<u>\$ 1,120</u>

(a) Includes proceeds from issuances of common stock under various employee stock plans and the Company's dividend reinvestment plan, net of taxes paid, advances and contributions in aid of construction, net of refunds, and debt issuance costs and make-whole premiums on early debt redemption.

In 2022, cash flows provided by financing activities increased \$1,345 million, primarily due to an increase in commercial paper borrowings, the repayment in full at maturity of the \$500 million term loan in 2021 and repayments of long-term debt due to the prepayment of \$327 million in aggregate principal amount of AWCC's outstanding senior notes in 2021, with no comparable repayments in 2022. These changes were partially offset by lower proceeds from long-term debt.

The Company's financing activities are primarily focused on funding regulated infrastructure expenditures, regulated acquisitions and payment of dividends. These activities included the issuance of long-term and short-term debt, primarily through AWCC. Based on the needs of the Regulated Businesses and the Company, AWCC may borrow funds or issue its debt in the capital markets and then, through intercompany loans, provide those borrowings to the Regulated Businesses and parent company. The Regulated Businesses and parent company are obligated to pay their portion of the respective principal and interest to AWCC, in the amount necessary to enable AWCC to meet its debt service obligations. Parent company's borrowings are not a source of capital for the Regulated Businesses, therefore, parent company is not able to recover the interest charges on its debt through regulated water and wastewater rates. As of December 31, 2022, AWCC has made long-term fixed rate loans and commercial paper loans to the Regulated Businesses amounting to \$7.6 billion. Additionally, as of December 31, 2022, AWCC has made long-term fixed rate loans and commercial paper loans to parent company amounting to \$3.6 billion.

On May 5, 2022, AWCC issued \$800 million aggregate principal amount of its 4.45% senior notes due 2032. At closing, AWCC received, after deduction of underwriting discounts and before deduction of offering expenses, net proceeds of approximately \$792 million. AWCC used the net proceeds of the offering: (i) to lend funds to parent company and its regulated subsidiaries; (ii) to repay AWCC's commercial paper obligations; and (iii) for general corporate purposes.

One of the principal market risks to which the Company is exposed is changes in interest rates. In order to manage the exposure, the Company follows risk management policies and procedures, including the use of derivative contracts such as treasury lock agreements. The Company also reduces exposure to interest rates by managing commercial paper and debt maturities. The Company does not enter into derivative contracts (through AWCC) for speculative purposes and does not use leveraged instruments. The derivative contracts entered into are for periods consistent with the related underlying exposures. The Company is exposed to the risk that counterparties to derivative contracts will fail to meet their contractual obligations. The Company minimizes the counterparty credit risk on these transactions by dealing only with leading, creditworthy financial institutions, having long-term credit ratings of "A" or better.

In April 2022, the Company entered into several 10-year treasury lock agreements, with notional amounts totaling \$400 million, and an average fixed interest rate of 2.89%. The Company designated these treasury lock agreements as cash flow hedges, with their fair value recorded in accumulated other comprehensive gain or loss. In May 2022, the Company terminated the treasury lock agreements, realizing a net gain of approximately \$4 million, to be amortized through interest, net over a 10-year period, in accordance with the tenor of the debt issuance on May 5, 2022.

In November and December 2022, the Company entered into four 10-year treasury lock agreements, with notional amounts totaling \$100 million, to reduce interest rate exposure on debt expected to be issued in 2023. These treasury lock agreements terminate in January 2024, and have an average fixed rate of 3.56%. In January 2023, the Company entered into three additional 10-year treasury lock agreements, with notional amounts totaling \$100 million, to reduce interest rate exposure on debt expected to be issued in 2023. These treasury lock agreements terminate in January 2024, and have an average fixed rate of 3.35%. The Company designated these treasury lock agreements as cash flow hedges, with their fair value recorded in accumulated other comprehensive gain or loss. Upon termination, the cumulative gain or loss recorded in accumulated other comprehensive gain or loss will be amortized through interest, net over the term of the new debt.

No ineffectiveness was recognized on hedging instruments for the years ended December 31, 2022, 2021 or 2020.

In February 2021, parent company and AWCC filed with the SEC a universal shelf registration statement that enables the Company to meet its capital needs through the offer and sale to the public from time to time of an unlimited amount of various types of securities, including American Water common stock, preferred stock, and other equity and hybrid securities, and AWCC debt securities, all subject to market conditions and demand, general economic conditions, and as applicable, rating status. The shelf registration statement will expire in February 2024. During 2022, 2021 and 2020, \$800 million, \$1.10 billion, and \$1.00 billion, respectively, of debt securities were issued under this and predecessor registration statements.

Presented in the table below are the issuances of long-term debt in 2022:

<u>Company</u>	<u>Type</u>	<u>Rate</u>	<u>Weighted Average Rate</u>	<u>Maturity</u>	<u>Amount (in millions)</u>
AWCC (a)	Senior notes—fixed rate	4.45%	4.45%	2032	\$ 800
Other American Water subsidiaries	Private activity bonds and government funded debt— fixed rate	0.00%-1.75%	1.03%	2027-2042	22
Total issuances					<u>\$ 822</u>

(a) This indebtedness is considered “debt” for purposes of a support agreement between parent company and AWCC, which serves as a functional equivalent of a full and unconditional guarantee by parent company of AWCC’s payment obligations under such indebtedness. See “—Issuer and Guarantor of Senior Notes” below.

Presented in the table below are the retirements and redemptions of long-term debt in 2022 through sinking fund provisions, optional redemption or payment at maturity:

<u>Company</u>	<u>Type</u>	<u>Rate</u>	<u>Weighted Average Rate</u>	<u>Maturity</u>	<u>Amount (in millions)</u>
AWCC	Private activity bonds and government funded debt— fixed rate	1.79%-2.31%	2.24%	2024-2031	\$ 1
Other American Water subsidiaries	Private activity bonds and government funded debt— fixed rate	0.00%-5.50%	1.50%	2022-2051	13
Other American Water subsidiaries	Mandatorily redeemable preferred stock	8.49%	8.49%	2022	1
Total retirements and redemptions					<u>\$ 15</u>

From time to time and as market conditions warrant, the Company may engage in long-term debt retirements through make-whole redemptions, tender offers, open market repurchases or other viable alternatives.

Issuer and Guarantor of Senior Notes

The outstanding senior notes issued by AWCC have been issued under two indentures, each by and between AWCC and Computershare Trust Company, N.A., as successor to Wells Fargo Bank, National Association, as trustee, providing for the rights and obligations of the parties thereto and the holders of the notes issued thereunder. The senior notes also have been issued with the benefit of a support agreement, as amended, between parent company and AWCC, which serves as the functional equivalent of a full and unconditional guarantee by parent company of AWCC’s payment obligations under the senior notes. No other subsidiary of parent company provides guarantees for any of the outstanding senior notes. If AWCC is unable to make timely payment of any

interest, principal or premium, if any, on such senior notes, parent company will provide to AWCC, at its request or the request of any holder of such senior notes, funds to make such payment in full. If AWCC fails or refuses to take timely action to enforce certain rights under the support agreement or if AWCC defaults in the timely payment of any amounts owed to any holder of such senior notes, when due, the support agreement provides that the holder may proceed directly against parent company to enforce such rights or to obtain payment of the defaulted amounts owed to that holder.

As a wholly owned finance subsidiary of parent company, AWCC has no significant assets other than obligations of parent company and certain of its subsidiaries in its Regulated Businesses segment to repay certain intercompany loans made to them by AWCC. AWCC's ability to make payments of amounts owed to holders of the senior notes will be dependent upon AWCC's receipt of sufficient payments of amounts owed pursuant to the terms of such intercompany loans and from its ability to issue indebtedness or otherwise obtain loans in the future, the proceeds of which would be used to fund the repayment of the senior notes.

Because parent company is a holding company and substantially all of its operations are conducted through its subsidiaries other than AWCC, parent company's ability to fulfill its obligations under the support agreement will be dependent upon its receipt of sufficient cash dividends or distributions from its operating subsidiaries. See Note 9—Shareholders' Equity—Dividends and Distributions, in the Notes to the Consolidated Financial Statements for a summary of the limitations on parent company and its subsidiaries to pay dividends or make distributions. Furthermore, parent company's operating subsidiaries are separate and distinct legal entities and, other than AWCC, have no obligation to make any payments on the senior notes or to make available or provide any funds for such payment, other than through their repayment obligations under intercompany loans, if any, with AWCC. Based on the foregoing, parent company's obligations under the support agreement will be effectively subordinated to all indebtedness and other liabilities, including trade payables, lease commitments and moneys borrowed or other indebtedness incurred or issued by parent company's subsidiaries other than AWCC.

Credit Facilities and Short-Term Debt

Interest rates on advances under the Company's revolving credit facility are based on a credit spread to the Secured Overnight Financing Rate ("SOFR") rate (or applicable market replacement rate) or base rate, each determined in accordance with Moody Investors Service's and S&P Global Ratings' then applicable credit rating on AWCC's senior unsecured, non-credit enhanced debt. The facility is used principally to support AWCC's commercial paper program and to provide up to \$150 million in letters of credit. Indebtedness under the facility and AWCC's commercial paper are considered "debt" for purposes of a support agreement between parent company and AWCC, which serves as a functional equivalent of a full and unconditional guarantee by parent company of AWCC's payment obligations thereunder.

Presented in the tables below are the aggregate credit facility commitments, commercial paper limit and letter of credit availability under the revolving credit facility, as well as the available capacity for each, as of December 31:

	2022		
	Commercial Paper Limit	Letters of Credit	Total (a)
(In millions)			
Total availability	\$ 2,600	\$ 150	\$ 2,750
Outstanding debt	(1,177)	(78)	(1,255)
Remaining availability as of December 31, 2022	<u>\$ 1,423</u>	<u>\$ 72</u>	<u>\$ 1,495</u>

(a) Total remaining availability of \$1.50 billion as of December 31, 2022, may be accessed through revolver draws.

	2021		
	Commercial Paper Limit	Letters of Credit	Total (a)
(In millions)			
Total availability	\$ 2,100	\$ 150	\$ 2,250
Outstanding debt	(584)	(76)	(660)
Remaining availability as of December 31, 2021	<u>\$ 1,516</u>	<u>\$ 74</u>	<u>\$ 1,590</u>

(a) Total remaining availability of \$1.59 billion as of December 31, 2021, may be accessed through revolver draws.

Presented in the table below is the Company's total available liquidity as of December 31, 2022 and 2021:

	Cash and Cash Equivalents	Availability on Revolving Credit Facility	Total Available Liquidity
(In millions)			
Available liquidity as of December 31, 2022	\$ 85	\$ 1,495	\$ 1,580
Available liquidity as of December 31, 2021	116	1,590	1,706

The weighted average interest rate on AWCC's outstanding short-term borrowings was approximately 4.41% and 0.20%, for the years ended December 31, 2022 and 2021, respectively.

Capital Structure

Presented in the table below is the percentage of the Company's capitalization represented by the components of its capital structure as of December 31:

	2022	2021	2020
Total common shareholders' equity	38.3%	39.9%	37.1%
Long-term debt and redeemable preferred stock at redemption value	54.4%	56.6%	53.6%
Short-term debt and current portion of long-term debt	7.3%	3.5%	9.3%
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>

The changes in the capital structure mix between periods were mainly attributable to the impacts of the HOS sale on December 9, 2021, and the repayment of short-term borrowings with proceeds from the sale, and the Company's long-term debt offering that was completed on May 5, 2022.

Debt Covenants

The Company's debt agreements contain financial and non-financial covenants. To the extent that the Company is not in compliance with these covenants, an event of default may occur under one or more debt agreements and the Company, or its subsidiaries, may be restricted in its ability to pay dividends, issue new debt or access the revolving credit facility. The long-term debt indentures contain a number of covenants that, among other things, prohibit or restrict the Company from issuing debt secured by the Company's assets, subject to certain exceptions. Failure to comply with any of these covenants could accelerate repayment obligations.

Covenants in certain long-term notes and the revolving credit facility require the Company to maintain a ratio of consolidated debt to consolidated capitalization (as defined in the relevant documents) of not more than 0.70 to 1.00. On December 31, 2022, the Company's ratio was 0.62 to 1.00 and therefore the Company was in compliance with the covenants.

Security Ratings

Presented in the table below are long-term and short-term credit ratings and rating outlooks as of February 15, 2023, as issued by Moody’s Investors Service on December 19, 2022, and S&P Global Ratings on February 6, 2023:

Securities	Moody’s Investors Service	S&P Global Ratings
Rating outlook	Stable	Stable
Senior unsecured debt	Baa1	A
Commercial paper	P-2	A-1

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

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

Access to the capital markets, including the commercial paper market, and respective financing costs in those markets, may be directly affected by the Company’s securities ratings. The Company primarily accesses the debt capital markets, including the commercial paper market, through AWCC. However, the Company has also issued debt through its regulated subsidiaries, primarily in the form of mortgage bonds and tax exempt securities or borrowings under state revolving funds, to lower the overall cost of debt.

Dividends and Regulatory Restrictions

For discussion of the Company’s dividends, dividend restrictions and dividend policy, see Note 9—Shareholders’ Equity in the Notes to Consolidated Financial Statements for additional information.

Insurance Coverage

The Company carries various property, casualty, cyber and financial insurance policies with limits, deductibles and exclusions that it believes are consistent with industry standards. However, insurance coverage may not be adequate or available to cover unanticipated losses or claims. Additionally, annual policy renewals can be impacted by claims experience which in turn can impact coverage terms and conditions on a going-forward basis. The Company is self-insured to the extent that losses are within the policy deductible or exceed the amount of insurance maintained. Such losses could have a material adverse effect on the Company’s short-term and long-term financial condition and its results of operations and cash flows.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with GAAP requires that management apply accounting policies and make estimates, assumptions and judgments that could affect the Company's financial condition, results of operations and cash flows. Actual results could differ from these estimates, assumptions and judgments. Management believes that the areas described below require significant judgment in the application of accounting policy or in making estimates and assumptions in matters that are inherently uncertain and that may change in subsequent periods. Accordingly, changes in the estimates, assumptions and judgments applied to these accounting policies could have a significant impact on the Company's financial condition, results of operations and cash flows, as reflected in the Company's Consolidated Financial Statements. Management has reviewed the critical accounting policies described below with the Company's Audit, Finance and Risk Committee, including the estimates, assumptions and judgments used in their application. Additional discussion regarding these critical accounting policies and their application can be found in Note 2—Significant Accounting Policies in the Notes to Consolidated Financial Statements.

Regulation and Regulatory Accounting

The Company's regulated utilities are subject to regulation by PUCs and, as such, the Company follows the authoritative accounting principles required for rate regulated utilities, which requires the Company to reflect the effects of rate regulation in its Consolidated Financial Statements. Use of this authoritative guidance is applicable to utility operations that meet the following criteria: (i) third-party regulation of rates; (ii) cost-based rates; and (iii) a reasonable assumption that rates will be set to recover the estimated costs of providing service, plus a return on net investment, or rate base. As of December 31, 2022, the Company concluded that the operations of its utilities met the criteria.

Application of this authoritative guidance has a further effect on the Company's financial statements as it pertains to allowable costs used in the ratemaking process. The Company makes significant assumptions and estimates to quantify amounts recorded as regulatory assets and liabilities. Such judgments include, but are not limited to, assets and liabilities related to regulated acquisitions, pension and postretirement benefits, depreciation rates and taxes. Due to timing and other differences in the collection of revenues, these authoritative accounting principles allow a cost that would otherwise be charged as an expense by a non-regulated entity, to be deferred as a regulatory asset if it is probable that such cost is recoverable through future rates. Conversely, the principles require the creation of a regulatory liability for amounts collected in rates to recover costs expected to be incurred in the future, or amounts collected in excess of costs incurred and are refundable to customers.

For each regulatory jurisdiction where the Company conducts business, the Company assesses, at the end of each reporting period, whether the regulatory assets continue to meet the criteria for probable future recovery and regulatory liabilities continue to meet the criteria for probable future settlement. This assessment includes consideration of factors such as changes in regulatory environments, recent rate orders (including recent rate orders on recovery of a specific or similar incurred cost to other regulated entities in the same jurisdiction) and the status of any pending or potential legislation. If subsequent events indicate that the regulatory assets or liabilities no longer meet the criteria for probable future recovery or probable future settlement, the Company's Consolidated Statements of Operations and financial position could be materially affected. In addition, if the Company concludes in a future period that a separable portion of the business no longer meets the criteria, the Company is required to eliminate the financial statement effects of regulation for that part of the business, which would include the elimination of any or all regulatory assets and liabilities that had been recorded in the Consolidated Financial Statements. Failure to meet the criteria of this authoritative guidance could materially impact the Company's Consolidated Financial Statements.

As of December 31, 2022 and 2021, the Company's regulatory asset balance was \$1.0 billion and \$1.1 billion, respectively, and its regulatory liability balance was \$1.6 billion and \$1.6 billion, respectively. See Note 3—Regulatory Matters in the Notes to Consolidated Financial Statements for further information regarding the Company's significant regulatory assets and liabilities.

Accounting for Income Taxes

Significant management judgment is required in determining the provision for income taxes, primarily due to the uncertainty related to tax positions taken, as well as deferred tax assets and liabilities, valuation allowances and the utilization of NOL carryforwards.

In accordance with applicable authoritative guidance, the Company accounts for uncertain income tax positions using a benefit recognition model with a two-step approach, including a more-likely-than-not recognition threshold and a measurement approach based on the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement. If it is not more-likely-than-not that the benefit of the tax position will be sustained on its technical merits, no benefit is recorded. Uncertain tax positions that relate only to timing of when an item is included on a tax return are considered to have met the recognition threshold. Management evaluates each position based solely on the technical merits and facts and circumstances of the position, assuming the position will be examined by a taxing authority having full knowledge of all relevant information. Significant judgment is required to determine whether the recognition threshold has been met and, if so, the appropriate amount of unrecognized tax benefit to be recorded in the Consolidated Financial Statements.

The Company evaluates the probability of realizing deferred tax assets quarterly by reviewing a forecast of future taxable income and its intent and ability to implement tax planning strategies, if necessary, to realize deferred tax assets. The Company also assesses its ability to utilize tax attributes, including those in the form of carryforwards, for which the benefits have already been reflected in the financial statements. The Company records valuation allowances for deferred tax assets when it concludes that it is more-likely-than-not such benefit will not be realized in future periods.

Under GAAP, specifically ASC 740, *Income Taxes*, the tax effects of changes in tax laws must be recognized in the period in which the law is enacted. ASC 740 also requires deferred tax assets and liabilities to be measured at the enacted tax rate expected to apply when temporary differences are to be realized or settled. For the Company's regulated entities, the change in deferred taxes are recorded as either an offset to a regulatory asset or a regulatory liability and may be subject to refund to customers. For the Company's unregulated operations, the change in deferred taxes are recorded as a non-cash re-measurement adjustment to earnings.

Actual income taxes could vary from estimated amounts due to the future impacts of various items, including changes in income tax laws, the Company's forecasted financial condition and results of operations, failure to successfully implement tax planning strategies and recovery of taxes through the regulatory process for the Regulated Businesses, as well as results of audits and examinations of filed tax returns by taxing authorities. The resulting tax balances as of December 31, 2022 and 2021 are appropriately accounted for in accordance with the applicable authoritative guidance; however, the ultimate outcome of tax matters could result in favorable or unfavorable adjustments to the Consolidated Financial Statements and such adjustments could be material. See Note 14—Income Taxes in the Notes to Consolidated Financial Statements for additional information regarding income taxes.

Accounting for Pension and Postretirement Benefits

The Company maintains noncontributory defined benefit pension plans covering eligible employees of its regulated utility and shared service operations. The Company also maintains other postretirement benefit plans providing medical and life insurance to eligible retirees. See Note 2—Significant Accounting Policies and Note 15—Employee Benefits in the Notes to Consolidated Financial Statements for additional information regarding the description of and accounting for the defined benefit pension plans and postretirement benefit plans.

The Company's pension and postretirement benefit costs are developed from actuarial valuations. Inherent in these valuations are key assumptions provided by the Company to its actuaries, including the discount rate and expected long-term rate of return on plan assets. Material changes in the Company's pension and postretirement

benefit costs may occur in the future due to changes in these assumptions as well as fluctuations in plan assets. The assumptions are selected to represent the average expected experience over time and may differ in any one year from actual experience due to changes in capital markets and the overall economy. These differences will impact the amount of pension and other postretirement benefit expense that the Company recognizes. The primary assumptions are:

- **Discount Rate**—The discount rate is used in calculating the present value of benefits, which are based on projections of benefit payments to be made in the future. The objective in selecting the discount rate is to measure the single amount that, if invested at the measurement date in a portfolio of high-quality debt instruments, would provide the necessary future cash flows to pay the accumulated benefits when due.
- **Expected Return on Plan Assets (“EROA”)**—Management projects the future return on plan assets considering prior performance, but primarily based upon the plans’ mix of assets and expectations for the long-term returns on those asset classes. These projected returns reduce the net benefit costs the Company records currently.
- **Rate of Compensation Increase**—Management projects employees’ pay increases, which are used to project employees’ pension benefits at retirement.
- **Health Care Cost Trend Rate**—Management projects the expected increases in the cost of health care.
- **Mortality**— Management adopted the Society of Actuaries Pri-2012 mortality base table, the most recent table developed from private pension plan experience, which provides rates of mortality in 2012 and adopted the new MP-2021 mortality improvement scale to gradually adjust future mortality rates downward due to increased longevity in each year after 2012.

The discount rate assumption, which is determined for the pension and postretirement benefit plans independently, is subject to change each year, consistent with changes in applicable high-quality, long-term corporate bond indices. The Company uses an approach that approximates the process of settlement of obligations tailored to the plans’ expected cash flows by matching the plans’ cash flows to the coupons and expected maturity values of individually selected bonds. For each plan, the discount rate was developed as the level equivalent rate that would yield the same present value as using spot rates aligned with the projected benefit payments. The weighted-average discount rate assumption for determining pension benefit obligations was 5.58%, 2.94% and 2.74% at December 31, 2022, 2021 and 2020, respectively. The weighted-average discount rate assumption for determining other postretirement benefit obligations was 5.60%, 2.90% and 2.56% at December 31, 2022, 2021 and 2020, respectively.

In selecting an EROA, the Company considered tax implications, past performance and economic forecasts for the types of investments held by the plans. The weighted-average EROA assumption used in calculating pension cost was 6.50% for 2022, 6.50% for 2021, and 6.50% for 2020. The weighted-average EROA assumption used in calculating other postretirement benefit costs was 3.60% for 2022, 3.67% for 2021 and 3.68% for 2020.

Presented in the table below are the allocations of the pension plan assets by asset category:

Asset Category	2023 Target Allocation	Percentage of Plan Assets as of December 31,	
		2022	2021
Equity securities	37%	57%	53%
Fixed income	63%	43%	47%
Total	100%	100%	100%

Presented in the table below are the allocations of the other postretirement benefit plan assets by asset category:

Asset Category	2023 Target Allocation (a)	Percentage of Plan Assets as of December 31,	
		2022	2021
Equity securities	27%	30%	22%
Fixed income	73%	70%	78%
Total	100%	100%	100%

(a) Refer to Note 15—Employee Benefits in the Notes to Consolidated Financial Statements for additional details on the allocations of assets and the trusts which fund the other postretirement benefit plans

The investments of the pension and postretirement welfare plan trusts include debt and equity securities held either directly or through mutual funds, commingled funds and limited partnerships. The trustee for the Company’s defined benefit pension and postretirement welfare plans uses an independent valuation firm to calculate the fair value of plan assets.

In selecting a rate of compensation increase, the Company considers past experience in light of movements in inflation rates. The Company’s rate of compensation increase was 3.51% for 2022, 3.51% for 2021 and 3.51% for 2020.

In selecting health care cost trend rates, the Company considers past performance and forecasts of increases in health care costs. As of January 1, 2022, the Company’s health care cost trend rate assumption used to calculate the periodic benefit cost was 6.00% in 2022 gradually declining to 5.00% in 2026 and thereafter. As of December 31, 2022, the Company projects that medical inflation will be 7.00% in 2023 gradually declining to 5.00% in 2031 and thereafter.

The Company will use a weighted-average discount rate and EROA of 5.58% and 6.75%, respectively, for estimating its 2023 pension costs. Additionally, the Company will use a weighted-average discount rate and EROA of 5.60% and 5.00%, respectively, for estimating its 2023 other postretirement benefit costs. A decrease in the discount rate or the EROA would increase the Company’s pension expense. The Company’s 2022 pension and postretirement total net benefit credit was \$47 million and the 2021 pension and postretirement total net benefit credit was \$41 million. The Company expects to make pension contributions to the plan trusts of \$39 million in 2023; however, the actual amounts contributed could change materially from this estimate. The assumptions are reviewed annually and at any interim re-measurement of the plan obligations. The impact of assumption changes is reflected in the recorded pension and postretirement benefit amounts as they occur, or over a period of time if allowed under applicable accounting standards.

Benefit Plan Amendments

In December 2022, the Company amended the American Water Pension Plan (“AWPP”), a tax-qualified defined benefit pension plan, to restructure it as of December 31, 2022. The restructuring involved the spin-off of certain inactive participants from the existing AWPP into a separate tax-qualified defined benefit pension plan, the American Water Pension Plan for Certain Inactive Participants (“AWPP Inactive”). Benefits offered to the plan participants remain unchanged. Actuarial gains and losses associated with AWPP Inactive will be amortized over the average remaining life expectancy of the inactive participants, which increases the amortization period from approximately 7 years to 18 years. The longer amortization period is expected to lower the Company’s pre-tax pension expense by approximately \$5 million in 2023. The actuarial gains and losses associated with the AWPP will continue to be amortized over the average remaining service period for active participants. The Company remeasured the pension plan obligation and assets for each plan as of December 31, 2022.

Upon evaluating prior plan changes, Company funding and market performance, in December 2022, the Company completed plan amendments to spin-off and merge a portion of the American Water Retiree Welfare Plan, with and into the Company's medical plan for active employees ("Active Medical Plan"), in order to repurpose the over-funded portion of the Bargained Retiree Voluntary Employees' Beneficiary Association ("Bargained VEBA") trust. Benefits offered to the plan participants remain unchanged. As a result of these changes, effective December 31, 2022, the Company transferred investment assets from the Bargained VEBA into the existing trust maintained for the benefit of Active Medical Plan participants ("Active VEBA"). The transfer of these Bargained VEBA investment assets into the Active VEBA permits access to approximately \$194 million of assets for purposes of paying active union employee medical benefits. The Company recorded the transfer of assets as a negative contribution and therefore did not record a gain or loss, as permitted by accounting guidance. See Note 18—Fair Value of Financial Information in the Notes to Consolidated Financial Statements, for additional information on accounting for the assets as investments in debt and equity securities as of December 31, 2022.

Revenue Recognition

Revenue from the Company's Regulated Businesses is generated primarily from water and wastewater services delivered to customers. These contracts contain a single performance obligation, the delivery of water or wastewater services, as the promise to transfer the individual good or service is not separately identifiable from other promises within the contracts and, therefore, is not distinct. Revenues are recognized over time, as services are provided. There are generally no significant financing components or variable consideration. Revenues include amounts billed to customers on a cycle basis, and unbilled amounts calculated based on estimated usage from the date of the meter reading associated with the latest customer bill, to the end of the accounting period. The amounts that the Company has a right to invoice are determined by each customer's actual usage, an indicator that the invoice amount corresponds directly to the value transferred to the customer.

Increases or decreases in the volumes delivered to customers and rate mix due to changes in usage patterns in customer classes in the period could be significant to the calculation of unbilled revenue. In addition, changes in the timing of meter reading schedules and the number and type of customers scheduled for each meter reading date would also have an effect on the unbilled revenue calculation. Unbilled revenue for the Company's regulated utilities as of December 31, 2022 and 2021 was \$178 million and \$162 million, respectively.

The Company also recognizes revenue when it is probable that future recovery of previously incurred costs or future refunds that are to be credited to customers will occur through the ratemaking process.

Revenue from the Company's former HOS business, which was sold in December 2021, was generated through various protection programs in which the Company provided fixed fee services to domestic homeowners and smaller commercial customers for interior and exterior water and sewer lines, interior electric and gas lines, heating and cooling systems, water heaters, power surge protection and other related services. Most of the contracts had a one-year term and each service was a separate performance obligation, satisfied over time, as the customers simultaneously received and consumed the benefits provided from the service. Customers were obligated to pay for the protection programs ratably over 12 months or via a one-time, annual fee, with revenues recognized ratably over time for those services. Advances from customers were deferred until the performance obligation was satisfied.

The Company also has long-term, fixed fee contracts to operate and maintain water and wastewater systems for the U.S. government on various military installations and facilities owned by municipal customers. Billing and revenue recognition for the fixed fee revenues occurs ratably over the term of the contract, as customers simultaneously receive and consume the benefits provided by the Company. Additionally, these contracts allow the Company to make capital improvements to underlying infrastructure, which are initiated through separate modifications or amendments to the original contract, whereby stand-alone, fixed pricing is separately stated for each improvement. The Company has determined that these capital improvements are separate performance

obligations, with revenue recognized over time based on performance completed at the end of each reporting period. Losses on contracts are recognized during the period in which the losses first become probable and estimable. Revenues recognized during the period in excess of billings on construction contracts are recorded as unbilled revenues, with billings in excess of revenues recorded as other current liabilities until the recognition criteria are met. Changes in contract performance and related estimated contract profitability may result in revisions to costs and revenues and are recognized in the period in which revisions are determined. Unbilled revenue within Other as of December 31, 2022 and 2021 was \$97 million and \$86 million, respectively.

Accounting for Contingencies

The Company records loss contingencies when management determines that the outcome of future events is probable of occurring and when the amount of the loss or a range of losses can be reasonably estimated. The determination of a loss contingency is based on management's judgment and estimates about the likely outcome of the matter, which may include an analysis of different scenarios. Liabilities are recorded or adjusted when events or circumstances cause these judgments or estimates to change. In assessing whether a loss is reasonably possible, management considers many factors, which include, but are not limited to: the nature of the litigation, claim or assessment, review of applicable law, opinions or views of legal counsel and other advisors, and the experience gained from similar cases or situations. The Company provides disclosures for material contingencies when management deems there is a reasonable possibility that a loss or an additional loss may be incurred. The Company provides estimates of reasonably possible losses when such estimates may be reasonably determined, either as a single amount or within a reasonable range.

Actual amounts realized upon settlement or other resolution of loss contingencies may be different than amounts recorded and disclosed and could have a significant impact on the liabilities, revenue and expenses recorded on the Consolidated Financial Statements. See Note 16—Commitments and Contingencies in the Notes to Consolidated Financial Statements for additional information regarding contingencies.

Recent Accounting Standards

See Note 2—Significant Accounting Policies in the Notes to Consolidated Financial Statements for a description of recent accounting standards.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risk associated with changes in commodity prices, equity prices and interest rates. The Company is exposed to risks from changes in interest rates as a result of its issuance of variable and fixed rate debt and commercial paper. The Company manages its interest rate exposure by limiting its variable rate exposure and by monitoring the effects of market changes in interest rates. The Company also has the ability to enter into financial derivative instruments, which could include instruments such as, but not limited to, interest rate swaps, forward starting swaps and U.S. Treasury lock agreements to manage and mitigate interest rate risk exposure. As of December 31, 2022, a hypothetical increase of interest rates by 1% associated with the Company's short-term borrowings would result in a \$6 million increase in short-term interest expense.

The Company's risks associated with price increases for chemicals, electricity and other commodities are reduced through contractual arrangements and the expected ability to recover price increases through rates, in the next general rate case proceeding or other regulatory mechanism, as authorized by each regulatory jurisdiction. Non-performance by these commodity suppliers could have a material adverse impact on the Company's results of operations, financial position and cash flows.

The market price of the Company's common stock may experience fluctuations, which may be unrelated to its operating performance. In particular, the Company's stock price may be affected by general market movements as well as developments specifically related to the water and wastewater industry. These could

include, among other things, interest rate movements, quarterly variations or changes in financial estimates by securities analysts and governmental or regulatory actions. This volatility may make it difficult for the Company to access the capital markets in the future through additional offerings of its common stock or other equity securities, regardless of its financial performance, and such difficulty may preclude the Company from being able to take advantage of certain business opportunities or meet business obligations.

The Company is exposed to credit risk through its water, wastewater and related services. The Company's Regulated Businesses serve residential, commercial, industrial and other customers, while the businesses within Other engage in business activities with government entities and other customers. The Company's primary credit risk is exposure to customer default on contractual obligations and the associated loss that may be incurred due to the non-payment of customer accounts receivable balances. The Company's credit risk is managed through established credit and collection policies which are in compliance with applicable regulatory requirements and involve monitoring of customer exposure and the use of credit risk mitigation measures such as letters of credit or prepayment arrangements. The Company's credit portfolio is diversified with no significant customer or industry concentrations. In addition, the Regulated Businesses are generally able to recover all prudently incurred costs including uncollectible customer accounts receivable expenses and collection costs through rates.

The Company's retirement trust assets are exposed to the market prices of debt and equity securities. Changes to the retirement trust asset values can impact the Company's pension and other benefits expense, funded status and future minimum funding requirements. Changes in interest rates can impact retirement liabilities. The Company aims to reduce risk through asset diversification and by investing in long duration fixed-income securities that have a duration similar to that of its pension liabilities, seeking to hedge some of the interest rate sensitivity of its liabilities. That way, if interest rates fall and liabilities increase, the Company expects that the fixed-income assets in its retirement trust will also increase in value. The Company also expects its risk to be reduced through its ability to recover pension and other benefit costs through rates.

The Company is also exposed to a potential national economic recession or deterioration in local economic conditions in the markets in which it operates. The credit quality of the Company's customer accounts receivable is dependent on the economy and the ability of its customers to manage through unfavorable economic cycles and other market changes. In addition, there can be no assurances that regulators will grant sufficient rate authorizations. Therefore, the Company's ability to fully recover operating expense, recover its investment and provide an appropriate return on invested capital made in the Regulated Businesses may be adversely impacted.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
American Water Works Company, Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of American Water Works Company, Inc. and its subsidiaries (the “Company”) as of December 31, 2022 and 2021, and the related consolidated statements of operations, comprehensive income, changes in shareholders’ equity and cash flows for each of the three years in the period ended December 31, 2022, including the related notes (collectively referred to as the “consolidated financial statements”). We also have audited the Company’s internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022 in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company’s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management’s Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company’s consolidated financial statements and on the Company’s internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in

accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Accounting for the Effects of Rate Regulation

As described in Notes 2 and 3 to the consolidated financial statements, the Company's consolidated regulatory assets and liabilities balances were \$1,030 million and \$1,595 million, respectively, as of December 31, 2022. The Company's regulated utilities are subject to regulation by multiple state utility commissions and the Company follows authoritative accounting principles required for rate regulated utilities, which requires the effects of rate regulation to be reflected in the Company's consolidated financial statements. As disclosed by management, for each regulatory jurisdiction where the Company conducts business, the Company assesses, at the end of each reporting period, whether the regulatory assets continue to meet the criteria for probable future recovery and regulatory liabilities continue to meet the criteria for probable future settlement. This assessment includes consideration of factors such as changes in regulatory environments, recent rate orders (including recent rate orders on recovery of a specific or similar incurred cost to other regulated entities in the same jurisdiction) and the status of any pending or potential legislation.

The principal considerations for our determination that performing procedures relating to accounting for the effects of rate regulation is a critical audit matter are the significant judgment by management in accounting for regulatory assets and liabilities relative to whether regulatory assets continue to meet the criteria for probable future recovery and regulatory liabilities continue to meet the criteria for probable future settlement as a result of changes in regulatory environments, recent rate orders, and the status of any pending or potential legislation. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing audit procedures and evaluating audit evidence obtained relating to management's judgments.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the Company's regulatory accounting process, including controls over management's assessment and consideration of factors related to the probability of future recovery or settlement. These procedures also included, among others, evaluating the reasonableness of management's judgments regarding the probability of recovery and settlement based on the Company's correspondence with regulators,

status of regulatory proceedings, past practices, and other relevant information; evaluating the related accounting and disclosure implications; and evaluating regulatory assets and liabilities balances based on provisions and formulas outlined in rate orders and other correspondence with the Company's regulators.

/s/ PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
February 15, 2023

We have served as the Company's auditor since 1948.

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Balance Sheets

(In millions, except share and per share data)

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
ASSETS		
Property, plant and equipment	\$ 29,736	\$ 27,413
Accumulated depreciation	<u>(6,513)</u>	<u>(6,329)</u>
Property, plant and equipment, net	<u>23,223</u>	<u>21,084</u>
Current assets:		
Cash and cash equivalents	85	116
Restricted funds	32	20
Accounts receivable, net of allowance for uncollectible accounts of \$60 and \$75, respectively	334	271
Income tax receivable	114	4
Unbilled revenues	275	248
Materials and supplies	98	57
Assets held for sale	—	683
Other	<u>312</u>	<u>155</u>
Total current assets	<u>1,250</u>	<u>1,554</u>
Regulatory and other long-term assets:		
Regulatory assets	990	1,051
Seller promissory note from the sale of the Homeowner Services Group	720	720
Operating lease right-of-use assets	82	92
Goodwill	1,143	1,139
Postretirement benefit assets	—	193
Other	<u>379</u>	<u>242</u>
Total regulatory and other long-term assets	<u>3,314</u>	<u>3,437</u>
Total assets	<u>\$ 27,787</u>	<u>\$ 26,075</u>

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Balance Sheets

(In millions, except share and per share data)

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock (\$0.01 par value; 500,000,000 shares authorized; 187,200,539 and 186,880,413 shares issued, respectively)	\$ 2	\$ 2
Paid-in-capital	6,824	6,781
Retained earnings	1,267	925
Accumulated other comprehensive loss	(23)	(45)
Treasury stock, at cost (5,342,477 and 5,269,324 shares, respectively)	<u>(377)</u>	<u>(365)</u>
Total common shareholders' equity	<u>7,693</u>	<u>7,298</u>
Long-term debt	10,926	10,341
Redeemable preferred stock at redemption value	<u>3</u>	<u>3</u>
Total long-term debt	<u>10,929</u>	<u>10,344</u>
Total capitalization	<u>18,622</u>	<u>17,642</u>
Current liabilities:		
Short-term debt	1,175	584
Current portion of long-term debt	281	57
Accounts payable	254	235
Accrued liabilities	706	701
Accrued taxes	49	176
Accrued interest	91	88
Liabilities related to assets held for sale	—	83
Other	<u>255</u>	<u>217</u>
Total current liabilities	<u>2,811</u>	<u>2,141</u>
Regulatory and other long-term liabilities:		
Advances for construction	316	284
Deferred income taxes and investment tax credits	2,437	2,421
Regulatory liabilities	1,590	1,600
Operating lease liabilities	70	80
Accrued pension expense	235	285
Other	<u>202</u>	<u>180</u>
Total regulatory and other long-term liabilities	<u>4,850</u>	<u>4,850</u>
Contributions in aid of construction	1,504	1,442
Commitments and contingencies (See Note 16)	<u> </u>	<u> </u>
Total capitalization and liabilities	<u>\$ 27,787</u>	<u>\$ 26,075</u>

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Statements of Operations

(In millions, except per share data)

	For the Years Ended December 31,		
	2022	2021	2020
Operating revenues	\$3,792	\$3,930	\$3,777
Operating expenses:			
Operation and maintenance	1,589	1,777	1,622
Depreciation and amortization	649	636	604
General taxes	281	321	303
Total operating expenses, net	<u>2,519</u>	<u>2,734</u>	<u>2,529</u>
Operating income	1,273	1,196	1,248
Other income (expense):			
Interest expense	(433)	(403)	(397)
Interest income	52	4	2
Non-operating benefit costs, net	77	78	49
Gain on sale of businesses	19	747	—
Other, net	20	18	22
Total other income (expense)	<u>(265)</u>	<u>444</u>	<u>(324)</u>
Income before income taxes	1,008	1,640	924
Provision for income taxes	188	377	215
Net income attributable to common shareholders	<u>\$ 820</u>	<u>\$1,263</u>	<u>\$ 709</u>
Basic earnings per share: (a)			
Net income attributable to common shareholders	<u>\$ 4.51</u>	<u>\$ 6.96</u>	<u>\$ 3.91</u>
Diluted earnings per share: (a)			
Net income attributable to common shareholders	<u>\$ 4.51</u>	<u>\$ 6.95</u>	<u>\$ 3.91</u>
Weighted average common shares outstanding:			
Basic	<u>182</u>	<u>182</u>	<u>181</u>
Diluted	<u>182</u>	<u>182</u>	<u>182</u>

(a) Amounts may not calculate due to rounding.

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Comprehensive Income
(In millions)

	For the Years Ended December 31,		
	2022	2021	2020
Net income attributable to common shareholders	\$ 820	\$ 1,263	\$ 709
Other comprehensive income (loss), net of tax:			
Change in employee benefit plan funded status, net of tax of \$5, \$0 and \$ (4) in 2022, 2021 and 2020, respectively	14	(1)	(12)
Defined benefit pension plan actuarial loss, net of tax of \$1, \$1 and \$1 in 2022, 2021 and 2020, respectively	3	4	3
Unrealized gain (loss) on cash flow hedges, net of tax of \$1, \$1 and \$(1) in 2022, 2021 and 2020, respectively	5	1	(4)
Net other comprehensive income (loss)	22	4	(13)
Comprehensive income attributable to common shareholders	\$ 842	\$ 1,267	\$ 696

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Statements of Cash Flows
(In millions)

	For the Years Ended December 31,		
	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 820	\$ 1,263	\$ 709
Adjustments to reconcile to net cash flows provided by operating activities:			
Depreciation and amortization	649	636	604
Deferred income taxes and amortization of investment tax credits	80	230	207
Provision for losses on accounts receivable	24	37	34
(Gain) or loss on sale of businesses	(19)	(747)	—
Pension and non-pension postretirement benefits	(47)	(41)	(14)
Other non-cash, net	7	(23)	(20)
Changes in assets and liabilities:			
Receivables and unbilled revenues	(114)	(74)	(97)
Income tax receivable	(110)	21	(3)
Pension and non-pension postretirement benefit contributions	(51)	(40)	(39)
Accounts payable and accrued liabilities	(8)	66	(2)
Accrued taxes	(118)	129	3
Other assets and liabilities, net	(5)	(16)	44
Net cash provided by operating activities	<u>1,108</u>	<u>1,441</u>	<u>1,426</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(2,297)	(1,764)	(1,822)
Acquisitions, net of cash acquired	(315)	(135)	(135)
Proceeds from sale of assets, net of cash on hand	608	472	2
Removal costs from property, plant and equipment retirements, net	(123)	(109)	(106)
Net cash used in investing activities	<u>(2,127)</u>	<u>(1,536)</u>	<u>(2,061)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term debt	822	1,118	1,334
Repayments of long-term debt	(15)	(372)	(342)
(Repayments of) proceeds from term loan	—	(500)	500
Net short-term borrowings (repayments) with maturities less than three months	591	(198)	(5)
Advances and contributions in aid of construction, net of refunds of \$19, \$25 and \$24 in 2022, 2021 and 2020, respectively	74	62	28
Debt issuance costs and make-whole premium on early debt redemption	(7)	(26)	(15)
Dividends paid	(467)	(428)	(389)
Other, net	2	(1)	9
Net cash provided by (used in) financing activities	<u>1,000</u>	<u>(345)</u>	<u>1,120</u>
Net (decrease) increase in cash, cash equivalents and restricted funds	(19)	(440)	485
Cash, cash equivalents and restricted funds at beginning of period	136	576	91
Cash, cash equivalents and restricted funds at end of period	<u>\$ 117</u>	<u>\$ 136</u>	<u>\$ 576</u>
Cash paid during the year for:			
Interest, net of capitalized amount	\$ 414	\$ 389	\$ 382
Income taxes, net of refunds of \$2, \$6 and \$2 in 2022, 2021 and 2020, respectively	\$ 335	\$ 1	\$ 7
Non-cash investing activity:			
Capital expenditures acquired on account but unpaid as of year end	\$ 330	\$ 292	\$ 221
Seller promissory note from the sale of the Homeowner Services Group	\$ —	\$ 720	\$ —
Contingent cash payment from the sale of the Homeowner Services Group	\$ —	\$ 75	\$ —

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Statements of Changes in Shareholders' Equity

(In millions, except per share data)

	Common Stock		Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Treasury Stock		Total Shareholders' Equity
	Shares	Par Value				Shares	At Cost	
Balance as of December 31, 2019 ..	185.9	\$ 2	\$ 6,700	\$ (207)	\$ (36)	(5.1)	\$ (338)	\$ 6,121
Net income attributable to common shareholders	—	—	—	709	—	—	—	709
Common stock issuances (a) ..	0.6	—	47	—	—	(0.1)	(10)	37
Net other comprehensive income	—	—	—	—	(13)	—	—	(13)
Dividends (\$2.20 declared per common share)	—	—	—	(400)	—	—	—	(400)
Balance as of December 31, 2020 ..	186.5	\$ 2	\$ 6,747	\$ 102	\$ (49)	(5.2)	\$ (348)	\$ 6,454
Net income attributable to common shareholders	—	—	—	1,263	—	—	—	1,263
Common stock issuances (a) ..	0.4	—	34	—	—	(0.1)	(17)	17
Net other comprehensive income	—	—	—	—	4	—	—	4
Dividends (\$2.41 declared per common share)	—	—	—	(440)	—	—	—	(440)
Balance as of December 31, 2021 ..	186.9	\$ 2	\$ 6,781	\$ 925	\$ (45)	(5.3)	\$ (365)	\$ 7,298
Net income attributable to common shareholders	—	—	—	820	—	—	—	820
Common stock issuances (a) ..	0.5	—	43	—	—	(0.1)	(12)	31
Net other comprehensive income	—	—	—	—	22	—	—	22
Dividends (\$2.62 declared per common share)	—	—	—	(478)	—	—	—	(478)
Balance as of December 31, 2022 ..	187.4	\$ 2	\$ 6,824	\$ 1,267	\$ (23)	(5.4)	\$ (377)	\$ 7,693

(a) Includes stock-based compensation, employee stock purchase plan and direct stock reinvestment and direct stock purchase plan activity.

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies

Notes to Consolidated Financial Statements

(Unless otherwise noted, in millions, except per share data)

Note 1: Organization and Operation

American Water Works Company, Inc. (the “Company” or “American Water”) is a holding company for regulated and market-based subsidiaries that provide water and wastewater services throughout the United States. References to “parent company” mean American Water Works Company, Inc., without its subsidiaries. The Company’s primary business involves the ownership of regulated utilities that provide water and wastewater services in 14 states in the United States, collectively referred to as the “Regulated Businesses.” The Company also operates other market-based businesses that provide water and wastewater services within non-reportable operating segments, collectively presented throughout this Annual Report on Form 10-K within “Other.” The Company’s primary market-based businesses included within Other are the Military Services Group (“MSG”), which enters into long-term contracts with the U.S. government to provide water and wastewater services on various military installations; and the former Homeowner Services Group (“HOS”), which was sold on December 9, 2021, and provided various warranty protection programs and other home services to residential customers.

Note 2: Significant Accounting Policies

Regulation

The Company’s regulated utilities are subject to regulation by multiple state utility commissions or other entities engaged in utility regulation, collectively referred to as Public Utility Commissions (“PUCs”). As such, the Company follows authoritative accounting principles required for rate regulated utilities, which requires the effects of rate regulation to be reflected in the Company’s Consolidated Financial Statements. PUCs generally authorize revenue at levels intended to recover the estimated costs of providing service, plus a return on net investments, or rate base. Regulators may also approve accounting treatments, long-term financing programs and cost of capital, operation and maintenance (“O&M”) expenses, capital expenditures, taxes, affiliated transactions and relationships, reorganizations, mergers, acquisitions and dispositions, along with imposing certain penalties or granting certain incentives. Due to timing and other differences in the collection of a regulated utility’s revenues, these authoritative accounting principles allow a cost that would otherwise be charged as an expense by a non-regulated entity, to be deferred as a regulatory asset if it is probable that such cost is recoverable through future rates. Conversely, these principles also require the creation of a regulatory liability for amounts collected in rates to recover costs expected to be incurred in the future, or amounts collected in excess of costs incurred and are refundable to customers. See Note 3—Regulatory Matters for additional information.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States (“GAAP”) requires that management make estimates, assumptions and judgments that could affect the Company’s financial condition, results of operations and cash flows. Actual results could differ from these estimates, assumptions and judgments. The Company considers its critical accounting estimates to include (i) the application of regulatory accounting principles and the related determination and estimation of regulatory assets and liabilities, (ii) revenue recognition and the estimates used in the calculation of unbilled revenue, (iii) accounting for income taxes, (iv) benefit plan assumptions and (v) the estimates and judgments used in determining loss contingencies. The Company’s critical accounting estimates that are particularly sensitive to change in the near term are amounts reported for regulatory assets and liabilities, income taxes, benefit plan assumptions and contingency-related obligations.

Principles of Consolidation

The accompanying Consolidated Financial Statements include the accounts of American Water and all of its subsidiaries in which a controlling interest is maintained after the elimination of intercompany balances and transactions.

Property, Plant and Equipment

Property, plant and equipment consists primarily of utility plant utilized by the Company's regulated utilities. Additions to utility plant and replacement of retirement units of utility plant are capitalized and include costs such as materials, direct labor, payroll taxes and benefits, indirect items such as engineering and supervision, transportation and an allowance for funds used during construction ("AFUDC"). Costs for repair, maintenance and minor replacements are charged to O&M expense as incurred.

The cost of utility plant is depreciated using the straight-line average remaining life, group method. The Company's regulated utilities record depreciation in conformity with amounts approved by PUCs, after regulatory review of the information the Company submits to support its estimates of the assets' remaining useful lives.

Nonutility property consists primarily of buildings and equipment utilized by the Company's MSG business and for internal operations. This property is stated at cost, net of accumulated depreciation, which is calculated using the straight-line method over the useful lives of the assets.

When units of property, plant and equipment are replaced, retired or abandoned, the carrying value is credited against the asset and charged to accumulated depreciation. To the extent the Company recovers cost of removal or other retirement costs through rates after the retirement costs are incurred, a regulatory asset is recorded. In some cases, the Company recovers retirement costs through rates during the life of the associated asset and before the costs are incurred. These amounts result in a regulatory liability being reported based on the amounts previously recovered through customer rates, until the costs to retire those assets are incurred.

The costs incurred to acquire and internally develop computer software for internal use are capitalized as a unit of property. The carrying value of these costs amounted to \$369 million and \$374 million as of December 31, 2022 and 2021, respectively.

Cash and Cash Equivalents, and Restricted Funds

Substantially all cash is invested in interest-bearing accounts. All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

Restricted funds consist primarily of proceeds from financings for the construction and capital improvement of facilities, and deposits for future services under O&M projects. Proceeds are held in escrow or interest-bearing accounts until the designated expenditures are incurred. Restricted funds are classified on the Consolidated Balance Sheets as either current or long-term based upon the intended use of the funds.

Accounts Receivable and Unbilled Revenues

Accounts receivable include regulated utility customer accounts receivable, which represent amounts billed to water and wastewater customers generally on a monthly basis. Credit is extended based on the guidelines of the applicable PUCs and collateral is generally not required. Also included are market-based trade accounts receivable and nonutility customer receivables of the regulated subsidiaries. Unbilled revenues are accrued when service has been provided but has not been billed to customers and when costs exceed billings on market-based construction contracts.

Allowance for Uncollectible Accounts

Allowances for uncollectible accounts are maintained for estimated probable losses resulting from the Company's inability to collect receivables from customers. Accounts that are outstanding longer than the payment terms are considered past due. A number of factors are considered in determining the allowance for uncollectible accounts, including the length of time receivables are past due, previous loss history, current economic and societal conditions and reasonable and supportable forecasts that affect the collectability of receivables from customers. The Company generally writes off accounts when they become uncollectible or are over a certain number of days outstanding. See Note 7—Allowance for Uncollectible Accounts for additional information.

Materials and Supplies

Materials and supplies are stated at the lower of cost or net realizable value. Cost is determined using the average cost method.

Seller Promissory Note

The Company's seller promissory note is accounted for under Accounting Standards Codification ("ASC") Topic 310, *Receivables*, and is classified as held for investment and accounted for at amortized cost at the present value of consideration received for the sale of its HOS business. Interest income from the seller promissory note is accrued based on the principal amount outstanding and earned over the contractual life of the loan.

Leases

The Company has operating and finance leases involving real property, including facilities, utility assets, vehicles, and equipment. The Company determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use ("ROU") assets, accrued liabilities and operating lease liabilities on the Consolidated Balance Sheets. Finance leases are included in property, plant and equipment, accrued liabilities and other long-term liabilities on the Consolidated Balance Sheets. The Company has made an accounting policy election not to include operating leases with a lease term of twelve months or less.

ROU assets represent the right to use an underlying asset for the lease term and the lease liabilities represent the obligation to make lease payments arising from the lease. ROU assets and lease liabilities are generally recognized at the commencement date based on the present value of discounted lease payments over the lease term. As most of the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of discounted lease payments. The implicit rate is used when readily determinable. ROU assets also include any upfront lease payments and excludes lease incentives. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. Lease expense is recognized on a straight-line basis over the lease term.

The Company has lease agreements with lease components (e.g., fixed payments including rent, real estate taxes and insurance costs) and non-lease components (e.g., common-area maintenance costs), which are generally accounted for separately; however, the Company accounts for the lease and non-lease components as a single lease component for certain leases. Certain lease agreements include variable rental payments adjusted periodically for inflation. Additionally, the Company applies a portfolio approach to effectively account for the ROU assets and lease liabilities. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Goodwill

Goodwill represents the excess of the purchase price paid over the estimated fair value of the assets acquired and liabilities assumed in the acquisition of a business. Goodwill is not amortized and must be allocated at the

reporting unit level, which is defined as an operating segment or one level below, and tested for impairment at least annually, or more frequently if an event occurs or circumstances change that would more likely than not, reduce the fair value of a reporting unit below its carrying value.

The Company's goodwill is primarily associated with the acquisition of American Water by an affiliate of the Company's previous owner in 2003 and has been allocated to reporting units based on the fair values at the date of the acquisitions. For purposes of testing goodwill for impairment, the reporting units in the Regulated Businesses segment are aggregated into a single reporting unit. The goodwill of Other is comprised of the MSG reporting unit.

The Company's annual impairment testing is performed as of November 30 of each year. The Company assesses qualitative factors to determine whether quantitative testing is necessary. If it is determined, based upon qualitative factors, that the estimated fair value of a reporting unit is, more likely than not, greater than its carrying value, no further testing is required. If the Company bypasses the qualitative assessment or performs the qualitative assessment and determines that the estimated fair value of a reporting unit, is more likely than not, less than its carrying value, a quantitative, fair value-based assessment is performed. This quantitative testing compares the estimated fair value of the reporting unit to its respective net carrying value, including goodwill, on the measurement date. An impairment loss will be recognized in the amount equal to the excess of the reporting unit's carrying value compared to its estimated fair value, limited to the total amount of goodwill allocated to that reporting unit.

Application of goodwill impairment testing requires management judgment, including the identification of reporting units and determining the fair value of reporting units. Management estimates fair value using a discounted cash flow analysis. Significant assumptions used in these fair value estimations include, but are not limited to, forecasts of future operating results, discount rate and growth rate.

The Company believes the assumptions and other considerations used to value goodwill to be appropriate, however, if actual experience differs from the assumptions and considerations used in its analysis, the resulting change could have a material adverse impact on the Consolidated Financial Statements. See Note 8—Goodwill and Other Intangible Assets for additional information.

Impairment of Long-Lived Assets

Long-lived assets, other than goodwill, include property, plant and equipment and long-term investments. The Company evaluates long-lived assets for impairment when circumstances indicate the carrying value of those assets may not be recoverable. The Company determines if long-lived assets are potentially impaired by comparing the undiscounted expected future cash flows to the carrying value when indicators of impairment exist. When the undiscounted cash flow analysis indicates a long-lived asset may not be recoverable, the amount of the impairment loss is determined by measuring the excess of the carrying amount of the long-lived asset or asset group over its fair value.

The long-lived assets of the Company's regulated utilities are grouped on a separate entity basis for impairment testing, as they are integrated state-wide operations that do not have the option to curtail service and generally have uniform tariffs. A regulatory asset is charged to earnings if and when future recovery in rates of that asset is no longer probable.

The Company believes the assumptions and other considerations used to value long-lived assets to be appropriate, however, if actual experience differs from the assumptions and considerations used in its estimates, the resulting change could have a material adverse impact on the Consolidated Financial Statements.

Advances for Construction and Contributions in Aid of Construction

Regulated utility subsidiaries may receive advances for construction and contributions in aid of construction from customers, home builders and real estate developers to fund construction necessary to extend service to new areas.

Advances are refundable for limited periods of time as new customers begin to receive service or other contractual obligations are fulfilled. Included in other current liabilities as of December 31, 2022 and 2021 on the Consolidated Balance Sheets are estimated refunds of \$19 million and \$23 million, respectively. These amounts represent expected refunds during the next 12-month period.

Advances that are no longer refundable are reclassified to contributions. Contributions are permanent collections of plant assets or cash for a particular construction project. For ratemaking purposes, the amount of such contributions generally serves as a rate base reduction since the contributions represent non-investor supplied funds.

Generally, the Company depreciates utility plant funded by contributions and amortizes its contributions balance as a reduction to depreciation expense, producing a result which is functionally equivalent to reducing the original cost of the utility plant for the contributions. In accordance with applicable regulatory guidelines, some of the Company's utility subsidiaries do not amortize contributions, and any contribution received remains on the balance sheet indefinitely. Amortization of contributions in aid of construction was \$37 million, \$36 million and \$32 million for the years ended December 31, 2022, 2021 and 2020, respectively.

Revenue Recognition

Under ASC Topic 606, *Revenue From Contracts With Customers*, and all related amendments (collectively, "ASC 606"), a performance obligation is a promise within a contract to transfer a distinct good or service, or a series of distinct goods and services, to a customer. Revenue is recognized when performance obligations are satisfied and the customer obtains control of promised goods or services. The amount of revenue recognized reflects the consideration to which the Company expects to be entitled to receive in exchange for goods or services. Under ASC 606, a contract's transaction price is allocated to each distinct performance obligation. To determine revenue recognition for arrangements that the Company determines are within the scope of ASC 606, the Company performs the following five steps: (i) identifies the contracts with a customer; (ii) identifies the performance obligations within the contract, including whether any performance obligations are distinct and capable of being distinct in the context of the contract; (iii) determines the transaction price; (iv) allocates the transaction price to the performance obligations in the contract; and (v) recognizes revenue when, or as, the Company satisfies each performance obligation.

The Company's revenues from contracts with customers are discussed below. Customer payments for contracts are generally due within 30 days of billing and none of the contracts with customers have payment terms that exceed one year; therefore, the Company elected to apply the significant financing component practical expedient and no amount of consideration has been allocated as a financing component.

Regulated Businesses Revenue

Revenue from the Company's Regulated Businesses is generated primarily from water and wastewater services delivered to customers. These contracts contain a single performance obligation, the delivery of water and/or wastewater services, as the promise to transfer the individual good or service is not separately identifiable from other promises within the contracts and, therefore, is not distinct. Revenues are recognized over time, as services are provided. There are generally no significant financing components or variable consideration. Revenues include amounts billed to customers on a cycle basis and unbilled amounts calculated based on estimated usage from the date of the meter reading associated with the latest customer bill, to the end of the

accounting period. The amounts that the Company has a right to invoice are determined by each customer's actual usage, an indicator that the invoice amount corresponds directly to the value transferred to the customer. The Company also recognizes revenue when it is probable that future recovery of previously incurred costs or future refunds that are to be credited to customers will occur through the ratemaking process.

Other Revenue

The Company has long-term, fixed fee contracts to operate and maintain water and wastewater systems for the U.S. government on various military installations and facilities owned by municipal customers. Billing and revenue recognition for the fixed fee revenues occurs ratably over the term of the contract, as customers simultaneously receive and consume the benefits provided by the Company. Additionally, these contracts allow the Company to make capital improvements to underlying infrastructure, which are initiated through separate modifications or amendments to the original contract, whereby stand-alone, fixed pricing is separately stated for each improvement. The Company has determined that these capital improvements are separate performance obligations, with revenue recognized over time based on performance completed at the end of each reporting period. Losses on contracts are recognized during the period in which the losses first become probable and estimable. Revenues recognized during the period in excess of billings on construction contracts are recorded as unbilled revenues, with billings in excess of revenues recorded as other current liabilities until the recognition criteria are met. Changes in contract performance and related estimated contract profitability may result in revisions to costs and revenues and are recognized in the period in which revisions are determined. See Note 4—Revenue Recognition for additional information.

Prior to December 9, 2021, through various warranty protection programs and other home services, the Company previously provided fixed fee services to residential customers for interior and exterior water and sewer lines, interior electric and gas lines, heating and cooling systems, water heaters and other home appliances, as well as power surge protection and other related services through its former HOS business. Most of the contracts had a one-year term and each service was a separate performance obligation, satisfied over time, as the customers simultaneously received and consumed the benefits provided from the service. Customers were obligated to pay for the protection programs ratably over 12 months or via a one-time, annual fee, with revenues recognized ratably over time for those services. Advances from customers were deferred until the performance obligation was satisfied.

Income Taxes

The Company and its subsidiaries participate in a consolidated federal income tax return for U.S. tax purposes. Members of the consolidated group are charged with the amount of federal income tax expense determined as if they filed separate returns.

Certain income and expense items are accounted for in different time periods for financial reporting than for income tax reporting purposes. The Company provides deferred income taxes on the difference between the tax basis of assets and liabilities and the amounts at which they are carried in the financial statements. These deferred income taxes are based on the enacted tax rates expected to be in effect when these temporary differences are projected to reverse. In addition, the regulated utility subsidiaries recognize regulatory assets and liabilities for the effect on revenues expected to be realized as the tax effects of temporary differences, previously flowed through to customers, reverse.

Investment tax credits have been deferred by the regulated utility subsidiaries and are being amortized to income over the average estimated service lives of the related assets.

The Company recognizes accrued interest and penalties related to tax positions as a component of income tax expense and accounts for sales tax collected from customers and remitted to taxing authorities on a net basis. See Note 14—Income Taxes for additional information.

Allowance for Funds Used During Construction

AFUDC is a non-cash credit to income with a corresponding charge to utility plant that represents the cost of borrowed funds or a return on equity funds devoted to plant under construction. The regulated utility subsidiaries record AFUDC to the extent permitted by the PUCs. The portion of AFUDC attributable to borrowed funds is shown as a reduction of interest, net on the Consolidated Statements of Operations. Any portion of AFUDC attributable to equity funds would be included in other, net on the Consolidated Statements of Operations. Presented in the table below is AFUDC for the years ended December 31:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Allowance for other funds used during construction	\$ 20	\$ 27	\$ 30
Allowance for borrowed funds used during construction	14	10	13

Derivative Financial Instruments

The Company uses derivative financial instruments primarily for purposes of hedging exposures to fluctuations in interest rates. These derivative contracts are entered into for periods consistent with the related underlying exposures and do not constitute positions independent of those exposures. The Company does not enter into derivative contracts for speculative purposes and does not use leveraged instruments.

All derivatives are recognized on the balance sheet at fair value. On the date the derivative contract is entered into, the Company designates the derivative as a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability (cash-flow hedge).

The gains and losses on the effective portion of cash-flow hedges are recorded in other comprehensive income, until earnings are affected by the variability of cash flows. Any ineffective portion of designated cash-flow hedges is recognized in current-period earnings.

Cash flows from derivative contracts are included in net cash provided by operating activities on the Consolidated Statements of Cash Flows. See Note 11—Long-Term Debt for additional information.

Pension and Other Postretirement Benefits

The Company maintains defined benefit pension plans and other postretirement benefit plans for eligible employees and retirees. The plan obligation and costs of providing benefits under these plans are annually measured as of December 31. The measurement involves various factors, assumptions and accounting elections. The impact of assumption changes or experience different from that assumed on pension and other postretirement benefit obligations is recognized over time rather than immediately recognized in the Consolidated Statements of Operations and the Consolidated Statements of Comprehensive Income. Cumulative gains and losses that are in excess of 10% of the greater of either the projected benefit obligation or the fair value of plan assets are amortized over the expected average remaining future service period of the current active membership for the plans, with the exception of the American Water Pension Plan for Certain Inactive Participants (“AWPP Inactive”), which is amortized over the average remaining life expectancy of the inactive participants. See Note 15—Employee Benefits for additional information.

The Company’s policy is to recognize curtailments when the total expected future service of plan participants is reduced by greater than 10% due to an event that results in terminations and/or retirements.

New Accounting Standards

Presented in the table below are new accounting standards that were adopted by the Company in 2022:

Standard	Description	Date of Adoption	Application	Effect on the Consolidated Financial Statements
Accounting for Convertible Instruments and Contracts in an Entity's Own Equity	Simplification of financial reporting associated with accounting for convertible instruments and contracts in an entity's own equity. The standard reduced the number of accounting models for convertible debt instruments and convertible preferred stock. This will result in fewer embedded conversion features being separately recognized from the host contract. Earnings per share ("EPS") calculations have been simplified for certain instruments.	January 1, 2022	Modified retrospective	The standard did not have a material impact on the Consolidated Financial Statements.
Disclosures by Business Entities about Government Assistance	The amendments in this update require additional disclosures regarding government grants and contributions. These disclosures require information on the following three items about government transactions to be provided: information on the nature of transactions and related accounting policy used to account for transactions, the line items on the balance sheet and income statement affected by these transactions including amounts applicable to each line, and significant terms and conditions of the transactions, including commitments and contingencies.	January 1, 2022	Prospective	The standard did not have a material impact on the Consolidated Financial Statements.
Reference Rate Reform	This update provides an additional two-year deferral on the sunset date for temporary relief during the reference rate reform transition period. After December 31, 2024, the Company will no longer be permitted to apply the relief for reference rate reform.	December 21, 2022	Prospective	The standard did not have a material impact on the Consolidated Financial Statements

Presented in the table below are recently issued accounting standards that have not yet been adopted by the Company as of December 31, 2022:

<u>Standard</u>	<u>Description</u>	<u>Date of Adoption</u>	<u>Application</u>	<u>Estimated Effect on the Consolidated Financial Statements</u>
Accounting for Contract Assets and Contract Liabilities from Contracts with Customers	The guidance requires an acquirer recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Accounting Standards Codification Topic 606, as if it had originated the contracts. The amendments in this update also provide certain practical expedients for acquirers when recognizing and measuring acquired contract assets and contract liabilities from revenue contracts in a business combination.	January 1, 2023; early adoption permitted	Prospective	The Company is evaluating any impact on its Consolidated Financial Statements, as well as the timing of adoption.
Troubled Debt Restructurings and Vintage Disclosures	The main provisions of this standard eliminate the receivables accounting guidance for troubled debt restructurings (“TDRs”) by creditors while enhancing disclosure requirements when a borrower is experiencing financial difficulty. Entities must apply the loan refinancing and restructuring guidance for receivables to determine whether a modification results in a new loan or a continuation of an existing loan. Additionally, the amendments in this update require that an entity disclose current-period gross write-offs by year of origination for financing receivables and net investment in leases.	January 1, 2023; early adoption permitted	Prospective, with a modified retrospective option for amendments related to the recognition and measurement of TDRs.	The Company is evaluating any impact on its Consolidated Financial Statements, as well as the timing of adoption.

Reclassifications

Certain reclassifications have been made to prior periods in the Consolidated Financial Statements and Notes to conform to the current presentation.

Note 3: Regulatory Matters

General Rate Cases

Presented in the table below are annualized incremental revenues, including reductions for the amortization of the excess accumulated deferred income taxes (“EADIT”) that are generally offset in income tax expense, assuming a constant water sales volume and customer count, resulting from general rate case authorizations that became effective during 2022:

<u>(In millions)</u>	<u>Effective Date</u>	<u>Amount</u>
General rate cases by state:		
New Jersey	September 1, 2022	\$ 46
Hawaii	July 1, 2022	2
West Virginia	February 25, 2022	13
California, Step Increase	January 1, 2022	9
Pennsylvania, Step Increase	January 1, 2022	20
Total general rate case authorizations		<u>\$ 90</u>

Presented in the table below are annualized incremental revenues, including reductions for the amortization of EADIT that are generally offset in income tax expense, assuming a constant water sales volume and customer count, resulting from general rate case authorizations that became effective on or after January 1, 2023:

(In millions)	<u>Effective Date</u>	<u>Amount</u>
General rate cases by state:		
Pennsylvania	January 28, 2023	\$ 138
Illinois	January 1, 2023	67
California, Step Increase	January 1, 2023	<u>13</u>
Total general rate case authorizations		<u>\$ 218</u>

On December 15, 2022, the Illinois Commerce Commission issued an order approving the adjustment of base rates requested in a rate case filed on February 10, 2022, by the Company’s Illinois subsidiary. As updated in the Illinois subsidiary’s June 29, 2022 rebuttal filing, the request sought \$83 million in additional annualized revenues excluding previously recovered infrastructure surcharges. The general rate case order approved a \$67 million annualized increase in water and wastewater system revenues excluding previously recovered infrastructure surcharges, effective January 1, 2023, based on an authorized return on equity of 9.8%, authorized rate base of \$1.64 billion, a common equity ratio of 49.0% and a debt ratio of 51.0%. The annualized revenue increase is being driven primarily by significant water and wastewater system capital investments since the Illinois subsidiary’s 2017 rate case order that have been completed or are planned through December 31, 2023, expected higher pension and other postretirement benefit costs, and increases in production costs, including chemicals, fuel and power costs.

On December 8, 2022, the Pennsylvania Public Utility Commission issued an order approving the joint settlement of the rate case filed on April 29, 2022, by the Company’s Pennsylvania subsidiary. The general rate case order approved a \$138 million annualized increase in water and wastewater revenues and authorizes implementation of the new water and wastewater rates effective January 28, 2023. The rate case proceeding was resolved through a “black box” settlement agreement and did not specify an approved return on equity (“ROE”). The annualized revenue increase is driven primarily by significant incremental capital investments since the Pennsylvania subsidiary’s 2021 rate case order that will be completed through December 31, 2023, increases in pension and other postretirement benefits expense and increases in production costs, including chemicals, fuel and power costs. The general rate case order also includes recovery of the Company’s Pennsylvania subsidiary’s COVID-19 deferral balance.

On August 17, 2022, the Company’s New Jersey subsidiary was authorized additional annual revenues of \$46 million in its general rate case, effective September 1, 2022, based on an authorized return on equity of 9.6%, authorized rate base of \$4.15 billion, a common equity ratio of 54.6% and a long-term debt ratio of 45.4%. The request incorporated updated estimates of production costs, including chemicals, fuel and power costs. Beginning January 1, 2023, the Company’s New Jersey subsidiary will defer as a regulatory asset or liability, as appropriate, the difference between its pension expense and other postretirement benefits expense and those amounts included in base rates. The deferral period for this regulatory asset or liability will be two years or, if earlier, will end at the conclusion of the Company’s New Jersey subsidiary’s next general rate case. The Company’s New Jersey subsidiary also withdrew its request, without prejudice, to recover its existing authorized COVID-19-related regulatory asset in the general rate case and will seek recovery in a separate proceeding within the process established in the New Jersey Board of Public Utilities’ (the “NJBPU”) generic COVID-19-related proceeding.

On February 24, 2022, the Company’s West Virginia subsidiary (“WVAWC”) was authorized additional annual revenues of \$13 million in its general rate case, effective February 25, 2022, based on an authorized return on equity of 9.8%, authorized rate base of \$734 million and a common equity ratio of 47.9%. Staff of the Public Service Commission of West Virginia moved for reconsideration of the final order on several grounds. WVAWC

filed its response to the Staff’s Petition for Reconsideration on March 28, 2022, in support of the authorized revenue requirement. On October 21, 2022, the Public Service Commission of West Virginia denied the motion for reconsideration.

Pending General Rate Case Filings

On July 1, 2022, the Company’s California subsidiary filed a general rate case requesting an increase in 2024 revenue of \$56 million and a total increase in revenue over the 2024 to 2026 period of \$95 million, with all increases compared against 2022 revenues. The Company updated its filing in January 2023 to capture the authorized step increase effective January 1, 2023. The filing was also updated to incorporate a decoupling proposal and a revision to the Company’s sales and associated variable expense forecast. The revised requested additional annualized revenues for the test year 2024 is now \$37 million, compared against 2023 revenues. This excludes the proposed step rate and attrition rate increase for 2025 and 2026 of \$20 million and \$19 million, respectively. The total revenue requirement request for the three-year rate case cycle, incorporating updates to present rate revenues and forecasted demand, is \$76 million.

On July 1, 2022, the Company’s Missouri subsidiary filed a general rate case requesting \$105 million in additional annualized revenues.

On November 15, 2021, the Company’s Virginia subsidiary filed a general rate case requesting \$14 million in additional annualized revenues. Interim rates were effective on May 1, 2022, and the difference between interim and final approved rates is subject to refund. On September 26, 2022, a settlement agreement, supported by all parties except one, was filed with the Virginia State Corporation Commission for a \$11 million annual revenue increase. Public hearings were held on September 27 and 28, 2022. A final decision on this matter is expected in the first quarter of 2023.

The Company’s California subsidiary submitted its application on May 3, 2021, to set its cost of capital for 2022 through 2024. According to the CPUC’s procedural schedule, a decision setting the authorized cost of capital is expected to be issued in the first quarter of 2023.

Infrastructure Surcharges

A number of states have authorized the use of regulatory mechanisms that permit rates to be adjusted outside of a general rate case for certain costs and investments, such as infrastructure surcharge mechanisms that permit recovery of capital investments to replace aging infrastructure. Presented in the table below are annualized incremental revenues, assuming a constant water sales volume and customer count, resulting from infrastructure surcharge authorizations that became effective during 2022:

(In millions)	<u>Effective Date</u>	<u>Amount</u>
Infrastructure surcharges by state:		
New Jersey	(a)	\$ 11
Pennsylvania	(b)	19
Missouri	(c)	30
Tennessee	August 8, 2022	3
Kentucky	July 1, 2022	3
Indiana	March 21, 2022	8
West Virginia	March 1, 2022	3
Illinois	January 1, 2022	6
Total infrastructure surcharge authorizations		<u>\$ 83</u>

- (a) In 2022, \$1 million was effective December 30 and \$10 million was effective June 27.
- (b) In 2022, \$8 million was effective on October 1, \$9 million was effective July 1 and \$2 million was effective April 1.
- (c) In 2022, \$18 million was effective August 11 and \$12 million was effective February 1.

Presented in the table below are annualized incremental revenues, assuming a constant water sales volume and customer count, resulting from infrastructure surcharge authorizations that became effective on or after January 1, 2023:

(In millions)	<u>Effective Date</u>	<u>Amount</u>
Infrastructure surcharge filings by state:		
Missouri	January 16, 2023	\$15
West Virginia	January 1, 2023	7
Pennsylvania	January 1, 2023	<u>3</u>
Total infrastructure surcharge filings		<u>\$25</u>

Pending Infrastructure Surcharge Filings

On January 20, 2023, the Company’s Indiana subsidiary filed an infrastructure surcharge proceeding requesting \$21 million in additional annualized revenue

On November 18, 2022, the Company’s Indiana subsidiary filed an infrastructure surcharge proceeding requesting \$7 million in additional annualized revenues.

Other Regulatory Matters

In September 2020, the CPUC released a decision under its Low-Income Rate Payer Assistance program rulemaking that required the Company’s California subsidiary to file a proposal to alter its water revenue adjustment mechanism in its next general rate case filing in 2022, which would become effective in January 2024. On October 5, 2020, the Company’s California subsidiary filed an application for rehearing of the decision and following the CPUC’s denial of its rehearing application in September 2021, the Company’s California subsidiary filed a petition for writ of review with the California Supreme Court on October 27, 2021. On May 18, 2022, the California Supreme Court issued a writ of review for the Company’s California subsidiary’s petition and the petitions filed by other entities challenging the decision. Independent of the judicial challenge, California passed Senate Bill 1469, which allows the CPUC to consider and authorize the implementation of a mechanism that separates the water corporation’s revenue and its water sales. Legislation was signed by the Governor on September 30, 2022, and became effective on January 1, 2023. In response to the legislation, on January 27, 2023, the Company’s California subsidiary filed an updated application requesting the CPUC to consider a Water Resources Sustainability Plan decoupling mechanism in its pending 2022 general rate case, which would be effective 2024 through 2026.

On March 2, 2021, an administrative law judge (“ALJ”) in the Office of Administrative Law of New Jersey filed an initial decision with the NJBPU that recommended denial of a petition filed by the Company’s New Jersey subsidiary, which sought approval of acquisition adjustments in rate base of \$29 million associated with the acquisitions of Shorelands Water Company, Inc. in 2017 and the Borough of Haddonfield’s water and wastewater systems in 2015. On July 29, 2021, the NJBPU issued an order adopting the ALJ’s initial decision without modification. The Company’s New Jersey subsidiary filed a Notice of Appeal with the New Jersey Appellate Division on September 10, 2021. The Company’s New Jersey subsidiary filed its brief in support of the appeal on March 4, 2022. Response and Reply briefs were filed on June 22, 2022, and August 4, 2022, respectively. There is no financial impact to the Company as a result of the NJBPU’s order, since the acquisition adjustments are currently recorded as goodwill on the Consolidated Balance Sheets.

Regulatory Assets

Regulatory assets represent costs that are probable of recovery from customers in future rates. Approximately 50% of the Company’s total regulatory asset balance at December 31, 2022 earns a return. Presented in the table below is the composition of regulatory assets as of December 31:

	<u>2022</u>	<u>2021</u>
Deferred pension expense	\$ 251	\$ 323
Removal costs recoverable through rates	307	313
Regulatory balancing accounts	26	52
Other	406	439
Less: Regulatory assets included in assets held for sale (a)	—	(76)
Total regulatory assets	<u>\$ 990</u>	<u>\$ 1,051</u>

(a) These regulatory assets are related to the sale of the Company’s New York subsidiary, which was completed on January 1, 2022, and are included in assets held for sale on the Consolidated Balance Sheets as of December 31, 2021. See Note 5—Acquisitions and Divestitures for additional information.

The Company’s deferred pension expense includes a portion of the underfunded status that is probable of recovery through rates in future periods of \$251 million and \$317 million as of December 31, 2022 and 2021, respectively. The remaining portion is the pension expense in excess of the amount contributed to the pension plans which is deferred by certain subsidiaries and will be recovered in future service rates as contributions are made to the pension plan.

Removal costs recoverable through rates represent costs incurred for removal of property, plant and equipment or other retirement costs.

Regulatory balancing accounts accumulate differences between revenues recognized and authorized revenue requirements until they are collected from customers or are refunded. Regulatory balancing accounts include low income programs and purchased power and water accounts.

Other regulatory assets include the financial impacts relating to the COVID-19 pandemic, purchase premium recoverable through rates, tank painting costs, certain construction costs for treatment facilities, property tax stabilization, employee-related costs, business services project expenses, coastal water project costs, rate case expenditures and environmental remediation costs among others. These costs are deferred because the amounts are being recovered in rates or are probable of recovery through rates in future periods.

The Company has current regulatory assets of \$40 million and \$16 million included in other current assets on the Consolidated Balance Sheet as of December 31, 2022 and 2021, respectively, which is primarily made up of rate adjustment mechanisms.

Regulatory Liabilities

Regulatory liabilities generally represent amounts that are probable of being credited or refunded to customers through the rate making process. Also, if costs expected to be incurred in the future are currently being recovered through rates, the Company records those expected future costs as regulatory liabilities. Presented in the table below is the composition of regulatory liabilities as of December 31:

	<u>2022</u>	<u>2021</u>
Income taxes recovered through rates	\$ 1,127	\$ 1,093
Removal costs recovered through rates	275	291
Postretirement benefit liability	100	153
Other	88	110
Less: Regulatory liabilities included in liabilities related to assets held for sale (a)	—	(47)
Total regulatory liabilities	<u>\$ 1,590</u>	<u>\$ 1,600</u>

(a) These regulatory liabilities are related to the sale of the Company’s New York subsidiary, which was completed on January 1, 2022, and are included in liabilities related to assets held for sale on the Consolidated Balance Sheets as of December 31, 2021. See Note 5—Acquisitions and Divestitures for additional information.

Income taxes recovered through rates relate to deferred taxes that will likely be refunded to the Company’s customers. On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (“TCJA”) was signed into law, which, among other things, enacted significant and complex changes to the Internal Revenue Code of 1986, as amended, including a reduction in the federal corporate income tax rate from 35% to 21% as of January 1, 2018. The enactment of the TCJA required a re-measurement of the Company’s deferred income taxes. The portion of this re-measurement related to the Regulated Businesses was substantially offset by a regulatory liability as EADIT will be used to benefit its regulated customers in future rates. All of the Company’s regulated subsidiaries are amortizing EADIT and crediting customers.

Removal costs recovered through rates are estimated costs to retire assets at the end of their expected useful lives that are recovered through customer rates over the lives of the associated assets.

On August 31, 2018, the Postretirement Medical Benefit Plan was remeasured to reflect an announced plan amendment which changed benefits for certain union and non-union plan participants. As a result of the remeasurement, the Company recorded a \$227 million reduction to the net accumulated postretirement benefit obligation, with a corresponding regulatory liability.

Other regulatory liabilities include the financial impacts relating to the COVID-19 pandemic, TCJA reserve on revenue, pension and other postretirement benefit balancing accounts, legal settlement proceeds, deferred gains and various regulatory balancing accounts.

The Company has current regulatory liabilities of \$5 million and \$8 million included in other current liabilities on the Consolidated Balance Sheets as of December 31, 2022 and 2021, respectively, which primarily is made up of TCJA reserve on revenue.

Note 4: Revenue Recognition

Disaggregated Revenues

Presented in the table below are operating revenues disaggregated for the year ended December 31, 2022:

	<u>Revenues from Contracts with Customers</u>	<u>Other Revenues Not from Contracts with Customers (a)</u>	<u>Total Operating Revenues</u>
Regulated Businesses:			
Water services:			
Residential	\$ 1,938	\$ 3	\$ 1,941
Commercial	709	1	710
Fire service	147	—	147
Industrial	152	1	153
Public and other	252	—	252
Total water services	3,198	5	3,203
Wastewater services:			
Residential	173	1	174
Commercial	45	—	45
Industrial	4	—	4
Public and other	19	—	19
Total wastewater services	241	1	242
Miscellaneous utility charges	36	—	36
Alternative revenue programs	—	15	15
Lease contract revenue	—	9	9
Total Regulated Businesses	3,475	30	3,505
Other	288	(1)	287
Total operating revenues	<u>\$ 3,763</u>	<u>\$ 29</u>	<u>\$ 3,792</u>

(a) Includes revenues associated with provisional rates, alternative revenue programs, lease contracts and intercompany rent, which are outside the scope of ASC 606, and accounted for under other existing GAAP.

Presented in the table below are operating revenues disaggregated for the year ended December 31, 2021:

	<u>Revenues from Contracts with Customers</u>	<u>Other Revenues Not from Contracts with Customers (a)</u>	<u>Total Operating Revenues</u>
Regulated Businesses:			
Water services:			
Residential	\$ 1,935	\$ —	\$ 1,935
Commercial	676	—	676
Fire service	151	—	151
Industrial	141	—	141
Public and other	230	—	230
Total water services	3,133	—	3,133
Wastewater services:			
Residential	151	—	151
Commercial	37	—	37
Industrial	4	—	4
Public and other	16	—	16
Total wastewater services	208	—	208
Miscellaneous utility charges	26	—	26
Alternative revenue programs	—	9	9
Lease contract revenue	—	8	8
Total Regulated Businesses	3,367	17	3,384
Other	547	(1)	546
Total operating revenues	\$ 3,914	\$ 16	\$ 3,930

(a) Includes revenues associated with provisional rates, alternative revenue programs, lease contracts and intercompany rent, which are outside the scope of ASC 606, and accounted for under other existing GAAP.

Presented in the table below are operating revenues disaggregated for the year ended December 31, 2020:

	<u>Revenues from Contracts with Customers</u>	<u>Other Revenues Not from Contracts with Customers (a)</u>	<u>Total Operating Revenues</u>
Regulated Businesses:			
Water services:			
Residential	\$ 1,895	\$ —	\$ 1,895
Commercial	627	—	627
Fire service	147	—	147
Industrial	133	—	133
Public and other	201	—	201
Total water services	3,003	—	3,003
Wastewater services:			
Residential	134	—	134
Commercial	34	—	34
Industrial	3	—	3
Public and other	14	—	14
Total wastewater services	185	—	185
Miscellaneous utility charges	32	—	32
Alternative revenue programs	—	25	25
Lease contract revenue	—	10	10
Total Regulated Businesses	3,220	35	3,255
Other	523	(1)	522
Total operating revenues	\$ 3,743	\$ 34	\$ 3,777

(a) Includes revenues associated with provisional rates, alternative revenue programs, lease contracts and intercompany rent, which are outside the scope of ASC 606, and accounted for under other existing GAAP.

Contract Balances

Contract assets and contract liabilities are the result of timing differences between revenue recognition, billings and cash collections. In the Company's MSG, certain contracts are billed as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals or upon achievement of contractual milestones. Contract assets are recorded when billing occurs subsequent to revenue recognition and are reclassified to accounts receivable when billed and the right to consideration becomes unconditional. Contract liabilities are recorded when the Company receives advances from customers prior to satisfying contractual performance obligations, particularly for construction contracts, and are recognized as revenue when the associated performance obligations are satisfied.

Contract assets of \$86 million, \$71 million and \$39 million are included in unbilled revenues on the Consolidated Balance Sheets as of December 31, 2022, 2021 and 2020, respectively. There were \$161 million of contract assets added during 2022, and \$146 million of contract assets were transferred to accounts receivable during 2022. There were \$71 million of contract assets added during 2021, and \$39 million of contract assets were transferred to accounts receivable during 2021.

Contract liabilities of \$91 million, \$19 million and \$35 million are included in other current liabilities on the Consolidated Balance Sheets as of December 31, 2022, 2021 and 2020, respectively. There were \$189 million of contract liabilities added during 2022, and \$117 million of contract liabilities were recognized as revenue during 2022. There were \$152 million of contract liabilities added during 2021, and \$168 million of contract liabilities were recognized as revenue during 2021.

Remaining Performance Obligations

Remaining performance obligations (“RPOs”) represent revenues the Company expects to recognize in the future from contracts that are in progress. The Company enters into agreements for the provision of services to water and wastewater facilities for the U.S. military, municipalities and other customers. As of December 31, 2022, the Company’s O&M and capital improvement contracts in MSG and the Contract Services Group have RPOs. Contracts with the U.S. government for work on various military installations expire between 2051 and 2071 and have RPOs of \$7.0 billion as of December 31, 2022, as measured by estimated remaining contract revenue. Such contracts are subject to customary termination provisions held by the U.S. government, prior to the agreed-upon contract expiration. Contracts with municipalities and commercial customers expire between 2026 and 2038 and have RPOs of \$589 million as of December 31, 2022, as measured by estimated remaining contract revenue. Some of the Company’s long-term contracts to operate and maintain the federal government’s, a municipality’s or other party’s water or wastewater treatment and delivery facilities include responsibility for certain maintenance for some of those facilities, in exchange for an annual fee. Unless specifically required to perform certain maintenance activities, the maintenance costs are recognized when the maintenance is performed.

Note 5: Acquisitions and Divestitures

Regulated Businesses

Closed Acquisitions

During 2022, the Company closed on 26 acquisitions of various regulated water and wastewater systems for a total aggregate purchase price of \$335 million, of which \$315 million was funded in 2022, which added approximately 70,000 water and wastewater customers, including the acquisition of the City of York wastewater system assets noted below. Assets acquired from these acquisitions, principally utility plant, totaled \$337 million and liabilities assumed totaled \$6 million. Several of these acquisitions were accounted for as business combinations. The preliminary purchase price allocations related to acquisitions accounted for as business combinations will be finalized once the valuation of assets acquired has been completed, no later than one year after their acquisition date.

On May 27, 2022, the Company’s Pennsylvania subsidiary acquired the public wastewater collection and treatment system assets from the York City Sewer Authority and the City of York for a purchase price of \$235 million, in cash, \$20 million of which was funded as a deposit to the seller in April 2021 in connection with the execution of the acquisition agreement. The system assets serve, directly and indirectly through bulk contracts, more than 45,000 customers. The acquisition was accounted for as a business combination and the preliminary purchase price allocation will be finalized once the valuation of assets acquired has been completed, no later than one year after the acquisition date. The preliminary purchase price allocation consisted primarily of \$231 million of utility plant and \$4 million of goodwill, which is reported in the Company’s Regulated Businesses segment.

During 2021, the Company closed on 23 acquisitions of various regulated water and wastewater systems for a total aggregate purchase price of \$112 million. Assets acquired from these acquisitions, principally utility plant, totaled \$114 million and liabilities assumed totaled \$2 million. Several of these acquisitions were accounted for as business combinations.

The pro forma impact of the Company’s acquisitions was not material to the Consolidated Statements of Operations for the years ended December 31, 2022, 2021 and 2020.

Pending Acquisitions

On October 11, 2022, the Company’s Pennsylvania subsidiary entered into an agreement to acquire the wastewater assets of the Butler Area Sewer Authority for a total purchase price of \$232 million in cash, subject to adjustment as provided for in the Asset Purchase Agreement. This system provides wastewater service for

approximately 14,700 customer connections. The Company expects to close this acquisition by the end of 2023, pending regulatory approval.

On March 29, 2021, the Company’s New Jersey subsidiary entered into an agreement to acquire the water and wastewater assets of Egg Harbor City for \$22 million. The water and wastewater systems currently serve approximately 1,500 customers each, or 3,000 combined, and are being sold through the New Jersey Water Infrastructure Protection Act process. The Company expects to close this acquisition in early 2023.

Sale of New York American Water Company, Inc.

On January 1, 2022, the Company completed the previously disclosed sale of its regulated utility operations in New York to Liberty Utilities (Eastern Water Holdings) Corp. (“Liberty”), an indirect, wholly owned subsidiary of Algonquin Power & Utilities Corp. Liberty purchased from the Company all of the capital stock of the Company’s New York subsidiary for a purchase price of \$608 million in cash. The sale was approved by the New York State Department of Public Service on December 16, 2021. The Company’s regulated New York operations represented approximately 127,000 customers in the State of New York. The assets and related liabilities of the New York subsidiary were classified as held for sale on the Consolidated Balance Sheets as of December 31, 2021.

Presented in the table below are the components of assets held for sale and liabilities related to assets held for sale of the New York subsidiary as of December 31, 2021:

	<u>December 31, 2021</u>
Property, plant and equipment	\$ 556
Current assets	18
Regulatory assets	76
Goodwill	27
Other assets	6
Assets held for sale	<u>\$ 683</u>
Current liabilities	13
Regulatory liabilities	47
Other liabilities	23
Liabilities related to assets held for sale	<u>\$ 83</u>

Sale of Michigan American Water Company

On February 4, 2022, the Company completed the sale of its operations in Michigan for \$6 million in cash.

Sale of Homeowner Services Group

On December 9, 2021 (the “Closing Date”), the Company sold all of the equity interests in subsidiaries that comprised HOS to a wholly owned subsidiary of funds advised by Apax Partners LLP, a global private equity advisory firm (the “Buyer”), for total consideration of approximately \$1.275 billion, resulting in pre-tax gain of \$748 million. The consideration is comprised of \$480 million in cash, a seller promissory note issued by the Buyer in the principal amount of \$720 million, and a contingent cash payment of \$75 million payable upon satisfaction of certain conditions on or before December 31, 2023. See Note 18—Fair Value of Financial Information for additional information relating to the seller promissory note and contingent cash payment. For the year ended December 31, 2022, the Company recorded post-closing adjustments, primarily related to working capital, of pre-tax income of \$20 million, which is included in Gain on sale of businesses on the Consolidated Statements of Operations.

The seller note has a five-year term, is payable in cash, and bears interest at a rate of 7.00% per year during the term. The Company recognized \$50 million of interest income during the year ended December 31, 2022, from the seller note. The repayment obligations of the Buyer under the seller note have been secured by a first priority security interest in certain property of the Buyer and the former HOS subsidiaries, including their cash and securities accounts, as well as a pledge of the equity interests in each of those subsidiaries, subject to certain limitations and exceptions. The seller note requires compliance with affirmative and negative covenants (subject to certain conditions, limitations and exceptions), including a covenant limiting the incurrence by the Buyer and certain affiliates of additional indebtedness in excess of certain thresholds, but does not include any financial maintenance covenants.

Beginning December 9, 2024, the Company has a put right pursuant to which it may require the seller note to be repaid in full at par, plus accrued and unpaid interest, except that upon the occurrence of a disruption event in the broadly syndicated term loan “B” debt financing market, repayment by the Buyer pursuant to the Company’s exercise of the put right will be delayed until the market disruption event ends.

The seller note may not be prepaid at the Buyer’s election except in certain limited circumstances before the fourth anniversary of the Closing Date. If the Buyer seeks to repay the seller note in breach of this non-call provision, an event of default will occur under the seller note and the Company may, among other actions, demand repayment in full together with a premium ranging from 105.5% to 107.5% of the outstanding principal amount of the loan and a customary “make-whole” payment.

The Company and the Buyer also entered into a revenue share agreement, pursuant to which the Company is to receive 10% of the revenue generated from customers who are billed for home warranty services through an applicable Company subsidiary (an “on-bill” arrangement), and 15% of the revenue generated from any future on-bill arrangements entered into after the Closing Date. Unless earlier terminated, this agreement has a term of up to 15 years, which may be renewed for up to two five-year periods. The Company recognized \$9 million of income during the year ended December 31, 2022, from the revenue share agreements, which is included in Other, net on the Consolidated Statements of Operations.

Note 6: Property, Plant and Equipment

Presented in the table below are the major classes of property, plant and equipment by category as of December 31:

	<u>2022</u>	<u>2021</u>	<u>Range of Remaining Useful Lives</u>	<u>Weighted Average Useful Life</u>
Utility plant:				
Land and other non-depreciable assets	\$ 239	\$ 210		
Sources of supply	1,003	938	10 to 127 years	46 years
Treatment and pumping facilities	4,298	4,198	3 to 101 years	39 years
Transmission and distribution facilities	12,971	12,308	9 to 128 years	69 years
Services, meters and fire hydrants	5,162	4,888	5 to 90 years	32 years
General structures and equipment	2,289	2,200	1 to 109 years	15 years
Waste collection	1,539	1,363	5 to 113 years	56 years
Waste treatment, pumping and disposal	1,129	912	2 to 153 years	38 years
Construction work in progress	974	934		
Other (a)	23	(664)		
Total utility plant	<u>29,627</u>	<u>27,287</u>		
Nonutility property	109	126	3 to 50 years	10 years
Total property, plant and equipment	<u>\$29,736</u>	<u>\$27,413</u>		

(a) This includes utility plant acquisition adjustment balances in addition to property, plant and equipment related to the sale of the Company’s New York subsidiary, which was completed on January 1, 2022, and is included in assets held for sale on the Consolidated Balance Sheets as of December 31, 2021. See Note 5—Acquisitions and Divestitures for additional information.

Property, plant and equipment depreciation expense amounted to \$552 million, \$550 million and \$520 million for the years ended December 31, 2022, 2021 and 2020, respectively and was included in depreciation and amortization expense on the Consolidated Statements of Operations. The provision for depreciation expressed as a percentage of the aggregate average depreciable asset balances was 2.60%, 2.77% and 2.82% for years December 31, 2022, 2021 and 2020, respectively. Additionally, the Company had capital expenditures acquired on account but unpaid of \$330 million and \$292 million included in accrued liabilities on the Consolidated Balance Sheets as of December 31, 2022 and 2021, respectively.

In 2019, the Company completed and submitted its project completion certification to the New Jersey Economic Development Authority (“NJEDA”) in connection with its capital investment in its corporate headquarters in Camden, New Jersey. The NJEDA determined that the Company was qualified to receive \$164 million in tax credits over a 10-year period. In October 2022, the NJEDA issued the Company a revised tax credit certificate in the amount of \$161 million in tax credits to be received over the same 10-year period. The NJEDA denied previously approved capitalized interest cost amounting to \$2.8 million. As a result, the Company adjusted the amounts included in Property, plant and equipment.

The Company is required to meet various annual requirements in order to monetize one-tenth of the tax credits annually and is subject to a claw-back period if the Company does not meet certain NJEDA requirements of the tax credit program in years 11 through 15.

One of the requirements to qualify for the release of credits annually is that the Company maintain a certain level of eligible positions at the qualified business facility (“QBF”). Prior to March 2020, a full-time employee must have spent at least 80% of their time at the QBF to meet the definition of eligible position or full-time job. On July 2, 2021, New Jersey’s Governor signed legislation that revised provisions of the Economic Recovery Act of 2020, which lowered the 80% requirement for spending time at the QBF to 60% of the employee’s time.

During the COVID-19 pandemic, the NJEDA implemented certain accommodations that temporarily waived the requirement that a full-time employee spend the requisite percentage of time at the QBF to be eligible for the award under the program. This waiver expired on June 30, 2022.

On December 22, 2022, the New Jersey Governor signed legislation which provides an additional waiver to eligible businesses for the period of July 1, 2022 to December 31, 2023. Specifically, it allows businesses to waive the 60% on-site requirement if (i) full-time workers spend at least 10% of their work hours at the QBF and (ii) the business pays NJEDA 5% of the amount of the tax credit the business receives for the 2022 tax period. The legislation also (i) extends the time within which a business may terminate their participation in the program to December 31, 2023, without the NJEDA recapturing previously distributed credits; (ii) extends the time allowed under current law for a business to suspend its obligations under the incentive agreement; (iii) extends the provision to include the 2022 and 2023 tax periods; and (iv) renews and extends the right of a business to reduce the required full-time employees specified in the incentive agreement to be eligible to receive the credit. The Company is considering all of its options as a result of the most recent legislation.

In December 2022, the NJEDA issued the utilization certificate for the 2019 tax credits to the Company in the amount of \$16 million. The Company sold these tax credits to external parties in December 2022 for \$15 million. The loss on sale of credits was recorded to Other income (expense) in the Consolidated Results of Operations for the year ended December 31, 2022. As a result, the Company had assets of \$48 million and \$97 million in Other current assets and Other long-term assets, respectively, on the Consolidated Balance Sheets as of December 31, 2022. The Company has made the necessary annual filings for the years ended December 31, 2020 and 2021, and expects to make the 2022 filing by April 30, 2023. The remaining submitted filings are under review by the NJEDA and it is expected that the Company will receive final NJEDA approval and monetize the credits in 2023.

Note 7: Allowance for Uncollectible Accounts

Presented in the table below are the changes in the allowances for uncollectible accounts for the years ended December 31:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Balance as of January 1	\$ (75)	\$ (60)	\$ (41)
Amounts charged to expense	(24)	(37)	(34)
Amounts written off	27	35	23
Other, net (a)	<u>12</u>	<u>(13)</u>	<u>(8)</u>
Balance as of December 31	<u>\$ (60)</u>	<u>\$ (75)</u>	<u>\$ (60)</u>

- (a) This portion of the allowance for uncollectible accounts is primarily related to COVID-19 related regulatory asset activity. The 2021 and 2020 activity also includes the portion of the allowance related to the Company's New York subsidiary, which was completed on January 1, 2022, and is included in assets held for sale on the Consolidated Balance Sheets as of December 31, 2021. See Note 5—Acquisitions and Divestitures for additional information.

Note 8: Goodwill and Other Intangible Assets

Goodwill

Presented in the table below are the changes in the carrying value of goodwill for the years ended December 31, 2022 and 2021:

	<u>Regulated Businesses</u>		<u>Other</u>		<u>Consolidated</u>		
	<u>Cost</u>	<u>Accumulated Impairment</u>	<u>Cost</u>	<u>Accumulated Impairment</u>	<u>Cost</u>	<u>Accumulated Impairment</u>	<u>Total Net</u>
Balance as of January 1, 2021 ...	\$3,461	\$ (2,332)	\$ 483	\$ (108)	\$3,944	\$ (2,440)	\$ 1,504
Acquisition related adjustments	(7)	—	—	—	(7)	—	(7)
Goodwill included in assets held for sale (a)	12	—	—	—	12	—	12
Goodwill reduced through sale of HOS	<u>—</u>	<u>—</u>	<u>(370)</u>	<u>—</u>	<u>(370)</u>	<u>—</u>	<u>(370)</u>
Balance as of December 31, 2021	<u>\$3,466</u>	<u>\$ (2,332)</u>	<u>\$ 113</u>	<u>\$ (108)</u>	<u>\$3,579</u>	<u>\$ (2,440)</u>	<u>\$ 1,139</u>
Goodwill from acquisitions ...	<u>4</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>4</u>	<u>—</u>	<u>4</u>
Balance as of December 31, 2022	<u>\$3,470</u>	<u>\$ (2,332)</u>	<u>\$ 113</u>	<u>\$ (108)</u>	<u>\$3,583</u>	<u>\$ (2,440)</u>	<u>\$ 1,143</u>

- (a) This goodwill is related to the sale of the Company's New York subsidiary, which was completed on January 1, 2022, and is included in assets held for sale on the Consolidated Balance Sheets as of December 31, 2021. See Note 5—Acquisitions and Divestitures for additional information.

In 2021, the Company reduced goodwill by \$370 million included in Other through the sale of HOS. See Note 5—Acquisitions and Divestitures for additional information relating to the sale of HOS.

The Company completed its annual impairment testing of goodwill as of November 30, 2022, which included qualitative assessments of its Regulated Businesses and MSG reporting units. Based on these assessments, the Company determined that there were no factors present that would indicate that the fair value of these reporting units was less than their respective carrying values as of November 30, 2022.

In 2022, the Company acquired goodwill of \$4 million associated with one of its acquisitions in the Regulated Businesses segment.

Intangible Assets

The Company held finite-lived intangible assets, including customer relationships and other intangible assets prior to the sale of HOS during the fourth quarter of 2021. All of the Company's finite-lived intangible assets were sold as part of the HOS sale transaction. As a result, there was no gross carrying value or net book value of customer relationships and other intangible assets remaining as of December 31, 2022 and December 31, 2021. Intangible asset amortization expense amounted to \$9 million and \$12 million for the years ended December 31, 2021 and 2020, respectively. There was no amortization expense related to customer relationships and other intangible assets for the year ended December 31, 2022.

Note 9: Shareholders' Equity

Dividend Reinvestment and Direct Stock Purchase Plan

Under the Company's dividend reinvestment and direct stock purchase plan (the "DRIP"), shareholders may reinvest cash common stock dividends and purchase additional shares of Company common stock, up to certain limits, through the plan administrator without paying brokerage commissions. Shares purchased by participants through the DRIP may be newly issued shares, treasury shares, or at the Company's election, shares purchased by the plan administrator in the open market or in privately negotiated transactions. Purchases generally will be made and credited to DRIP accounts once each week. As of December 31, 2022, there were approximately 4.2 million shares available for future issuance under the DRIP.

Anti-dilutive Stock Repurchase Program

In February 2015, the Company's Board of Directors authorized an anti-dilutive stock repurchase program, which allows the Company to purchase up to 10 million shares of its outstanding common stock from time to time over an unrestricted period of time. The Company did not repurchase shares of common stock during the years ended December 31, 2022 and 2021. As of December 31, 2022, there were 5.1 million shares of common stock available for purchase under the program.

Accumulated Other Comprehensive Loss

Presented in the table below are the changes in accumulated other comprehensive loss by component, net of tax, for the years ended December 31, 2022 and 2021:

	Defined Benefit Plans			Gain (Loss) on Cash Flow Hedge	Accumulated Other Comprehensive Loss
	Employee Benefit Plan Funded Status	Amortization of Prior Service Cost	Amortization of Actuarial Loss		
Beginning balance as of January 1,					
2021	\$ (106)	\$ 1	\$ 63	\$ (7)	\$ (49)
Other comprehensive income (loss) before reclassification	(1)	—	—	1	—
Amounts reclassified from accumulated other comprehensive loss	—	—	4	—	4
Net other comprehensive income (loss) ..	(1)	—	4	1	4
Ending balance as of December 31,					
2021	\$ (107)	\$ 1	\$ 67	\$ (6)	\$ (45)
Other comprehensive income (loss) before reclassification	14	—	—	5	19
Amounts reclassified from accumulated other comprehensive loss	—	—	3	—	3
Net other comprehensive income (loss) ..	14	—	3	5	22
Ending balance as of December 31,					
2022	\$ (93)	\$ 1	\$ 70	\$ (1)	\$ (23)

The Company does not reclassify the amortization of defined benefit pension cost components from accumulated other comprehensive loss directly to net income in its entirety, as a portion of these costs have been deferred as a regulatory asset. These accumulated other comprehensive loss components are included in the computation of net periodic pension cost. See Note 15—Employee Benefits for additional information.

The amortization of the gain (loss) on cash flow hedges is reclassified to net income during the period incurred and is included in interest, net in the accompanying Consolidated Statements of Operations.

Dividends and Distributions

The Company’s Board of Directors authorizes the payment of dividends. The Company’s ability to pay dividends on its common stock is subject to having access to sufficient sources of liquidity, net income and cash flows of the Company’s subsidiaries, the receipt of dividends and direct and indirect distributions from, and repayments of indebtedness of, the Company’s subsidiaries, compliance with Delaware corporate and other laws, compliance with the contractual provisions of debt and other agreements and other factors.

The Company’s dividend rate on its common stock is determined by the Board of Directors on a quarterly basis and takes into consideration, among other factors, current and possible future developments that may affect the Company’s income and cash flows. When dividends on common stock are declared, they are typically paid in March, June, September and December. Historically, dividends have been paid quarterly to holders of record as of a date less than 30 days prior to the distribution date. Since the dividends on the Company’s common stock are not cumulative, only declared dividends are paid.

During 2022, 2021 and 2020, the Company paid \$467 million, \$428 million and \$389 million in cash dividends, respectively. Presented in the table below is the per share cash dividends paid for the years ended December 31:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
December	\$0.6550	\$0.6025	\$ 0.55
September	\$0.6550	\$0.6025	\$ 0.55
June	\$0.6550	\$0.6025	\$ 0.55
March	\$0.6025	\$ 0.55	\$ 0.50

On December 7, 2022, the Company’s Board of Directors declared a quarterly cash dividend payment of \$0.6550 per share payable on March 1, 2023, to shareholders of record as of February 7, 2023.

Under applicable law, the Company’s subsidiaries may pay dividends on their capital stock or other equity only from retained, undistributed or current earnings. A significant loss recorded at a subsidiary may limit the amount of the dividend that the subsidiary can pay. The ability of the Company’s subsidiaries to pay upstream dividends, make other upstream distributions or repay indebtedness to parent company or American Water Capital Corp. (“AWCC”), the Company’s wholly owned financing subsidiary, as applicable, is subject to compliance with applicable corporate, tax and other laws, regulatory restrictions and financial and other contractual obligations, including, for example, (i) regulatory capital, surplus or net worth requirements, (ii) outstanding debt service obligations, (iii) requirements to make preferred and preference stock dividend payments, and (iv) other contractual agreements, covenants or obligations made or entered into by the Company and its subsidiaries.

Regulatory Restrictions on Indebtedness

The issuance of long-term debt or equity securities by the Company or long-term debt by AWCC does not require authorization of any state PUC if no guarantee or pledge of the regulated subsidiaries is utilized. Based on the needs of the Regulated Businesses and parent company, AWCC may borrow funds or issue its debt in the capital markets and then, through intercompany loans, provide these borrowings to the Regulated Businesses or parent company. PUC authorization is generally required for the regulated subsidiaries to incur long-term debt. The Company’s regulated subsidiaries normally obtain these required PUC authorizations on a periodic basis to cover their anticipated financing needs for a period of time, or, as necessary, in connection with a specific financing or refinancing of debt.

Note 10: Stock Based Compensation

The Company has granted stock units, stock awards and dividend equivalents to non-employee directors, officers and employees pursuant to the terms of the 2017 Omnibus Equity Compensation Plan (the “2017 Omnibus Plan”), approved by the Company’s shareholders in May 2017. Stock units under the 2017 Omnibus Plan generally vest based on (i) continued employment with the Company (“RSUs”), or (ii) continued employment with the Company where distribution of the shares is subject to the satisfaction in whole or in part of stated performance-based goals (“PSUs”). A total of 7.2 million shares of common stock may be issued under the 2017 Omnibus Plan. As of December 31, 2022, 6.3 million shares were available for grant under the 2017 Omnibus Plan. The 2017 Omnibus Plan provides that grants of awards may be in any of the following forms: incentive stock options, nonqualified stock options, stock appreciation rights, stock units, stock awards, other stock-based awards and dividend equivalents. Dividend equivalents may be granted only on stock units or other stock-based awards. The 2017 Omnibus Plan expires in 2027.

The Company had granted stock options, stock units, including RSUs and PSUs, and dividend equivalents to non-employee directors, officers and other key employees of the Company under its 2007 Omnibus Equity Compensation Plan (the “2007 Plan”). The 2007 Plan has been replaced by the 2017 Omnibus Plan, as defined

above, and no additional awards may be granted under the 2007 Plan. However, shares may still be issued under the 2007 Plan pursuant to the terms of awards previously issued under that plan prior to May 12, 2017.

The cost of services received from employees in exchange for the issuance of restricted stock awards is measured based on the grant date fair value of the awards issued. The value of stock unit awards at the date of the grant is amortized through expense over the requisite service period. All awards granted in 2022, 2021 and 2020 are classified as equity. The Company recognizes compensation expense for stock awards over the vesting period of the award. The Company stratified its grant populations and used historic employee turnover rates to estimate employee forfeitures. The estimated rate is compared to the actual forfeitures at the end of the reporting period and adjusted as necessary. There have been no significant adjustments to the forfeiture rates during 2022, 2021 and 2020. There were no grants of stock options to employees after 2016, and there were no stock options outstanding as of December 31, 2022. Presented in the table below is the stock-based compensation expense recorded in O&M expense in the accompanying Consolidated Statements of Operations for the years ended December 31:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
RSUs and PSUs	\$ 26	\$ 15	\$ 19
Nonqualified employee stock purchase plan	<u>2</u>	<u>2</u>	<u>2</u>
Stock-based compensation	28	17	21
Income tax benefit	<u>(6)</u>	<u>(4)</u>	<u>(5)</u>
Stock-based compensation expense, net of tax	<u>\$ 22</u>	<u>\$ 13</u>	<u>\$ 16</u>

There were no significant stock-based compensation costs capitalized during the years ended December 31, 2022, 2021 and 2020.

Subject to limitations on deductibility imposed by the Federal income tax code, the Company receives a tax deduction based on the intrinsic value of the award at the exercise date for stock options and the distribution date for stock units. For each award, throughout the requisite service period, the Company records the tax impacts related to compensation costs as deferred income tax assets. The tax deductions in excess of the deferred benefits recorded throughout the requisite service period are recorded to the Consolidated Statements of Operations and are presented in the financing section of the Consolidated Statements of Cash Flows.

Stock Units

During 2022, 2021 and 2020, the Company granted RSUs to certain employees under the 2017 Omnibus Plan. RSUs generally vest based on continued employment with the Company over periods ranging from one to three years. The RSUs are valued at the closing price of the Company’s common stock on the date of the grant and the majority vest ratably over a three-year service period. These RSUs are amortized through expense over the requisite service period using the straight-line method.

During 2022, 2021 and 2020, the Company granted stock units to non-employee directors under the 2017 Omnibus Plan. The stock units were vested in full on the date of grant; however, distribution of the shares will be made within 30 days of the earlier of (i) 15 months after the date of the last annual meeting of shareholders, subject to any deferral election by the director, or (ii) the participant’s separation from service. Because these stock units vested on the grant date, the total grant date fair value was recorded in operation and maintenance expense on the grant date.

Presented in the table below is RSU and director stock unit activity for the year ended December 31, 2022:

	<u>Shares (in thousands)</u>	<u>Weighted Average Grant Date Fair Value (per share)</u>
Non-vested total as of December 31, 2021	48	\$ 112.22
Granted	59	149.73
Vested	(47)	132.59
Forfeited	(9)	149.60
Non-vested total as of December 31, 2022	<u>51</u>	<u>\$ 130.43</u>

As of December 31, 2022, \$5 million of total unrecognized compensation cost related to the nonvested RSUs is expected to be recognized over the weighted average remaining life of 1.69 years. The total fair value of stock units and RSUs vested was \$6 million, \$9 million and \$5 million for the years ended December 31, 2022, 2021 and 2020, respectively.

During 2022, 2021 and 2020, the Company granted PSUs to certain employees under the 2017 Omnibus Plan. The majority of PSUs vest ratably based on continued employment with the Company over the three-year performance period (the “Performance Period”). Distribution of the performance shares is contingent upon the achievement of one or more internal performance measures and, separately, a relative total shareholder return performance measure, over the Performance Period.

Presented in the table below is PSU activity for the year ended December 31, 2022:

	<u>Shares (in thousands)</u>	<u>Weighted Average Grant Date Fair Value (per share)</u>
Non-vested total as of December 31, 2021	232	\$ 139.40
Granted	170	115.12
Vested	(150)	105.11
Forfeited	(21)	148.83
Non-vested total as of December 31, 2022	<u>231</u>	<u>\$ 142.92</u>

As of December 31, 2022, \$6 million of total unrecognized compensation cost related to the nonvested PSUs is expected to be recognized over the weighted average remaining life of 0.93 years. The total fair value of PSUs vested was \$24 million, \$22 million and \$18 million for the years ended December 31, 2022, 2021 and 2020, respectively.

PSUs granted with one or more internal performance measures are valued at the market value of the closing price of the Company’s common stock on the date of grant. PSUs granted with a relative total shareholder return condition are valued using a Monte Carlo simulation model. Expected volatility is based on historical volatilities of traded common stock of the Company and comparative companies using daily stock prices over the past three years. The expected term is three years and the risk-free interest rate is based on the three-year U.S. Treasury rate in effect as of the measurement date. Presented in the table below are the weighted average assumptions used in the Monte Carlo simulation and the weighted average grant date fair values of PSUs granted for the years ended December 31:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Expected volatility	29.69%	28.59%	16.65%
Risk-free interest rate	1.90%	0.22%	1.28%
Expected life (years)	3.0	3.0	3.0
Grant date fair value per share	\$99.23	\$229.22	\$159.64

The grant date fair value of PSUs that vest ratably and have market and/or performance conditions are amortized through expense over the requisite service period using the graded-vesting method.

Employee Stock Purchase Plan

The Company maintains a nonqualified employee stock purchase plan (the “ESPP”) that expires in 2027 through which employee participants (which excludes certain of the Company’s executives) may use payroll deductions to acquire Company common stock at a purchase price of 85% of the fair market value of the common stock at the end of a three-month purchase period. A total of 2.0 million shares may be issued under the ESPP, and as of December 31, 2022, there were 1.5 million shares of common stock reserved for issuance under the ESPP. The ESPP is considered compensatory. During the years ended December 31, 2022, 2021 and 2020, the Company issued approximately 82,000, 80,000 and 86,000 shares, respectively, under the ESPP.

Note 11: Long-Term Debt

The Company obtains long-term debt through AWCC primarily to fund capital expenditures of the Regulated Businesses and to lend funds to parent company to refinance debt and for other purposes. Presented in the table below are the components of long-term debt as of December 31:

	<u>Rate</u>	<u>Weighted Average Rate</u>	<u>Maturity</u>	<u>2022</u>	<u>2021</u>
Long-term debt of AWCC: (a)					
Senior notes—fixed rate	2.30%-8.27%	3.88%	2023-2051	\$ 9,765	\$ 8,965
Private activity bonds and government funded debt—fixed rate	0.60%-2.45%	1.63%	2023-2031	189	190
Long-term debt of other American Water subsidiaries:					
Private activity bonds and government funded debt—fixed rate	0.00%-5.50%	1.80%	2023-2051	749	739
Mortgage bonds—fixed rate	6.35%-9.19%	7.36%	2023-2039	534	534
Mandatorily redeemable preferred stock	8.47%-9.75%	8.64%	2024-2036	3	4
Finance lease obligations	12.25%	12.25%	2026	—	1
Long-term debt		3.87%		11,240	10,433
Unamortized debt discount, net (b)				(11)	(9)
Unamortized debt issuance costs				(19)	(23)
Less current portion of long-term debt				(281)	(57)
Total long-term debt				<u>\$ 10,929</u>	<u>\$ 10,344</u>

(a) This indebtedness is considered “debt” for purposes of a support agreement between parent company and AWCC, which serves as a functional equivalent of a full and unconditional guarantee by parent company of AWCC’s payment obligations under such indebtedness.

(b) Includes debt discount, net of fair value adjustments previously recognized in acquisition purchase accounting.

All mortgage bonds and \$740 million of the private activity bonds and government funded debt held by the Company’s subsidiaries were collateralized as of December 31, 2022.

Long-term debt indentures contain a number of covenants that, among other things, limit, subject to certain exceptions, AWCC from issuing debt secured by the Company’s consolidated assets. Certain long-term note indentures require the Company to maintain a ratio of consolidated total indebtedness to consolidated total capitalization (each as defined under the note indentures) of not more than 0.70 to 1.00. The ratio as of December 31, 2022, was 0.62 to 1.00. In addition, the Company has \$891 million of notes which include the right to redeem the notes at par value, in whole or in part, from time to time, subject to certain restrictions, with a weighted average interest rate of 1.87%.

Presented in the table below are future sinking fund payments and debt maturities:

	<u>Amount</u>
2023	\$ 281
2024	476
2025	598
2026	443
2027	688
Thereafter	8,754

Presented in the table below are the issuances of long-term debt in 2022:

<u>Company</u>	<u>Type</u>	<u>Rate</u>	<u>Weighted Average Rate</u>	<u>Maturity</u>	<u>Amount</u>
AWCC	Senior notes—fixed rate	4.45%	4.45%	2032	\$ 800
Other American Water subsidiaries	Private activity bonds and government funded debt— fixed rate	0.00%-1.75%	1.03%	2027-2042	22
Total issuances					<u>\$ 822</u>

The Company incurred debt issuance costs of \$7 million related to the above issuances.

Presented in the table below are the retirements and redemptions of long-term debt in 2022 through sinking fund provisions, optional redemption or payment at maturity:

<u>Company</u>	<u>Type</u>	<u>Rate</u>	<u>Weighted Average Rate</u>	<u>Maturity</u>	<u>Amount</u>
AWCC	Private activity bonds and government funded debt— fixed rate	1.79%-2.31%	2.24%	2024-2031	\$ 1
Other American Water subsidiaries	Private activity bonds and government funded debt— fixed rate	0.00%-5.50%	1.50%	2022-2051	13
Other American Water subsidiaries	Mandatorily redeemable preferred stock	8.49%	8.49%	2022	1
Total retirements and redemptions					<u>\$ 15</u>

On May 5, 2022, AWCC issued \$800 million aggregate principal amount of its 4.45% senior notes due 2032. At closing, AWCC received, after deduction of underwriting discounts and before deduction of offering expenses, net proceeds of approximately \$792 million. AWCC used the net proceeds of the offering: (i) to lend funds to parent company and its regulated subsidiaries; (ii) to repay AWCC's commercial paper obligations; and (iii) for general corporate purposes.

One of the principal market risks to which the Company is exposed is changes in interest rates. In order to manage the exposure, the Company follows risk management policies and procedures, including the use of derivative contracts such as treasury lock agreements. The Company also reduces exposure to interest rates by managing commercial paper and debt maturities. The Company does not enter into derivative contracts for speculative purposes and does not use leveraged instruments. The derivative contracts entered into are for periods consistent with the related underlying exposures. The Company is exposed to the risk that counterparties to derivative contracts will fail to meet their contractual obligations and minimizes this risk by dealing only with leading, creditworthy financial institutions having long-term credit ratings of "A" or better.

In April 2022, the Company entered into several 10-year treasury lock agreements, with notional amounts totaling \$400 million, and an average fixed interest rate of 2.89%. The Company designated these treasury lock agreements as cash flow hedges, with their fair value recorded in accumulated other comprehensive gain or loss. In May 2022, the Company terminated the treasury lock agreements, realizing a net gain of approximately \$4 million, to be amortized through interest, net over a 10-year period, in accordance with the tenor of the debt issuance on May 5, 2022.

In November and December 2022, the Company entered into four 10-year treasury lock agreements, with notional amounts totaling \$100 million, to reduce interest rate exposure on debt expected to be issued in 2023. These treasury lock agreements terminate in January 2024, and have an average fixed rate of 3.56%. In January 2023, the Company entered into three additional 10-year treasury lock agreements, with notional amounts totaling \$100 million, to reduce interest rate exposure on debt expected to be issued in 2023. These treasury lock agreements terminate in January 2024, and have an average fixed rate of 3.35%. The Company designated these treasury lock agreements as cash flow hedges, with their fair value recorded in accumulated other comprehensive gain or loss. Upon termination, the cumulative gain or loss recorded in accumulated other comprehensive gain or loss will be amortized through interest, net over the term of the new debt.

No ineffectiveness was recognized on hedging instruments for the years ended December 31, 2022, 2021 or 2020.

Note 12: Short-Term Debt

Liquidity needs for capital investment, working capital and other financial commitments are generally funded through cash flows from operations, public and private debt offerings, commercial paper markets and, if and to the extent necessary, borrowings under the AWCC revolving credit facility, and, in the future, issuances of equity. Additionally, proceeds from the aforementioned sales of HOS and the Company's New York subsidiary have been used primarily for capital investment in the Regulated Businesses. The revolving credit facility provides \$2.75 billion in aggregate total commitments from a diversified group of financial institutions. The termination date of the credit agreement with respect to AWCC's revolving credit facility is October 2027. The facility is used principally to support AWCC's commercial paper program, to provide additional liquidity support and to provide a sub-limit of up to \$150 million for letters of credit. Letters of credit are non-debt instruments maintained to provide credit support for certain transactions as requested by third parties. Subject to satisfying certain conditions, the credit agreement also permits AWCC to increase the maximum commitment under the facility by up to an aggregate of \$500 million and to request extensions of its expiration date for up to two one-year periods. As of December 31, 2022, AWCC had no outstanding borrowings and \$78 million of outstanding letters of credit under the revolving credit facility, with \$1.50 billion available to fulfill the Company's short-term liquidity needs and to issue letters of credit. The Company regularly evaluates the capital markets and closely monitors the financial condition of the financial institutions with contractual commitments in its revolving credit facility. Interest rates on advances under the facility are based on a credit spread to the Secured Overnight Financing Rate (or applicable market replacement rate) or base rate, each determined in accordance with Moody Investors Service's and S&P Global Ratings' then applicable credit rating on AWCC's senior unsecured, non-credit enhanced debt.

On October 26, 2022, AWCC and certain lenders amended and restated the credit agreement with respect to the revolving credit facility to, among other things, increase the maximum commitments under the facility from \$2.25 billion to \$2.75 billion and to extend the expiration date of the facility from March 2025 to October 2027. Also, effective October 26, 2022, the maximum aggregate principal amount of short-term borrowings authorized under AWCC's commercial paper program was increased from \$2.10 billion to \$2.60 billion.

On March 20, 2020, AWCC entered into a Term Loan Credit Agreement, by and among parent company, AWCC and the lenders party thereto (the "Term Loan Facility"). The Term Loan Facility commitments terminated at maturity on March 19, 2021, and the \$500 million of principal outstanding under the Term Loan

Facility was repaid in full. Borrowings under the Term Loan Facility bore interest at a variable annual rate based on LIBOR, plus a margin of 0.80%.

Short-term debt consists of commercial paper and credit facility borrowings totaling \$1,177 million and \$584 million as of December 31, 2022 and 2021, respectively, or net of discount \$1,175 million and \$584 million as of December 31, 2022 and 2021, respectively. The weighted average interest rate on AWCC's outstanding short-term borrowings was approximately 4.41%, for the year ended December 31, 2022. The weighted average interest rate on AWCC's outstanding short-term borrowings was 0.20%, for the year ended December 31, 2021. As of December 31, 2022, there were no commercial paper borrowings outstanding with maturities greater than three months.

Presented in the tables below is the aggregate credit facility commitments, commercial paper limit and letter of credit availability under the revolving credit facility, as well as the available capacity for each, as of December 31:

	2022		
	Commercial Paper Limit	Letters of Credit	Total (a)
(In millions)			
Total availability	\$ 2,600	\$ 150	\$ 2,750
Outstanding debt	(1,177)	(78)	(1,255)
Remaining availability as of December 31, 2022	<u>\$ 1,423</u>	<u>\$ 72</u>	<u>\$ 1,495</u>

(a) Total remaining availability of \$1.50 billion as of December 31, 2022, may be accessed through revolver draws.

	2021		
	Commercial Paper Limit	Letters of Credit	Total (a)
(In millions)			
Total availability	\$ 2,100	\$ 150	\$ 2,250
Outstanding debt	(584)	(76)	(660)
Remaining availability as of December 31, 2021	<u>\$ 1,516</u>	<u>\$ 74</u>	<u>\$ 1,590</u>

(a) Total remaining availability of \$1.59 billion as of December 31, 2021, may be accessed through revolver draws.

Presented in the table below is the Company's total available liquidity as of December 31, 2022 and 2021, respectively:

	Cash and Cash Equivalents	Availability on Revolving Credit Facility	Total Available Liquidity
(In millions)			
Available liquidity as of December 31, 2022	\$ 85	\$ 1,495	\$ 1,580
Available liquidity as of December 31, 2021	\$ 116	\$ 1,590	\$ 1,706

Presented in the table below is the short-term borrowing activity for AWCC for the years ended December 31:

	2022	2021
Average borrowings	\$ 505	\$ 910
Maximum borrowings outstanding	1,177	1,647
Weighted average interest rates, as of December 31	4.41%	0.20%

The credit facility requires the Company to maintain a ratio of consolidated debt to consolidated capitalization of not more than 0.70 to 1.00. The ratio as of December 31, 2022 was 0.62 to 1.00.

None of the Company's borrowings are subject to default or prepayment as a result of a downgrading of securities, although such a downgrading could increase fees and interest charges under AWCC's revolving credit facility.

Note 13: General Taxes

Presented in the table below are the components of general tax expense for the years ended December 31:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Property and capital stock	\$ 108	\$ 149	\$ 140
Gross receipts and franchise	124	121	116
Payroll	36	39	36
Other general	13	12	11
Total general taxes	<u>\$ 281</u>	<u>\$ 321</u>	<u>\$ 303</u>

Note 14: Income Taxes

Presented in the table below are the components of income tax expense for the years ended December 31:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Current income taxes:			
State	\$ 26	\$ 72	\$ 8
Federal	82	75	—
Total current income taxes	<u>\$ 108</u>	<u>\$ 147</u>	<u>\$ 8</u>
Deferred income taxes:			
State	\$ 24	\$ 10	\$ 49
Federal	57	221	159
Amortization of deferred investment tax credits	(1)	(1)	(1)
Total deferred income taxes	<u>80</u>	<u>230</u>	<u>207</u>
Provision for income taxes	<u>\$ 188</u>	<u>\$ 377</u>	<u>\$ 215</u>

Presented in the table below is a reconciliation between the statutory federal income tax rate and the Company's effective tax rate for the years ended December 31:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Income tax at statutory rate	21.0%	21.0%	21.0%
Increases (decreases) resulting from:			
State taxes, net of federal taxes	4.1%	3.9%	4.8%
EADIT	(6.5)%	(3.6)%	(2.1)%
Tax impact due to the sale of HOS	—%	1.6%	—%
Other, net	<u>0.1%</u>	<u>0.1%</u>	<u>(0.4)%</u>
Effective tax rate	<u>18.7%</u>	<u>23.0%</u>	<u>23.3%</u>

Presented in the table below are the components of the net deferred tax liability as of December 31:

	<u>2022</u>	<u>2021</u>
Deferred tax assets:		
Advances and contributions	\$ 351	\$ 439
Tax losses and credits	19	10
Regulatory income tax assets	203	301
Pension and other postretirement benefits	64	50
Other	140	144
Total deferred tax assets	<u>777</u>	<u>944</u>
Valuation allowance	<u>(11)</u>	<u>(10)</u>
Total deferred tax assets, net of allowance	<u>\$ 766</u>	<u>\$ 934</u>
Deferred tax liabilities:		
Property, plant and equipment	\$ 2,872	\$ 3,087
Deferred pension and other postretirement benefits	64	69
Other	249	180
Total deferred tax liabilities	<u>3,185</u>	<u>3,336</u>
Total deferred tax liabilities, net of deferred tax assets	<u>\$ (2,419)</u>	<u>\$ (2,402)</u>

The Company recognized no federal net operating loss (“NOL”) carryforwards as of December 31, 2022 and 2021. The Company fully utilized its federal NOL carryforwards in 2021 due to the sale of HOS, and therefore, no valuation allowance is required.

As of December 31, 2022 and 2021, the Company had state NOLs of \$240 million and \$123 million, respectively, a portion of which are offset by a valuation allowance as the Company does not believe these NOLs are more likely than not to be realized. The state NOL carryforwards expire in 2023 through 2042.

The Company files income tax returns in the United States federal jurisdiction and various state and foreign jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal, state or local or non-U.S. income tax examinations by tax authorities for years on or before 2015. The Company has state income tax examinations in progress and does not expect material adjustments to result.

Presented in the table below are the changes in gross liability, excluding interest and penalties, for unrecognized tax benefits:

	<u>Amount</u>
Balance as of January 1, 2021	\$ 122
Increases in current period tax positions	23
Decreases in prior period measurement of tax positions	<u>(5)</u>
Balance as of December 31, 2021	\$ 140
Increases in current period tax positions	26
Decreases in prior period measurement of tax positions	<u>(8)</u>
Balance as of December 31, 2022	<u>\$ 158</u>

The Company’s tax positions relate primarily to the deductions claimed for repair and maintenance costs on its utility plant. The Company does not anticipate material changes to its unrecognized tax benefits within the next year. As discussed above, the Company utilized its remaining federal NOLs in 2021, and therefore this federal tax attribute will not be available to reduce the federal liabilities for uncertain tax positions or interest accrued as presented on the Company’s Consolidated Financial Statements.

If the Company sustains all of its positions as of December 31, 2022, an unrecognized tax benefit of \$10 million, excluding interest and penalties, would impact the Company’s effective tax rate. The Company had an immaterial amount of interest and penalties related to its tax positions as of December 31, 2022 and 2021.

Presented in the table below are the changes in the valuation allowance:

	<u>Amount</u>
Balance as of January 1, 2020	\$ 21
Decreases in current period tax positions	<u>(2)</u>
Balance as of December 31, 2020	\$ 19
Decreases in current period tax positions	<u>(9)</u>
Balance as of December 31, 2021	\$ 10
Increases in current period tax positions	<u>1</u>
Balance as of December 31, 2022	<u><u>\$ 11</u></u>

Note 15: Employee Benefits

Overview of Pension and Other Postretirement Benefits Plans

The Company maintains noncontributory defined benefit pension plans covering eligible employees of its regulated utility and shared services operations. Benefits under the plans are based on the employee’s years of service and compensation. The pension plans have been closed for all new employees. The pension plans were closed for most employees hired on or after January 1, 2006. Union employees hired on or after January 1, 2001, except for specific eligible groups specified in the plan, had their accrued benefit frozen and will be able to receive this benefit as a lump sum upon termination or retirement. Union employees hired on or after January 1, 2001, and non-union employees hired on or after January 1, 2006, are provided with a defined contribution plan that includes a 5.25% of base pay Company-funded defined contribution account. The Company does not participate in a multi-employer plan. The Company also has unfunded noncontributory supplemental nonqualified pension plans that provide additional retirement benefits to certain employees.

The Company’s pension funding practice is to contribute at least the greater of the minimum amount required by the Employee Retirement Income Security Act of 1974 or the normal cost. Further, the Company will consider additional cash contributions and/or available prefunding balances if needed to avoid “at risk” status and benefit restrictions under the Pension Protection Act of 2006 (“PPA”). The Company may also consider increased contributions, based on other financial requirements and the plans’ funded position. Pension expense in excess of the amount contributed to the pension plans is deferred by certain regulated subsidiaries pending future recovery in rates charged for utility services as contributions are made to the plans. See Note 3—Regulatory Matters for additional information. Pension plan assets are invested in a number of actively managed, commingled funds, and limited partnerships including equities, fixed income securities, guaranteed annuity contracts with insurance companies, real estate funds and real estate investment trusts (“REITs”).

In December 2022, the Company amended the American Water Pension Plan (“AWPP”), a tax-qualified defined benefit pension plan, to restructure it as of December 31, 2022. The restructuring involved the spin-off of certain inactive participants from the existing AWPP into a separate tax-qualified defined benefit pension plan, AWPP Inactive. Benefits offered to the plan participants remain unchanged. Actuarial gains and losses associated with AWPP Inactive will be amortized over the average remaining life expectancy of the inactive participants, which increases the amortization period from approximately 7 years to 18 years. The longer amortization period is expected to lower the Company’s pre-tax pension expense by approximately \$5 million in 2023. The actuarial gains and losses associated with the AWPP will continue to be amortized over the average remaining service period for active participants. The Company remeasured the pension plan obligation and assets for each plan as of December 31, 2022.

The Company maintains other postretirement benefit plans providing varying levels of medical and life insurance to eligible retirees. The retiree welfare plans are closed for union employees hired on or after January 1, 2006. The plans had previously closed for non-union employees hired on or after January 1, 2002. The Company's policy is to fund other postretirement benefit costs up to the amount recoverable through rates. Assets of the plans are invested in a number of actively managed funds in the form of separate accounts, commingled funds and limited partnerships, including equities and fixed income securities.

Pension Plan Assets

The investment policy guideline of the pension plan is focused on diversification, improving returns and reducing the volatility of the funded status over a long-term horizon. The investment policy guidelines of the postretirement plans focus on the appropriate strategy given the funded status of the plans. None of the Company's securities are included in pension or other postretirement benefit plan assets.

The Company uses fair value for all classes of assets in the calculation of market-related value of plan assets. As of December 31, 2022, the fair values and asset allocations of the pension plan assets include the AWPP, AWPP Inactive, and the Shorelands Water Company, Inc. Pension Plan.

As a result of the sale of the Company's New York subsidiary on January 1, 2022, there was a transfer of plan assets from the Company to Liberty. The assets transferred were not a significant percentage of the Company's overall pension and other postretirement benefit plans.

Presented in the tables below are the fair values and asset allocations of the pension plan assets as of December 31, 2022 and 2021, respectively, by asset category:

Asset Category	2023 Target Allocation	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Percentage of Plan Assets as of December 31, 2022
Cash		\$ 36	\$ 36	\$ —	\$ —	3%
Equity securities:	37%					
U.S. large cap		142	142	—	—	10%
U.S. small cap		79	79	—	—	6%
International		386	2	264	120	27%
Real estate fund		154	—	—	154	11%
REITs		6	—	6	—	—%
Fixed income securities:	63%					
U.S. Treasury securities and government bonds		126	119	7	—	9%
Corporate bonds		418	—	418	—	30%
Mortgage-backed securities		8	—	8	—	1%
Municipal bonds		21	—	21	—	1%
Long duration bond fund		3	—	3	—	—%
Guarantee annuity contracts		34	—	—	34	2%
Total	100%	\$1,413	\$ 378	\$ 727	\$ 308	100%

Asset Category	2022 Target Allocation	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Percentage of Plan Assets as of December 31, 2021
Cash		\$ 54	\$ 54	\$ —	\$ —	3%
Equity securities:	50%					
U.S. large cap		217	217	—	—	11%
U.S. small cap		113	113	—	—	6%
International		516	7	354	155	26%
Real estate fund		141	—	—	141	7%
REITs		9	—	9	—	—%
Fixed income securities:	50%					
U.S. Treasury securities and government bonds		256	249	7	—	13%
Corporate bonds		601	—	601	—	30%
Mortgage-backed securities		9	—	9	—	—%
Municipal bonds		25	—	25	—	1%
Long duration bond fund		10	7	3	—	1%
Guarantee annuity contracts		40	—	—	40	2%
Total	100%	\$1,991	\$ 647	\$ 1,008	\$ 336	100%

Presented in the tables below are a reconciliation of the beginning and ending balances of the fair value measurements using significant unobservable inputs (Level 3) for 2022 and 2021, respectively:

	Level 3
Balance as of January 1, 2022	\$ 336
Actual return on assets	(1)
Purchases, issuances and settlements, net	(27)
Balance as of December 31, 2022	<u>\$ 308</u>
	Level 3
Balance as of January 1, 2021	\$ 356
Actual return on assets	41
Purchases, issuances and settlements, net	(61)
Balance as of December 31, 2021	<u>\$ 336</u>

Other Postretirement Benefit Plan Assets

The Company's postretirement benefit plans have different levels of funded status and the assets are held under various trusts. The investments and risk mitigation strategies for the plans are tailored specifically for each trust. In setting new strategic asset mixes, consideration is given to the likelihood that the selected asset allocation will effectively fund the projected plan liabilities and meet the risk tolerance criteria of the Company. The Company periodically updates the long-term, strategic asset allocations for these plans through asset liability studies and uses various analytics to determine the optimal asset allocation. Considerations include plan liability characteristics, liquidity needs, funding requirements, expected rates of return and the distribution of returns.

Upon evaluating prior plan changes, Company funding and market performance, in December 2022, the Company completed plan amendments to spin-off and merge a portion of the American Water Retiree Welfare Plan (“Retiree Welfare Plan”), with and into the Company’s medical plan for active employees (“Active Medical Plan”), in order to repurpose the over-funded portion of the Bargained Retiree Voluntary Employees’ Beneficiary Association (“Bargained VEBA”) trust. Benefits offered to the plan participants remain unchanged. As a result of these changes, effective December 31, 2022, the Company transferred investment assets from the Bargained VEBA into the existing trust maintained for the benefit of Active Medical Plan participants (“Active VEBA”). The transfer of these Bargained VEBA investment assets into the Active VEBA permits access to approximately \$194 million of assets for purposes of paying active union employee medical benefits. The Company recorded the transfer of assets as a negative contribution and therefore did not record a gain or loss, as permitted by accounting guidance. See Note 18—Fair Value of Financial Information, for additional information on accounting for the assets as investments in debt and equity securities as of December 31, 2022.

The Company engages third-party investment managers for all invested assets. Managers are not permitted to invest outside of the asset class (e.g., fixed income, equity, alternatives) or strategy for which they have been appointed. Investment management agreements and recurring performance and attribution analysis are used as tools to ensure investment managers invest solely within the investment strategy they have been provided. Futures and options may be used to adjust portfolio duration to align with a plan’s targeted investment policy.

In order to minimize asset volatility relative to the liabilities, a portion of plan assets is allocated to long duration fixed income investments that are exposed to interest rate risk. Increases in interest rates generally will result in a decline in the value of fixed income assets while reducing the present value of the liabilities. Conversely, rate decreases will increase fixed income assets, partially offsetting the related increase in the liabilities. Within equities, risk is mitigated by constructing a portfolio that is broadly diversified by geography, market capitalization, manager mandate size, investment style and process. For the Bargained VEBA trust, its asset structure is designed to meet the cash flows of the liabilities. This design reduces the plan’s exposure to changes in interest rates.

Actual allocations to each asset class vary from target allocations due to periodic investment strategy updates, market value fluctuations, the length of time it takes to fully implement investment allocations, and the timing of benefit payments and contributions. The asset allocation is rebalanced on a quarterly basis, if necessary. The Retiree Welfare Plan is funded by the Bargained VEBA trust, the Non-Bargained Retiree Voluntary Employees’ Beneficiary Association (“Non-Bargained VEBA”) trust, and the American Water Life Insurance Voluntary Employees’ Beneficiary Association (“Life VEBA”) Trust.

Presented in the tables below are the fair values and asset allocations of the postretirement benefit plan assets as of December 31, 2022 and 2021, respectively, by asset category:

Asset Category	2023 Target Allocation	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Percentage of Plan Assets as of December 31, 2022
Bargained VEBA:						
Cash		\$ 3	\$ 3	\$ —	\$ —	2%
Equity securities:	—%					
U.S. large cap		—	—	—	—	—%
International		—	—	—	—	—%
Fixed income securities:	100%					
U.S. Treasury securities and government bonds		131	72	59	—	97%
Long duration bond fund		1	1	—	—	1%
Total bargained VEBA	100%	\$ 135	\$ 76	\$ 59	\$ —	100%
Non-bargained VEBA:						
Cash		\$ 1	\$ 1	\$ —	\$ —	1%
Equity securities:	60%					
U.S. large cap		40	40	—	—	34%
International		29	29	—	—	25%
Fixed income securities:	40%					
Core fixed income bond fund (a)		47	—	47	—	40%
Total non-bargained VEBA	100%	\$ 117	\$ 70	\$ 47	\$ —	100%
Life VEBA:						
Cash		\$ 2	\$ 2	\$ —	\$ —	100%
Equity securities:	—%					
U.S. large cap		—	—	—	—	—%
Fixed income securities:	100%					
Core fixed income bond fund (a)		—	—	—	—	—%
Total life VEBA	100%	\$ 2	\$ 2	\$ —	\$ —	100%
Total	100%	\$ 254	\$ 148	\$ 106	\$ —	100%

(a) Includes cash for margin requirements.

<u>Asset Category</u>	<u>2022 Target Allocation</u>	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	<u>Percentage of Plan Assets as of 12/31/2021</u>
Bargained VEBA:						
Cash		\$ 10	\$ 10	\$ —	\$ —	3%
Equity securities:	4%					
U.S. large cap		18	18	—	—	5%
International		1	1	—	—	—%
Fixed income securities:	96%					
U.S. Treasury securities and government bonds		363	279	84	—	91%
Long duration bond fund		5	5	—	—	1%
Total bargained VEBA	100%	\$ 397	\$ 313	\$ 84	\$ —	100%
Non-bargained VEBA:						
Cash		\$ 2	\$ 2	\$ —	\$ —	—%
Equity securities:	60%					
U.S. large cap		54	54	—	—	39%
International		35	35	—	—	25%
Fixed income securities:	40%					
Core fixed income bond fund (a)		49	—	49	—	36%
Total non-bargained VEBA	100%	\$ 140	\$ 91	\$ 49	\$ —	100%
Life VEBA:						
Cash		\$ 1	\$ 1	\$ —	\$ —	100%
Equity securities:	70%					
U.S. large cap		\$ —	\$ —	\$ —	\$ —	—%
Fixed income securities:	30%					
Core fixed income bond fund (a)		—	—	—	—	—%
Total life VEBA	100%	\$ 1	\$ 1	\$ —	\$ —	100%
Total	100%	\$ 538	\$ 405	\$ 133	\$ —	100%

(a) Includes cash for margin requirements.

Valuation Techniques Used to Determine Fair Value

Cash—Cash and investments with maturities of three months or less when purchased, including certain short-term fixed-income securities, are considered cash and are included in the recurring fair value measurements hierarchy as Level 1.

Equity securities—For equity securities, the trustees obtain prices from pricing services, whose prices are obtained from direct feeds from market exchanges, that the Company is able to independently corroborate. Certain equity securities are valued based on quoted prices in active markets and categorized as Level 1. Other equities, such as international securities held in the pension plan, are invested in commingled funds and/or limited partnerships. These funds are valued to reflect the plan fund’s interest in the fund based on the reported year-end net asset value. Since net asset value is not directly observable or not available on a nationally recognized securities exchange for the commingled funds, they are categorized as Level 2. For limited partnerships, the assets as a whole are categorized as Level 3 due to the fact that the partnership provides the pricing and the pricing inputs are less readily observable. In addition, the limited partnership vehicle cannot be readily traded.

Fixed-income securities—The majority of U.S. Treasury securities and government bonds have been categorized as Level 1 because they trade in highly-liquid and transparent markets and their prices can be corroborated. The fair values of corporate bonds, mortgage backed securities, and certain government bonds are based on prices that reflect observable market information, such as actual trade information of similar securities. They are categorized as Level 2 because the valuations are calculated using models which utilize actively traded market data that the Company can corroborate. Exchange-traded options and futures, for which market quotations are readily available, are valued at the last reported sale price or official closing price on the primary market or exchange on which they are traded and are classified as Level 1.

Real estate fund—Real estate fund is categorized as Level 3 as the fund uses significant unobservable inputs for fair value measurement and the vehicle is in the form of a limited partnership.

REITs—REITs are invested in commingled funds. Commingled funds are valued to reflect the plan fund's interest in the fund based on the reported year-end net asset value. Since the net asset value is not directly observable for the commingled funds, they are categorized as Level 2.

Guaranteed annuity contracts—Guaranteed annuity contracts are categorized as Level 3 because the investments are not publicly quoted. Since these market values are determined by the provider, they are not highly observable and have been categorized as Level 3. Exchange-traded future and option positions are reported in accordance with changes in variation margins that are settled daily.

Benefit Obligations, Plan Assets and Funded Status

Presented in the table below is a rollforward of the changes in the benefit obligation and plan assets for the two most recent years, for all plans combined:

	Pension Benefits		Other Benefits	
	2022	2021	2022	2021
Change in benefit obligation:				
Benefit obligation as of January 1,	\$ 2,294	\$ 2,386	\$ 342	\$ 382
Service cost	30	36	3	4
Interest cost	64	64	10	10
Plan participants' contributions	—	—	3	2
Plan amendments	—	—	6	—
Actuarial loss (gain)	(582)	(46)	(77)	(26)
Divestiture	(86)	—	(4)	—
Settlements (a)	—	(6)	—	—
Gross benefits paid	(142)	(140)	(28)	(31)
Federal subsidy	—	—	—	1
Benefit obligation as of December 31,	<u>\$ 1,578</u>	<u>\$ 2,294</u>	<u>\$ 255</u>	<u>\$ 342</u>
Change in plan assets:				
Fair value of plan assets as of January 1,	\$ 1,991	\$ 1,990	\$ 538	\$ 556
Actual return on plan assets	(401)	108	(68)	9
Employer contributions	39	39	12	1
Plan participants' contributions	—	—	3	2
VEBA transfer	—	—	(194)	—
Divestiture	(74)	—	(9)	—
Settlements (a)	—	(6)	—	—
Benefits paid	(142)	(140)	(28)	(30)
Fair value of plan assets as of December 31,	<u>\$ 1,413</u>	<u>\$ 1,991</u>	<u>\$ 254</u>	<u>\$ 538</u>
Funded value as of December 31,	<u>\$ (165)</u>	<u>\$ (303)</u>	<u>\$ (1)</u>	<u>\$ 196</u>
Amounts recognized on the balance sheet:				
Noncurrent asset	\$ 75	\$ —	\$ —	\$ 193
Current liability	(5)	(2)	—	—
Noncurrent liability	(235)	(285)	(1)	(1)
(Liabilities) assets related to assets held for sale (b)	—	(16)	—	4
Net amount recognized	<u>\$ (165)</u>	<u>\$ (303)</u>	<u>\$ (1)</u>	<u>\$ 196</u>

- (a) The Company paid \$6 million of a lump sum payment distributions from the Company's New York Water Service Corporation Pension Plan for the year ended December 31, 2021.
- (b) These balances are related to the sale of the Company's New York subsidiary, which was completed on January 1, 2022, and are included in assets held for sale and liabilities related to assets held for sale on the Consolidated Balance Sheets as of December 31, 2021. See Note 5—Acquisitions and Divestitures for additional information.

Presented in the table below are the components of accumulated other comprehensive income and regulatory assets that have not been recognized as components of periodic benefit costs as of December 31:

	Pension Benefits		Other Benefits	
	2022	2021	2022	2021
Net actuarial loss	\$ 289	\$ 381	\$ 45	\$ 35
Prior service credit	(10)	(14)	(145)	(186)
Net amount recognized	\$ 279	\$ 367	\$ (100)	\$ (151)
Regulatory assets (liabilities)	\$ 251	\$ 317	\$ (100)	\$ (151)
Accumulated other comprehensive income	28	50	—	—
Total	\$ 279	\$ 367	\$ (100)	\$ (151)

Presented in the tables below are the aggregate projected benefit obligation, accumulated benefit obligation and aggregate fair value of plan assets for pension plans with a projected obligation in excess of plan assets as of December 31, 2022 and 2021:

	Projected Benefit Obligation Exceeds the Fair Value of Plans' Assets	
	2022	2021
Projected benefit obligation	\$ 872	\$ 2,294
Fair value of plan assets	632	1,991

	Accumulated Benefit Obligation Exceeds the Fair Value of Plans' Assets	
	2022	2021
Accumulated benefit obligation	\$ 793	\$ 2,138
Fair value of plan assets	632	1,991

The accumulated postretirement plan assets exceed benefit obligations for all of the Company's other postretirement benefit plans, except for the Northern Illinois Retiree Welfare Plan, of which the accumulated postretirement benefit obligation is inconsequential for all periods presented.

Contributions

The PPA requires that defined benefit plans contribute to 100% of the current liability funding target over seven years. Defined benefit plans with a funding status of less than 80% of the current liability are defined as being "at risk" and additional funding requirements and benefit restrictions may apply. The Company's qualified defined benefit plan is currently funded above the at-risk threshold, and therefore the Company expects that the plans will not be subject to the "at risk" funding requirements of the PPA. The Company is proactively monitoring the plan's funded status and projected contributions under the law to appropriately manage the potential impact on cash requirements.

Minimum funding requirements for the qualified defined benefit pension plan are determined by government regulations and not by accounting pronouncements. The Company plans to contribute amounts at least equal to or greater than the minimum required contributions or the normal cost in 2023 to the qualified pension plans. Contributions may be in the form of cash contributions as well as available prefunding balances.

Presented in the table below is information about the expected cash flows for the pension and postretirement benefit plans:

	<u>Pension Benefits</u>	<u>Other Benefits</u>
2023 expected employer contributions:		
To plan trusts	\$ 39	\$—
To plan participants	5	—

Estimated Future Benefit Payments

Presented in the table below are the net benefits expected to be paid from the plan assets or the Company's assets:

	<u>Pension Benefits</u>	<u>Other Benefits</u>	
	<u>Expected Benefit Payments</u>	<u>Expected Benefit Payments</u>	<u>Expected Federal Subsidy Payments</u>
2023	\$ 117	\$ 24	\$ 1
2024	115	24	1
2025	117	25	1
2026	118	24	1
2027	119	24	1
2028-2032	585	108	3

Because the above amounts are net benefits, plan participants' contributions have been excluded from the expected benefits.

Assumptions

Accounting for pensions and other postretirement benefits requires an extensive use of assumptions about the discount rate, expected return on plan assets, the rate of future compensation increases received by the Company's employees, mortality, turnover and medical costs. Each assumption is reviewed annually. The assumptions are selected to represent the average expected experience over time and may differ in any one year from actual experience due to changes in capital markets and the overall economy. These differences will impact the amount of pension and other postretirement benefit expense that the Company recognizes.

Presented in the table below are the significant assumptions related to the pension and other postretirement benefit plans:

	Pension Benefits			Other Benefits		
	2022	2021	2020	2022	2021	2020
Weighted average assumptions used to determine December 31 benefit obligations:						
Discount rate	5.58%	2.94%	2.74%	5.60%	2.90%	2.56%
Rate of compensation increase	3.51%	3.51%	3.51%	N/A	N/A	N/A
Medical trend	N/A	N/A	N/A	graded from 7.00% in 2023 to 5.00% in 2031+	graded from 6.00% in 2022 to 5.00% in 2026+	graded from 6.25% in 2021 to 5.00% in 2026+
Weighted average assumptions used to determine net periodic cost:						
Discount rate	2.94%	2.74%	3.44%	2.90%	2.56%	3.36%
Expected return on plan assets	6.50%	6.50%	6.50%	3.60%	3.67%	3.68%
Rate of compensation increase	3.51%	3.51%	2.97%	N/A	N/A	N/A
Medical trend	N/A	N/A	N/A	graded from 6.00% in 2022 to 5.00% in 2026+	graded from 6.25% in 2021 to 5.00% in 2026+	graded from 6.50% in 2020 to 5.00% in 2026+

NOTE "N/A" in the table above means assumption is not applicable.

The discount rate assumption was determined for the pension and postretirement benefit plans independently. The Company uses an approach that approximates the process of settlement of obligations tailored to the plans' expected cash flows by matching the plans' cash flows to the coupons and expected maturity values of individually selected bonds. Historically, for each plan, the discount rate was developed at the level equivalent rate that would produce the same present value as that using spot rates aligned with the projected benefit payments.

The expected long-term rate of return on plan assets is based on historical and projected rates of return, prior to administrative and investment management fees, for current and planned asset classes in the plans' investment portfolios. Assumed projected rates of return for each of the plans' projected asset classes were selected after analyzing historical experience and future expectations of the returns and volatility of the various asset classes. Based on the target asset allocation for each asset class, the overall expected rate of return for the portfolio was developed, adjusted for historical and expected experience of active portfolio management results compared to the benchmark returns. The Company's pension expense increases as the expected return on assets decreases. The Company used an expected return on plan assets of 6.50% to estimate its 2022 pension benefit costs, and an expected blended return based on weighted assets of 3.60% to estimate its 2022 other postretirement benefit costs.

For the years ended December 31, 2022 and 2021, the Company's mortality assumption utilized the Pri-2012 base mortality table and the new MP-2021 mortality improvement scale. For the year ended December 31, 2020, the Company's mortality assumption utilized the Pri-2012 base mortality table and the MP-2020 mortality improvement scale.

Components of Net Periodic Benefit Cost

Presented in the table below are the components of net periodic benefit costs for the years ended December 31:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Components of net periodic pension benefit cost:			
Service cost	\$ 30	\$ 36	\$ 31
Interest cost	64	64	73
Expected return on plan assets	(122)	(126)	(111)
Amortization of prior service (credit) cost	(3)	(3)	(3)
Amortization of actuarial loss	21	27	30
Settlements (a)	<u>—</u>	<u>—</u>	<u>1</u>
Net periodic pension benefit cost	\$ (10)	\$ (2)	\$ 21
Other changes in plan assets and benefit obligations recognized in other comprehensive income:			
Current year actuarial (gain) loss	\$ (14)	\$ 1	\$ 12
Amortization of actuarial loss	<u>(3)</u>	<u>(4)</u>	<u>(3)</u>
Total recognized in other comprehensive income	<u>(17)</u>	<u>(3)</u>	<u>9</u>
Total recognized in net periodic benefit cost and other comprehensive income	<u>\$ (27)</u>	<u>\$ (5)</u>	<u>\$ 30</u>
Components of net periodic other postretirement benefit (credit) cost:			
Service cost	\$ 3	\$ 4	\$ 4
Interest cost	10	10	12
Expected return on plan assets	(19)	(21)	(19)
Amortization of prior service credit	(31)	(32)	(34)
Amortization of actuarial loss	<u>—</u>	<u>—</u>	<u>2</u>
Net periodic other postretirement benefit (credit) cost	<u>\$ (37)</u>	<u>\$ (39)</u>	<u>\$ (35)</u>

(a) Due to the amount of lump sum payment distributions from the Company's New York Water Service Corporation Pension Plan, settlement charges of less than \$1 million were recorded for the year ended December 31, 2021. In accordance with existing regulatory accounting treatment, the Company has maintained the settlement charge in regulatory assets on the Consolidated Balance Sheets. The amount is being amortized in accordance with existing regulatory practice.

Savings Plans for Employees

The Company maintains 401(k) savings plans that allow employees to save for retirement on a tax-deferred basis. Employees can make contributions that are invested at their direction in one or more funds. The Company makes matching contributions based on a percentage of an employee's contribution, subject to certain limitations. Due to the Company's discontinuing new entrants into the defined benefit pension plan, on January 1, 2006, the Company began providing an additional 5.25% of base pay defined contribution benefit for union employees hired on or after January 1, 2001 and non-union employees hired on or after January 1, 2006. The Company's 401(k) savings plan expenses totaled \$13 million, \$14 million and \$12 million for 2022, 2021 and 2020, respectively. Additionally, the Company's 5.25% of base pay defined contribution benefit expenses totaled \$16 million, \$16 million and \$15 million for 2022, 2021 and 2020, respectively. All of the Company's contributions are invested in one or more funds at the direction of the employees.

Note 16: Commitments and Contingencies

Commitments have been made in connection with certain construction programs. The estimated capital expenditures required under legal and binding contractual obligations amounted to \$756 million as of December 31, 2022.

The Company’s regulated subsidiaries maintain agreements with other water purveyors for the purchase of water to supplement their water supply. Presented in the table below are the future annual commitments related to minimum quantities of purchased water having non-cancelable contracts:

	<u>Amount</u>
2023	\$ 68
2024	54
2025	53
2026	52
2027	52
Thereafter	501

The Company enters into agreements for the provision of services to water and wastewater facilities for the U.S. military, municipalities and other customers. See Note 4—Revenue Recognition for additional information regarding the Company’s performance obligations.

Contingencies

The Company is routinely involved in legal actions incident to the normal conduct of its business. As of December 31, 2022, the Company has accrued approximately \$5 million of probable loss contingencies and has estimated that the maximum amount of losses associated with reasonably possible loss contingencies that can be reasonably estimated is \$3 million. For certain matters, claims and actions, the Company is unable to estimate possible losses. The Company believes that damages or settlements, if any, recovered by plaintiffs in such matters, claims or actions, other than as described in this Note 16—Commitments and Contingencies, will not have a material adverse effect on the Company.

Dunbar, West Virginia Water Main Break Class Action Litigation

On the evening of June 23, 2015, a 36-inch pre-stressed concrete transmission water main, installed in the early 1970s, failed. The water main is part of the West Relay pumping station located in the City of Dunbar, West Virginia and owned by WVAWC. The failure of the main caused water outages and low pressure for up to approximately 25,000 WVAWC customers. In the early morning hours of June 25, 2015, crews completed a repair, but that same day, the repair developed a leak. On June 26, 2015, a second repair was completed and service was restored that day to approximately 80% of the impacted customers, and to the remaining approximately 20% by the next morning. The second repair showed signs of leaking, but the water main was usable until June 29, 2015, to allow tanks to refill. The system was reconfigured to maintain service to all but approximately 3,000 customers while a final repair was being completed safely on June 30, 2015. Water service was fully restored by July 1, 2015, to all customers affected by this event.

On June 2, 2017, a complaint captioned *Jeffries, et al. v. West Virginia-American Water Company* was filed in West Virginia Circuit Court in Kanawha County on behalf of an alleged class of residents and business owners who lost water service or pressure as a result of the Dunbar main break. The complaint alleges breach of contract by WVAWC for failure to supply water, violation of West Virginia law regarding the sufficiency of WVAWC’s facilities and negligence by WVAWC in the design, maintenance and operation of the water system. The *Jeffries* plaintiffs seek unspecified alleged damages on behalf of the class for lost profits, annoyance and inconvenience, and loss of use, as well as punitive damages for willful, reckless and wanton behavior in not addressing the risk of pipe failure and a large outage.

In February 2020, the *Jeffries* plaintiffs filed a motion seeking class certification on the issues of breach of contract and negligence, and to determine the applicability of punitive damages and a multiplier for those damages if imposed. In July 2020, the Circuit Court entered an order granting the *Jeffries* plaintiffs’ motion for certification of a class regarding certain liability issues but denying certification of a class to determine a punitive

damages multiplier. In August 2020, WVAWC filed a Petition for Writ of Prohibition in the Supreme Court of Appeals of West Virginia seeking to vacate or remand the Circuit Court’s order certifying the issues class. In January 2021, the Supreme Court of Appeals remanded the case back to the Circuit Court for further consideration in light of a decision issued in another case relating to the class certification issues raised on appeal. On July 5, 2022, the Circuit Court entered an order again certifying a class to address at trial certain liability issues but not to consider damages. On August 26, 2022, WVAWC filed another Petition for Writ of Prohibition in the Supreme Court of Appeals of West Virginia challenging the West Virginia Circuit Court’s July 5, 2022 order. The Writ Petition has been supported by an amicus brief filed by certain water and utility industry trade groups. On February 9, 2023, the Supreme Court of Appeals accepted the Writ Petition by issuing a Rule to Show Cause and scheduling oral argument for April 26, 2023.

The Company and WVAWC believe that WVAWC has valid, meritorious defenses to the claims raised in this class action complaint. WVAWC is vigorously defending itself against these allegations. The Company cannot currently determine the likelihood of a loss, if any, or estimate the amount of any loss or a range of such losses related to this proceeding.

Chattanooga, Tennessee Water Main Break Class Action Litigation

On September 12, 2019, the Company’s Tennessee subsidiary (“TAWC”), experienced a leak in a 36-inch water transmission main, which caused service fluctuations or interruptions to TAWC customers and the issuance of a boil water notice. TAWC repaired the main by early morning on September 14, 2019, and restored full water service by the afternoon of September 15, 2019, with the boil water notice lifted for all customers on September 16, 2019.

On September 17, 2019, a complaint captioned *Bruce, et al. v. American Water Works Company, Inc., et al.* was filed in the Circuit Court of Hamilton County, Tennessee against TAWC, the Company and American Water Works Service Company, Inc. (“Service Company” and, together with TAWC and the Company, collectively, the “Tennessee-American Water Defendants”), on behalf of a proposed class of individuals or entities who lost water service or suffered monetary losses as a result of the Chattanooga incident (the “Tennessee Plaintiffs”). The complaint alleged breach of contract and negligence against the Tennessee-American Water Defendants, as well as an equitable remedy of piercing the corporate veil. In the complaint as originally filed, the Tennessee Plaintiffs were seeking an award of unspecified alleged damages for wage losses, business and economic losses, out-of-pocket expenses, loss of use and enjoyment of property and annoyance and inconvenience, as well as punitive damages, attorneys’ fees and pre- and post-judgment interest. In September 2020, the court dismissed all of the Tennessee Plaintiffs’ claims in their complaint, except for the breach of contract claims against TAWC, which remain pending. In October 2020, TAWC answered the complaint, and the parties have been engaging in discovery. On January 12, 2023, after hearing oral argument, the court issued an oral ruling denying the Tennessee Plaintiffs’ motion for class certification. On February 9, 2023, the Tennessee Plaintiffs sought reconsideration of the ruling by the court, and any final ruling is appealable to the Tennessee Court of Appeals, as allowed under Tennessee law.

TAWC and the Company believe that TAWC has meritorious defenses to the claims raised in this class action complaint, and TAWC is vigorously defending itself against these allegations. The Company cannot currently determine the likelihood of a loss, if any, or estimate the amount of any loss or a range of such losses related to this proceeding.

Alternative Water Supply in Lieu of Carmel River Diversions

Compliance with Orders to Reduce Carmel River Diversions—Monterey Peninsula Water Supply Project

Under a 2009 order (the “2009 Order”) of the State Water Resources Control Board (the “SWRCB”), the Company’s California subsidiary (“Cal Am”) is required to decrease significantly its yearly diversions of water

from the Carmel River according to a set reduction schedule. In 2016, the SWRCB issued an order (the “2016 Order,” and, together with the 2009 Order, the “Orders”) approving a deadline of December 31, 2021, for Cal Am’s compliance with these prior orders.

Cal Am is currently involved in developing the Monterey Peninsula Water Supply Project (the “Water Supply Project”), which includes the construction of a desalination plant, to be owned by Cal Am, and the construction of wells that would supply water to the desalination plant. In addition, the Water Supply Project also includes Cal Am’s purchase of water from a groundwater replenishment project (the “GWR Project”) between Monterey One Water and the Monterey Peninsula Water Management District (the “MPWMD”). The Water Supply Project is intended, among other things, to fulfill Cal Am’s obligations under the Orders.

Cal Am’s ability to move forward on the Water Supply Project is subject to administrative review by the CPUC and other government agencies, obtaining necessary permits, and intervention from other parties. In September 2016, the CPUC unanimously approved a final decision to authorize Cal Am to enter into a water purchase agreement for the GWR Project and to construct a pipeline and pump station facilities and recover up to \$50 million in associated incurred costs plus AFUDC, subject to meeting certain criteria.

In September 2018, the CPUC unanimously approved another final decision finding that the Water Supply Project meets the CPUC’s requirements for a certificate of public convenience and necessity and an additional procedural phase was not necessary to consider alternative projects. The CPUC’s 2018 decision concludes that the Water Supply Project is the best project to address estimated future water demands in Monterey, and, in addition to the cost recovery approved in its 2016 decision, adopts Cal Am’s cost estimates for the Water Supply Project, which amounted to an aggregate of \$279 million plus AFUDC at a rate representative of Cal Am’s actual financing costs. The 2018 final decision specifies the procedures for recovery of all of Cal Am’s prudently incurred costs associated with the Water Supply Project upon its completion, subject to the frameworks included in the final decision related to cost caps, operation and maintenance costs, financing, ratemaking and contingency matters. The reasonableness of the Water Supply Project costs will be reviewed by the CPUC when Cal Am seeks cost recovery for the Water Supply Project. Cal Am is also required to implement mitigation measures to avoid, minimize or offset significant environmental impacts from the construction and operation of the Water Supply Project and comply with a mitigation monitoring and reporting program, a reimbursement agreement for CPUC costs associated with that program, and reporting requirements on plant operations following placement of the Water Supply Project in service. Cal Am has incurred \$206 million in aggregate costs as of December 31, 2022, related to the Water Supply Project, which includes \$51 million in AFUDC.

In September 2021, Cal Am, Monterey One Water and the MPWMD reached an agreement on Cal Am’s purchase of additional water from an expansion to the GWR Project, which is not expected to produce additional water until 2024 at the earliest. The amended and restated water purchase agreement for the GWR Project expansion is subject to review and approval of the CPUC, and in November 2021, Cal Am filed an application with the CPUC that sought review and approval of the amended and restated water purchase agreement. Cal Am also requested rate base treatment of the additional capital investment for certain Cal Am facilities required to maximize the water supply from the expansion to the GWR Project and a related Aquifer Storage and Recovery Project, totaling approximately \$81 million. This requested amount is in addition to, and consistent in regulatory treatment with, the prior \$50 million of cost recovery for facilities associated with the original water purchase agreement, which was approved by the CPUC in its 2016 final decision.

On December 5, 2022, the CPUC issued a final decision that authorizes Cal Am to enter into the amended water purchase agreement, and specifically to increase pumping capacity and reliability of groundwater extraction from the Seaside Groundwater Basin. The final decision sets the cost cap for the proposed facilities at approximately \$62 million. Cal Am may seek recovery of amounts above the cost cap in a subsequent rate filing or general rate case. Additionally, the final decision authorizes AFUDC at Cal Am’s actual weighted average cost of debt for most of the facilities.

On December 30, 2022, Cal Am filed with the CPUC an application for rehearing of the CPUC's December 5, 2022 final decision. Cal Am is requesting recovery of its infrastructure costs for the GWR Project expansion that had not been included in the December 2022 final decision. Cal Am believes that the December 2022 final decision is contrary to the CPUC's precedent and that obtaining recovery of these infrastructure costs is a key component of the GWR Project expansion and Cal Am's ability to meet the future water supply needs of its customers in Monterey. This application remains pending.

While Cal Am believes that its expenditures to date have been prudent and necessary to comply with the Orders, as well as the CPUC's 2016 and 2018 final decisions, Cal Am cannot currently predict its ability to recover all of its costs and expenses associated with the Water Supply Project and there can be no assurance that Cal Am will be able to recover all of such costs and expenses in excess of the \$112 million in aggregate construction costs, plus applicable AFUDC, previously approved by the CPUC in its 2016 and December 2022 final decisions.

Coastal Development Permit Application

In 2018, Cal Am submitted a coastal development permit application (the "Marina Application") to the City of Marina (the "City") for those project components of the Water Supply Project located within the City's coastal zone. Members of the City's Planning Commission, as well as City councilpersons, have publicly expressed opposition to the Water Supply Project. In May 2019, the City issued a notice of final local action based upon the denial by the Planning Commission of the Marina Application. Thereafter, Cal Am appealed this decision to the Coastal Commission, as permitted under the City's code and the California Coastal Act. At the same time, Cal Am submitted an application (the "Original Jurisdiction Application") to the Coastal Commission for a coastal development permit for those project components located within the Coastal Commission's original jurisdiction. After Coastal Commission staff issued reports recommending denial of the Original Jurisdiction Application, noting potential impacts on environmentally sensitive habitat areas and wetlands and possible disproportionate impacts to communities of concern, in September 2020, Cal Am withdrew the Original Jurisdiction Application in order to address the staff's environmental justice concerns. The withdrawal of the Original Jurisdiction Application did not impact Cal Am's appeal of the City's denial of the Marina Application, which remains pending before the Coastal Commission. In November 2020, Cal Am refiled the Original Jurisdiction Application.

On October 5, 2022, Cal Am announced a phasing plan for the proposed desalination plant component of the Water Supply Project. The desalination plant and slant wells originally approved by the CPUC would produce up to 6.4 million gallons of desalinated water per day. Under the phased approach, the facilities would initially be constructed to produce up to 4.8 million gallons per day of desalinated water, enough to meet anticipated demand through about 2030, and would limit the number of slant wells initially constructed. As demand increases in the future, desalination facilities would be expanded to meet the additional demand. The phased approach seeks to meet near-term demand by allowing for additional supply as it becomes needed, while also providing an opportunity for regional future public participation and was developed by Cal Am based on feedback received from the community.

On November 18, 2022, the Coastal Commission approved the Marina Application and the Original Jurisdiction Application with respect to the phased development of the proposed desalination plant, subject to compliance with a number of conditions, all of which Cal Am expects to satisfy. On December 29, 2022, the City, Marina Coast Water District ("MCWD"), MCWD's groundwater sustainability agency, and the MPWMD jointly filed a petition for writ of mandate in Monterey County Superior Court against the Coastal Commission, alleging that the Coastal Commission violated the California Coastal Act and the California Environmental Quality Act in issuing a coastal development permit to Cal Am for construction of the MPWSP slant wells. Cal Am is named as a real party in interest. This matter remains pending.

Following the issuance of the coastal development permit, Cal Am continues to work constructively with all appropriate agencies to provide necessary information in connection with obtaining the remaining required permits for the Water Supply Project. However, there can be no assurance that the Water Supply Project in its current configuration will be completed on a timely basis, if ever. For the year ended December 31, 2022, Cal Am has complied with the diversion limitations contained in the 2016 Order. Continued compliance with the diversion limitations in 2023 and future years may be impacted by a number of factors, including without limitation continued drought conditions in California and the exhaustion of water supply reserves, and will require successful development of alternate water supply sources sufficient to meet customer demand. The Orders remain in effect until Cal Am certifies to the SWRCB, and the SWRCB concurs, that Cal Am has obtained a permanent supply of water to substitute for past unauthorized Carmel River diversions. While the Company cannot currently predict the likelihood or result of any adverse outcome associated with these matters, further attempts to comply with the Orders may result in material additional costs and obligations to Cal Am, including fines and penalties against Cal Am in the event of noncompliance with the Orders.

West Virginia Elk River Freedom Industries Chemical Spill

On June 8, 2018, the U.S. District Court for the Southern District of West Virginia granted final approval of a settlement class and global class action settlement (the “Settlement”) for all claims and potential claims by all class members (collectively, the “West Virginia Plaintiffs”) arising out of the January 2014 Freedom Industries, Inc. chemical spill in West Virginia. The effective date of the Settlement was July 16, 2018. Under the terms and conditions of the Settlement, WVAVC and certain other Company affiliated entities did not admit, and will not admit, any fault or liability for any of the allegations made by the West Virginia Plaintiffs in any of the actions that were resolved.

As of December 31, 2022, \$0.5 million of the aggregate Settlement amount of \$126 million remains reflected in accrued liabilities, and \$0.5 million in an offsetting insurance receivable remains reflected in other current assets on the Consolidated Balance Sheets pending resolution of all asserted actual or potential claims associated with this matter. The amount reflected in accrued liabilities reflects the status of the liability and the offsetting insurance receivable reflected in other current assets, each as of as of December 31, 2022.

Note 17: Earnings per Common Share

Presented in the table below is a reconciliation of the numerator and denominator for the basic and diluted earnings per share (“EPS”) calculations for the years ended December 31:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Numerator:			
Net income attributable to common shareholders	\$ 820	\$ 1,263	\$ 709
Denominator:			
Weighted average common shares outstanding—Basic	182	182	181
Effect of dilutive common stock equivalents	—	—	1
Weighted average common shares outstanding—Diluted	<u>182</u>	<u>182</u>	<u>182</u>

The effect of dilutive common stock equivalents is related to outstanding stock options, RSUs and PSUs granted under the Company’s 2007 Plan and outstanding RSUs and PSUs granted under the Company’s 2017 Omnibus Plan, as well as estimated shares to be purchased under the ESPP. Less than one million share-based awards were excluded from the computation of diluted EPS for the years ended December 31, 2022, 2021 and 2020, because their effect would have been anti-dilutive under the treasury stock method.

Note 18: Fair Value of Financial Information

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

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

Seller promissory note from the sale of HOS—The carrying amount reported on the Consolidated Balance Sheets for the seller promissory note from the sale of HOS is \$720 million as of December 31, 2022 and 2021. This amount represents the principal amount owed under the seller note, for which the Company expects to receive full payment. The accounting fair value measurement of the seller note approximated \$686 million and \$720 million as of December 31, 2022 and 2021, respectively. The accounting fair value measurement is an estimate that is reflective of changes in benchmark interest rates. The seller note is classified as Level 3 within the fair value hierarchy.

Preferred stock with mandatory redemption requirements and long-term debt—The fair values of preferred stock with mandatory redemption requirements and long-term debt are categorized within the fair value hierarchy based on the inputs that are used to value each instrument. The fair value of long-term debt classified as Level 1 is calculated using quoted prices in active markets. Level 2 instruments are valued using observable inputs and Level 3 instruments are valued using observable and unobservable inputs.

Presented in the tables below are the carrying amounts, including fair value adjustments previously recognized in acquisition purchase accounting, and the fair values of the Company’s financial instruments:

	As of December 31, 2022				
	Carrying Amount	At Fair Value			Total
		Level 1	Level 2	Level 3	
Preferred stock with mandatory redemption requirements	\$ 3	\$ —	\$ —	\$ 3	\$ 3
Long-term debt (excluding finance lease obligations)	11,207	8,599	49	1,427	10,075

	As of December 31, 2021				
	Carrying Amount	At Fair Value			Total
		Level 1	Level 2	Level 3	
Preferred stock with mandatory redemption requirements	\$ 4	\$ —	\$ —	\$ 6	\$ 6
Long-term debt (excluding finance lease obligations)	10,396	10,121	60	1,637	11,818

Fair Value Measurements

To increase consistency and comparability in fair value measurements, GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels as follows:

Level 1—Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access as of the reporting date. Financial assets and liabilities utilizing Level 1 inputs include active exchange-traded equity securities, exchange-based derivatives, mutual funds and money market funds.

Level 2—Inputs other than quoted prices included within Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data. Financial assets and

liabilities utilizing Level 2 inputs include fixed income securities, non-exchange-based derivatives, commingled investment funds not subject to purchase and sale restrictions and fair-value hedges.

Level 3—Unobservable inputs, such as internally-developed pricing models for the asset or liability due to little or no market activity for the asset or liability. Financial assets and liabilities utilizing Level 3 inputs include infrequently-traded non-exchange-based derivatives and commingled investment funds subject to purchase and sale restrictions.

Recurring Fair Value Measurements

Presented in the tables below are assets and liabilities measured and recorded at fair value on a recurring basis and their level within the fair value hierarchy:

	As of December 31, 2022			
	Level 1	Level 2	Level 3	Total
Assets:				
Restricted funds	\$ 32	\$ —	\$ —	\$ 32
Rabbi trust investments	21	—	—	21
Deposits	7	—	—	7
Other investments				
Money market and other	61	—	—	61
Fixed-Income Securities	147	6	—	153
Contingent cash payment from the sale of HOS	—	—	72	72
Mark-to-market derivative asset	—	1	—	1
Total assets	268	7	72	347
Liabilities:				
Deferred compensation obligations	24	—	—	24
Total liabilities	24	—	—	24
Total net assets	\$ 244	\$ 7	\$ 72	\$ 323

	As of December 31, 2021			
	Level 1	Level 2	Level 3	Total
Assets:				
Restricted funds	\$ 21	\$ —	\$ —	\$ 21
Rabbi trust investments	23	—	—	23
Deposits	27	—	—	27
Other investments	17	—	—	17
Contingent cash payment from the sale of HOS	—	—	72	72
Total assets	88	—	72	160
Liabilities:				
Deferred compensation obligations	27	—	—	27
Total liabilities	27	—	—	27
Total net assets	\$ 61	\$ —	\$ 72	\$ 133

Restricted funds—The Company’s restricted funds primarily represent proceeds received from financings for the construction and capital improvement of facilities and from customers for future services under operation, maintenance and repair projects.

Rabbi trust investments—The Company’s rabbi trust investments consist of equity and index funds from which supplemental executive retirement plan benefits and deferred compensation obligations can be paid. The Company includes these assets in other long-term assets on the Consolidated Balance Sheets.

Deposits—Deposits include escrow funds and certain other deposits held in trust. The Company includes cash deposits in other current assets on the Consolidated Balance Sheets.

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

Mark-to-market derivative assets and liabilities—The Company employs derivative financial instruments in the form of treasury lock agreements, classified as cash flow hedges, in order to fix the interest cost on existing or forecasted debt. The Company uses a calculation of future cash inflows and estimated future outflows, which are discounted, to determine the current fair value. Additional inputs to the present value calculation include the contract terms, counterparty credit risk, interest rates and market volatility.

Other investments—As a result of the Retiree Welfare Plan changes discussed in Note 15—Employee Benefits, effective December 31, 2022, the Company transferred investment assets from the Bargained VEBA into the existing trust maintained for the benefit of the Active VEBA. The transfer of these Bargained VEBA investment assets into the Active VEBA permits access to approximately \$194 million of assets for purposes of paying active union employee medical benefits.

The investments in the Active VEBA primarily consist of money market funds and available-for-sale fixed income securities. The money market and other investments have original maturities of three months or less when purchased. The fair value measurement of the money market and other investments is based on observable market prices and therefore included in the recurring fair value measurements hierarchy as Level 1. The available-for-sale fixed income securities are primarily investments in U.S. Treasury securities and government bonds. The majority of U.S. Treasury securities and government bonds have been categorized as Level 1 because they trade in highly-liquid and transparent markets. Certain U.S. Treasury securities are based on prices that reflect observable market information, such as actual trade information of similar securities, and are therefore categorized as Level 2, because the valuations are calculated using models which utilize actively traded market data that the Company can corroborate. The Company includes other investments of \$67 million and \$147 million in Other current assets and Other long-term assets, respectively, on the Consolidated Balance Sheet as of December 31, 2022. Other investments as of December 31, 2021, are included in other current assets on the Consolidated Balance Sheet.

The fair value of the Company’s available-for-sale fixed income securities, summarized by contractual maturities, as of December 31, 2022, is as follows:

	<u>Amount</u>
Other investments—Available-for-sale fixed-income securities	
Less than one year	\$ 61
1 year—5 years	79
5 years—10 years	3
Greater than 10 years	<u>10</u>
Total	<u>\$ 153</u>

Contingent cash payment from the sale of HOS—The Company’s contingent cash payment derivative included as part of the consideration from the sale of HOS is included in other current assets on the Consolidated Balance Sheets. The fair value of the contingent cash payment is \$72 million, which is reflective of changes in the benchmark interest rate and estimated using the probability of the outcome of receipt of the \$75 million, a Level 3 input.

Note 19: Leases

The Company has operating and finance leases involving real property, including facilities, utility assets, vehicles, and equipment. Certain operating leases have renewal options ranging from one to 60 years. The exercise of lease renewal options is at the Company’s sole discretion. Renewal options that the Company was reasonably certain to exercise are included in the Company’s ROU assets. Certain operating leases contain the option to purchase the leased property. The operating leases for real property, vehicles and equipment will expire over the next 37 years, six years, and four years, respectively.

The Company participates in a number of arrangements with various public entities (“Partners”) in West Virginia. Under these arrangements, the Company transferred a portion of its utility plant to the Partners in exchange for an equal principal amount of Industrial Development Bonds (“IDBs”) issued by the Partners under the Industrial Development and Commercial Development Bond Act. The Company leased back the utility plant under agreements for a period of 30 to 40 years. The Company has recorded these agreements as finance leases in property, plant and equipment, as ownership of the assets will revert back to the Company at the end of the lease term. The carrying value of the finance lease assets was \$145 million and \$146 million as of December 31, 2022 and 2021, respectively. The Company determined that the finance lease obligations and the investments in IDBs meet the conditions for offsetting, and as such, are reported net on the Consolidated Balance Sheets and excluded from the finance lease disclosure presented below.

The Company also enters into O&M agreements with the Partners. The Company pays an annual fee for use of the Partners’ assets in performing under the O&M agreements. The O&M agreements are recorded as operating leases, and future annual use fees of \$4 million in 2023 through 2027, and \$45 million thereafter, are included in operating lease ROU assets and operating lease liabilities on the Consolidated Balance Sheets.

Rental expenses under operating and finance leases were \$12 million, \$13 million and \$14 million for the years ended December 31, 2022, 2021 and 2020, respectively.

For the year ended December 31, 2022, cash paid for amounts in lease liabilities, which includes operating and financing cash flows from operating and finance leases, was \$12 million. For the year ended December 31, 2022, ROU assets obtained in exchange for new operating lease liabilities was \$5 million.

As of December 31, 2022, the weighted-average remaining lease term of the finance lease and operating leases were three years and 18 years, respectively, and the weighted-average discount rate of the finance lease and operating leases were 12% and 4%, respectively.

The future maturities of lease liabilities at December 31, 2022, are \$9 million in 2023, \$10 million in 2024, \$8 million in 2025, \$7 million in 2026, \$6 million in 2027 and \$76 million thereafter. At December 31, 2022, imputed interest was \$39 million.

Note 20: Segment Information

The Company’s operating segments are comprised of its businesses which generate revenue, incur expense and have separate financial information which is regularly used by management to make operating decisions, assess performance and allocate resources. The Company operates its businesses primarily through one reportable segment, the Regulated Businesses segment. The Regulated Businesses segment is the largest

component of the Company’s business and includes subsidiaries that provide water and wastewater services to customers in 14 states.

The Company also operates other market-based businesses, primarily MSG, which provide water and wastewater services to the U.S. government on military installations, as well as municipalities. These market-based businesses do not meet the criteria of a reportable segment in accordance with GAAP, and are collectively presented throughout this Annual Report on Form 10-K within “Other,” which is consistent with how management assesses the results of these businesses. The Company’s former HOS business, which was sold in the fourth quarter of 2021, was included in “Market-Based Businesses” in the Company’s Form 10-K for the year ended December 31, 2021. As a result of the sale of HOS, the categories which were previously shown as “Market-Based Businesses” and “Other” have been combined and are shown as Other. Segment results for the years ended December 31, 2021 and 2020, have been adjusted retrospectively to reflect this change.

The accounting policies of the segments are the same as those described in Note 2—Significant Accounting Policies. The Regulated Businesses segment includes intercompany costs that are allocated by Service Company and intercompany interest that is charged by AWCC, both of which are eliminated to reconcile to the Consolidated Statements of Operations. Inter-segment revenues include the sale of water from a regulated subsidiary to market-based subsidiaries, leased office space, and furniture and equipment provided by the market-based subsidiaries to regulated subsidiaries. Other also includes corporate costs that are not allocated to the Company’s Regulated Businesses, interest income related to the seller promissory note and income from the revenue share agreement from the sale of HOS, eliminations of inter-segment transactions and fair value adjustments related to acquisitions that have not been allocated to the Regulated Businesses segment. The adjustments related to the acquisitions are reported in Other as they are excluded from segment performance measures evaluated by management.

Presented in the tables below is summarized segment information as of and for the years ended December 31:

	2022		
	Regulated Businesses	Other	Consolidated
Operating revenues	\$ 3,505	\$ 287	\$ 3,792
Depreciation and amortization	633	16	649
Total operating expenses, net	2,242	277	2,519
Interest expense	(314)	(119)	(433)
Interest income	2	50	52
Gain or (loss) on sale of businesses	—	19	19
Income before income taxes	1,042	(34)	1,008
Provision for income taxes	188	—	188
Net income attributable to common shareholders	854	(34)	820
Total assets	25,038	2,749	27,787
Cash paid for capital expenditures	2,284	13	2,297

	2021		
	Regulated Businesses	Other	Consolidated
Operating revenues	\$ 3,384	\$ 546	\$ 3,930
Depreciation and amortization	601	35	636
Total operating expenses, net	2,227	507	2,734
Interest expense	(290)	(113)	(403)
Interest income	1	3	4
Gain or (loss) on sale of businesses	(1)	748	747
Income before income taxes	962	678	1,640
Provision for income taxes	172	205	377
Net income attributable to common shareholders	789	474	1,263
Total assets	23,365	2,710	26,075
Cash paid for capital expenditures	1,747	17	1,764

	2020		
	Regulated Businesses	Other	Consolidated
Operating revenues	\$ 3,255	\$ 522	\$ 3,777
Depreciation and amortization	562	42	604
Total operating expenses, net	2,102	427	2,529
Interest expense	(293)	(104)	(397)
Interest income	2	—	2
Income before income taxes	932	(8)	924
Provision for income taxes	217	(2)	215
Net income attributable to common shareholders	715	(6)	709
Total assets	22,357	2,409	24,766
Cash paid for capital expenditures	1,804	18	1,822

Note 21: Unaudited Quarterly Data

Presented in the tables below are supplemental, unaudited, consolidated, quarterly financial data for each of the four quarters in the years ended December 31, 2022 and 2021, respectively. The operating results for any quarter are not indicative of results that may be expected for a full year or any future periods.

	2022			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Operating revenues	\$ 842	\$ 937	\$1,082	\$ 931
Operating income	246	327	439	261
Net income attributable to common shareholders	158	218	297	147
Basic earnings per share: (a)				
Net income attributable to common shareholders	\$0.87	\$1.20	\$ 1.63	\$0.81
Diluted earnings per share:				
Net income attributable to common shareholders	0.87	1.20	1.63	0.81

(a) Amounts may not sum due to rounding.

	2021			
	<u>First Quarter</u>	<u>Second Quarter</u>	<u>Third Quarter</u>	<u>Fourth Quarter</u>
Operating revenues	\$ 888	\$ 999	\$1,092	\$ 951
Operating income	229	330	417	220
Net income attributable to common shareholders	133	207	278	645
Basic earnings per share: (a)				
Net income attributable to common shareholders	\$0.73	\$1.14	\$ 1.53	\$3.55
Diluted earnings per share:				
Net income attributable to common shareholders	0.73	1.14	1.53	3.55

(a) Amounts may not sum due to rounding.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company, under the supervision and with the participation of its management, including its Chief Executive Officer and its Chief Financial Officer, conducted an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures as such term is defined in Rule 13a-15(e) and Rule 15d-15(e) under the Exchange Act as of the end of the period covered by this report.

Based on that evaluation, the Company's Chief Executive Officer and its Chief Financial Officer have concluded that, as of December 31, 2022, the Company's disclosure controls and procedures were effective at a reasonable level of assurance. The Company's disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objective.

Management's Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) of the Exchange Act. The Company's internal control over financial reporting is a process designed by or under the supervision of the Company's Chief Executive Officer and its Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. The Company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect its transactions and dispositions of its assets, (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with GAAP, and that the Company's receipts and expenditures are being made only in accordance with authorizations of its management and its directors, and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of its assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's management, including the Company's Chief Executive Officer and its Chief Financial Officer, assessed the effectiveness of its internal control over financial reporting, as of December 31, 2022, using the criteria described in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based on the Company's evaluation under the framework in *Internal Control—Integrated Framework (2013)*, its management concluded that its internal control over financial reporting was effective as of December 31, 2022.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2022 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report appearing in Item 8—Financial Statements and Supplementary Data of this Annual Report on Form 10-K.

Changes in Internal Control over Financial Reporting

The Company concluded that there have been no changes in internal control over financial reporting that occurred during its last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

On February 15, 2023, Karl F. Kurz, the Company's Board Chair, was notified by George MacKenzie that Mr. MacKenzie does not wish to be considered as a candidate for re-election at the Company's 2023 Annual Meeting of Shareholders. Mr. MacKenzie's notification was not due to any known disagreement on any matter relating to the Company's operations, policies or practices. Mr. MacKenzie has been a director of the Company since 2003 and served as Chairman of the Board from 2006 until 2018. He currently serves as a member of the Audit, Finance and Risk Committee and the Nominating/Corporate Governance Committee. The Company wishes to thank Mr. MacKenzie for his many years of service to the Board of Directors.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item and not set forth below or in Item 1—Business—Executive Officers of this Annual Report on Form 10-K, is incorporated by reference from the Company’s Proxy Statement for the 2023 Annual Meeting of Shareholders, to be filed with the SEC within 120 days following the end of the fiscal year covered by this report, under the captions entitled “Board of Directors and Corporate Governance” and “Proposal 1—Election of Directors.”

The Company has adopted a Code of Ethics, which applies to directors, officers and employees. The full text of the Code of Ethics is publicly available on the Company’s website at <https://amwater.com>. The Company intends to post on its website any amendments to the Code of Ethics and any waivers of such provisions granted to certain principal officers.

ITEM 11. EXECUTIVE COMPENSATION

Information required by this item is incorporated by reference in the Company’s Proxy Statement for the 2023 Annual Meeting of Shareholders, under the captions entitled “Proposal 1—Election of Directors—Director Compensation Table,” “Compensation Discussion and Analysis,” “Executive Compensation” (excluding the subsection “Pay Versus Performance”), “Compensation Committee Interlocks and Insider Participation” and “Compensation Committee Report” (with the latter report being furnished, and not filed, in this Annual Report on Form 10-K).

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required by this item setting forth the security ownership of certain beneficial owners and management is incorporated by reference in the Company’s Proxy Statement for the 2023 Annual Meeting of Shareholders, under the captions entitled “Certain Beneficial Ownership Matters—Security Ownership of Management,” “Certain Beneficial Ownership Matters—Security Ownership of Certain Beneficial Owners” and “Equity Compensation Plan Information.”

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information required by this item is incorporated by reference in the Company’s Proxy Statement for the 2023 Annual Meeting of Shareholders, under the caption entitled “Board of Directors and Corporate Governance—Board Review of Related Person Transactions” and “Proposal 1—Election of Directors—Director Independence.”

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information required by this item is incorporated by reference in the Company’s Proxy Statement for the 2023 Annual Meeting of Shareholders, under the caption entitled “Proposal 4—Ratification of Appointment of Independent Registered Public Accounting Firm—Fees Paid to Independent Registered Public Accounting Firm” and “Proposal 4—Ratification of Appointment of Independent Registered Public Accounting Firm—Pre-Approval of Services Provided by Independent Registered Public Accounting Firm.”

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

- (a) The following documents have been filed as a part of this Annual Report on Form 10-K:
1. The financial statements listed in the “Index to Consolidated Financial Statements” contained in Item 8—Financial Statements and Supplementary Data of this Form 10-K are hereby incorporated by reference in response to this Item 15(a).
 2. Financial statement schedules have been omitted since they are either not required or are not applicable as the information is otherwise included in the financial statements or notes thereto.
 3. Exhibits. The list of documents contained in “Exhibit Index” is provided in response to this Item 15(a). The warranties, representations and covenants contained in any of the agreements included or incorporated by reference herein or which appear as exhibits hereto should not be relied upon by buyers, sellers or holders of the Company’s or its subsidiaries’ securities and are not intended as warranties, representations or covenants to any individual or entity except as specifically set forth in such agreement.

The responses to Items 15(b) and (c) of Form 10-K are included above in response to Item 15(a).

ITEM 16. FORM 10-K SUMMARY

None.

EXHIBIT INDEX

Exhibit Number	Exhibit Description
2.1.1#	Stock Purchase Agreement, dated November 20, 2019, by and among American Water Works Company, Inc., New York American Water Company, Inc. and Liberty Utilities Co. (incorporated by reference to Exhibit 2.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed November 20, 2019).
2.1.2	Letter Agreement, dated June 29, 2021, by and among American Water Works Company, Inc., Liberty Utilities (Eastern Water Holdings) Corp. and New York American Water Company, Inc., with respect to the Stock Purchase Agreement, dated November 20, 2019, by and among American Water Works Company, Inc., New York American Water Company, Inc. and Liberty Utilities Co. (incorporated by reference to Exhibit 2.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed June 29, 2021).
2.2#	Membership Interest Purchase Agreement, dated as of October 28, 2021, by and among American Water Enterprises, LLC, American (USA), LLC, American Water Resources, LLC, Pivotal Home Solutions, LLC, American Water Resources Holdings, LLC, American Water Works Company, Inc. and Lakehouse Buyer Inc. (incorporated by reference to Exhibit 2.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed October 29, 2021).
3.1	Restated Certificate of Incorporation of American Water Works Company, Inc. (incorporated by reference to Exhibit 3.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed November 6, 2008).
3.2	Amended and Restated Bylaws of American Water Works Company, Inc. (incorporated by reference to Exhibit 3.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed December 8, 2022).
4.1	Indenture, dated as of October 22, 2007, between American Water Capital Corp. and Computershare Trust Company, N.A., as successor to Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.4 to American Water Capital Corp.'s Registration Statement on Form S-4, File No. 333-148284, and American Water Works Company, Inc.'s Registration Statement on Form S-4, File No. 333-148284-01, filed December 21, 2007).
4.2	Indenture, dated as of December 4, 2009, between American Water Capital Corp. and Computershare Trust Company, N.A., as successor to Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed December 3, 2010).
4.3	Officers' Certificate, dated December 17, 2012, establishing the 4.300% Senior Notes due 2042 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed December 17, 2012).
4.4	Officers' Certificate, dated November 20, 2013, establishing the 3.850% Senior Notes due 2024 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed November 20, 2013).
4.5	Officers' Certificate, dated August 14, 2014, establishing the 3.400% Senior Notes due 2025 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 14, 2014).
4.6	Officers' Certificate, dated August 14, 2014, providing for a further issuance of the 4.300% Senior Notes due 2042 (incorporated by reference to Exhibit 4.3 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 14, 2014).

Exhibit Number	Exhibit Description
4.7	Officers' Certificate, dated August 13, 2015, establishing the 4.300% Senior Notes due 2045 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 13, 2015).
4.8	Officers' Certificate, dated August 13, 2015, providing for a further issuance of the 3.400% Senior Notes due 2025 (incorporated by reference to Exhibit 4.3 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 13, 2015).
4.9	Officers' Certificate, dated November 17, 2016, establishing the 3.000% Senior Notes due 2026 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed November 17, 2016).
4.10	Officers' Certificate, dated November 17, 2016, establishing the 4.000% Senior Notes due 2046 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed November 17, 2016).
4.11	Officers' Certificate, dated August 10, 2017, establishing the 2.950% Senior Notes due 2027 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 10, 2017).
4.12	Officers' Certificate, dated August 10, 2017, establishing the 3.750% Senior Notes due 2047 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 10, 2017).
4.13	Officer's Certificate, dated August 9, 2018, establishing the 3.750% Senior Notes due 2028 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 9, 2018).
4.14	Officer's Certificate, dated August 9, 2018, establishing the 4.200% Senior Notes due 2048 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 9, 2018).
4.15	Officers' Certificate, dated May 13, 2019, establishing the 3.450% Senior Notes due 2029 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed on May 13, 2019).
4.16	Officers' Certificate, dated May 13, 2019, establishing 4.150% Senior Notes due 2049 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed on May 13, 2019).
4.17	Officers' Certificate of American Water Capital Corp., dated April 14, 2020, establishing the terms and authorizing the issuance of the 2.800% Senior Notes due 2030 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed April 14, 2020).
4.18	Officers' Certificate of American Water Capital Corp., dated April 14, 2020, establishing the terms and authorizing the issuance of the 3.450% Senior Notes due 2050 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed April 14, 2020).
4.19	Officers' Certificate of American Water Capital Corp., dated May 14, 2021, establishing the terms and authorizing the issuance of the 2.300% Senior Notes due 2031 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed on May 14, 2021).

Exhibit Number	Exhibit Description
4.20	Officers' Certificate of American Water Capital Corp., dated May 14, 2021, establishing the terms and authorizing the issuance of the 3.250% Senior Notes due 2051 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed on May 14, 2021).
4.21	Officers' Certificate of American Water Capital Corp., dated May 5, 2022, establishing the terms and authorizing the issuance of the 4.450% Senior Notes due 2032 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed on May 5, 2022).
4.22	Description of American Water Works Company, Inc.'s Equity Securities (filed herewith).
4.23	Note Purchase Agreement, dated May 15, 2008, between American Water Capital Corp. and the purchasers party thereto (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed May 19, 2008) with respect to the 6.55% Series H Senior Notes due May 15, 2023.
10.1#	Third Amended and Restated Credit Agreement, dated as of October 26, 2022, by and among American Water Works Company, Inc., American Water Capital Corp., each of the Lenders party thereto, Wells Fargo Bank, National Association, as administrative agent, JPMorgan Chase Bank, N.A., as syndication agent, and Mizuho Bank, Ltd., PNC Bank, National Association, and U.S. Bank National Association, as co-documentation agents (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed on October 31, 2022).
10.2	Support Agreement, dated June 22, 2000, together with First Amendment to Support Agreement, dated July 26, 2000, by and between American Water Works Company, Inc. and American Water Capital Corp. (incorporated by reference to Exhibit 10.3 to American Water Capital Corp.'s Registration Statement on Form S-1, File No. 333-145757-01, and American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-145757, filed October 11, 2007).
10.3*	Offer Letter for Employment, dated as of February 2, 2022, between American Water Works Company, Inc. and M. Susan Hardwick (incorporated by reference to Exhibit 10.3 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 16, 2022).
10.4*	Offer Letter for Employment, dated February 16, 2021, between American Water Works Company, Inc. and Cheryl Norton (incorporated by reference to Exhibit 10.13 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2021).
10.5*	Offer Letter for Employment, dated January 21, 2022, between American Water Works Company, Inc. and James H. Gallegos (incorporated by reference to Exhibit 10.11 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed April 27, 2022).
10.6*	Offer Letter for Employment, dated April 27, 2022, between American Water Works Company, Inc. and John C. Griffith (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed July 27, 2022).
10.7*	Amended and Restated American Water Works Company, Inc. Deferred Compensation Plan, dated as of January 1, 2001 (incorporated by reference to Exhibit 10.9 to American Water Capital Corp.'s Registration Statement on Form S-1, File No. 333-145757-01, and American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-145757, filed October 11, 2007).

Exhibit Number	Exhibit Description
10.8*	Nonqualified Deferred Compensation Plan for Non-Employee Directors of American Water Works Company, Inc., as amended and restated, effective as of January 1, 2009 (incorporated by reference to Exhibit 10.38 to American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-155245, filed November 18, 2008).
10.8.1*	Nonqualified Savings and Deferred Compensation Plan for Employees of American Water Works Company, Inc. and Its Designated Subsidiaries, as amended and restated, effective as of June 1, 2018 (incorporated by reference to Exhibit 10.9.3 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 19, 2019).
10.8.2*	Amendment No. 2019-1 to the Nonqualified Savings and Deferred Compensation Plan for Employees of American Water Works Company, Inc. and its Designated Subsidiaries, as amended and restated, effective as of November 1, 2019 (incorporated by reference to Exhibit 4.1.2 to American Water Works Company, Inc.'s Registration Statement on Form S-8, File No. 333-235598, filed December 19, 2019).
10.9*	Amended and Restated American Water Works Company, Inc. Executive Retirement Plan, dated as of March 1, 2007 (incorporated by reference to Exhibit 10.8 to American Water Capital Corp.'s Registration Statement on Form S-1, File No. 333-145757-01, and American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-145757, filed October 11, 2007).
10.10.1*	American Water Works Company, Inc. Annual Incentive Plan (incorporated by reference to Appendix C to American Water Works Company, Inc.'s Definitive Proxy Statement, File No. 001-34028, filed March 27, 2015).
10.10.2*	Amendment 2016-1 to American Water Works Company, Inc. Annual Incentive Plan (now known as the Annual Performance Plan), effective January 1, 2016 (incorporated by reference to Exhibit 10.14.2 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 25, 2016).
10.11*	Second Amended and Restated American Water Works Company, Inc. and its Designated Subsidiaries 2017 Nonqualified Employee Stock Purchase Plan, adopted on July 27, 2018, effective as of February 5, 2019 (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed October 31, 2018).
10.12.1*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan, as amended (incorporated by reference to Appendix B to American Water Works Company, Inc.'s Definitive Proxy Statement, File No. 001-34028, filed March 27, 2015).
10.12.2*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2016 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.2.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 4, 2016).
10.12.3*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2017 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.1.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2017).
10.12.4*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2016 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.3.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 4, 2016).

Exhibit Number	Exhibit Description
10.12.5*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2016 Performance Stock Unit Grant Form B-1 (incorporated by reference to Exhibit 10.3.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 4, 2016).
10.12.6*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2017 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.2.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2017).
10.12.7*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2017 Performance Stock Unit Grant Form B-1 (incorporated by reference to Exhibit 10.2.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2017).
10.12.8*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2013 Stock Unit Grant Form for Non-Employee Directors (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 7, 2013).
10.12.9*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2014 Stock Unit Grant Form for Non-Employee Directors (incorporated by reference to Exhibit 10.5 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 6, 2014).
10.12.10*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2016 Stock Unit Grant Form for Non-Employee Directors (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 3, 2016).
10.13.1*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 2, 2017).
10.13.2*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2018 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 2, 2018).
10.13.3*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2019 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 1, 2019).
10.13.4*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Restricted Stock Unit Grant.(incorporated by reference to Exhibit 10.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 6, 2020).
10.13.5*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2021).
10.13.6*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Restricted Stock Unit Grant (for Chief Executive Officer and Chief Operating Officer) (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2021).

Exhibit Number	Exhibit Description
10.13.7*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Restricted Stock Unit Grant (for M. Susan Hardwick) (incorporated by reference to Exhibit 10.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2021).
10.13.8*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2022 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed April 27, 2022).
10.13.9*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2022 Restricted Stock Unit Grant (for CEO, CFO and COO) (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed April 27, 2022).
10.13.10*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2017 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.5 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed May 12, 2017).
10.13.11*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2017 Performance Stock Unit Grant Form B-1 (incorporated by reference to Exhibit 10.7 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed May 12, 2017).
10.13.12*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2018 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.7 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 2, 2018).
10.13.13*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2018 Performance Stock Unit Grant Form B-1 (incorporated by reference to Exhibit 10.8 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 2, 2018).
10.13.14*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2019 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.6 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 1, 2019).
10.13.15*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2019 Performance Stock Unit Grant Form B-1 (corrected) (incorporated by reference to Exhibit 10.14.33 to American Water Works Company, Inc.'s Quarterly Report on Form 10-K, File No. 001-34028, filed February 18, 2020).
10.13.16*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.8 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 6, 2020).
10.13.17*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Performance Stock Unit Grant Form A-2 (incorporated by reference to Exhibit 10.9 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 6, 2020).

Exhibit Number	Exhibit Description
10.13.18*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Performance Stock Unit Grant Form B-1 (incorporated by reference to Exhibit 10.13 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 6, 2020).
10.13.19*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Performance Stock Unit Grant Form B-2 (incorporated by reference to Exhibit 10.14 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 6, 2020).
10.13.20*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.5 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2021).
10.13.21*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Performance Stock Unit Grant Form A-2 (for CEO and COO) (incorporated by reference to Exhibit 10.6 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2021).
10.13.22*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Performance Stock Unit Grant Form A-3 (for M. Susan Hardwick) (incorporated by reference to Exhibit 10.7 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2021).
10.13.23*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Performance Stock Unit Grant Form B-1 (as amended) (filed herewith).
10.13.24*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Performance Stock Unit Grant Form B-2 (as amended, for CEO and COO) (filed herewith).
10.13.25*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Performance Stock Unit Grant Form B-3 (as amended, for M. Susan Hardwick) (filed herewith).
10.13.26*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2022 Performance Stock Unit Grant Form A (incorporated by reference to Exhibit 10.4 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed April 27, 2022).
10.13.27*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2022 Performance Stock Unit Grant Form A (for CEO, CFO and COO) (incorporated by reference to Exhibit 10.5 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed April 27, 2022).
10.13.28*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2022 Performance Stock Unit Grant Form B (incorporated by reference to Exhibit 10.7 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed April 27, 2022).
10.13.29*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2022 Performance Stock Unit Grant Form B (for CEO, CFO and COO) (incorporated by reference to Exhibit 10.8 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed April 27, 2022).

Exhibit Number	Exhibit Description
10.13.30*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2017 Non-Employee Director Stock Unit Grant (incorporated by reference to Exhibit 10.9 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed May 12, 2017).
10.13.31*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2022 Stock Unit Grant Form for Non-Employee Directors (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed July 27, 2022).
10.13.32*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2022 Stock Unit Grant Form for Non-Employee Directors elected on December 7, 2022 (filed herewith).
10.14*	American Water Works Company, Inc. Executive Severance Policy, as amended and restated as of July 27, 2021 (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 2, 2021).
10.15*	American Water Works Company, Inc. Change of Control Severance Policy, dated as of July 27, 2021 (incorporated by reference to Exhibit 10.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 2, 2021).
10.16#*	American Water Works Company, Inc. Pension Plan for Employees, as amended and restated effective December 31, 2022 (filed herewith).
10.17#	Secured Seller Note Agreement, dated December 9, 2021, by and among Lakehouse Bidco Inc., Lakehouse Buyer Inc., American Water Resources, LLC, Pivotal Home Solutions, LLC, American Water Resources Holdings, LLC, American Water Resources of Texas, LLC and American Water Enterprises, LLC (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed December 9, 2021).
10.18	Revenue Share Agreement, dated December 9, 2021, by and among American Water Works Company, Inc., American Water Resources, LLC, Pivotal Home Solutions, LLC and American Water Resources Holdings, LLC (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed December 9, 2021).
21.1	Subsidiaries of American Water Works Company, Inc. (filed herewith).
22.1	Guaranteed Securities (filed herewith).
23.1	Consent of PricewaterhouseCoopers LLP (filed herewith).
31.1	Certification of M. Susan Hardwick, President and Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act (filed herewith).
31.2	Certification of John C. Griffith, Executive Vice President and Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act (filed herewith).
32.1	Certification of M. Susan Hardwick, President and Chief Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act (furnished herewith).
32.2	Certification of John C. Griffith, Executive Vice President and Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act (furnished herewith).
101.INS	XBRL Instance Document—the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.

Exhibit Number	Exhibit Description
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101)

Certain schedules and exhibits to this agreement have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The Company will furnish the omitted schedules and exhibits to the SEC upon request.

* Denotes a management contract or compensatory plan or arrangement.

Instruments defining the rights of holders of certain issues of long-term debt of the Company and certain of its consolidated subsidiaries have not been filed as exhibits to this report because the authorized principal amount of any one of such issues does not exceed 10% of the Company's consolidated total assets. The Company agrees to furnish a copy of each such instrument to the SEC upon request.

The Stock Purchase Agreement filed as Exhibit 2.1.1, the Membership Interest Purchase Agreement filed as Exhibit 2.2, and the Secured Seller Note Agreement filed as Exhibit 10.17 to this Annual Report on Form 10-K have been included to provide investors and security holders with information regarding the terms of the respective agreements. The filing of these agreements is not intended to provide any other factual information about the parties thereto, or any of their respective subsidiaries or affiliates. The representations, warranties and covenants contained in the respective agreements (i) were made by the parties thereto only for purposes of that respective agreement and as of specific dates; (ii) were made solely for the benefit of the parties to the respective agreement; (iii) may be subject to limitations agreed upon by the contracting parties, including being qualified by confidential disclosures exchanged between the parties in connection with the execution of the respective agreement (such disclosures include information that has been included in public disclosures, as well as additional non-public information); (iv) may have been made for the purposes of allocating contractual risk between the parties to the respective agreements instead of establishing these matters as facts; and (v) may be subject to standards of materiality applicable to the contracting parties to the respective agreements that differ from those applicable to investors.

Investors should not rely on the representations, warranties and covenants or any descriptions thereof as characterizations of the actual state of facts or condition of the parties to the respective agreements thereto, or any of their respective subsidiaries or affiliates. Additionally, the representations, warranties, covenants, conditions and other terms of the respective agreements may be subject to subsequent waiver or modification. Moreover, information concerning the subject matter of the representations, warranties and covenants may change after the date of the respective agreement, which subsequent information may or may not be fully reflected in the Company's public disclosures. The respective agreements should not be read alone, but should instead be read in conjunction with the other information regarding the Company that is or will be contained in, or incorporated by reference into, the reports and other documents that are filed by the Company with the SEC.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 15th day of February, 2023.

AMERICAN WATER WORKS COMPANY, INC.

BY: /s/ M. SUSAN HARDWICK

M. Susan Hardwick
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed on the 15th day of February, 2023, by the following persons in the capacities indicated.

 /s/ M. SUSAN HARDWICK
M. Susan Hardwick
President and Chief Executive Officer
(Principal Executive Officer and Director)

 /s/ JEFFREY N. EDWARDS
Jeffrey N. Edwards
(Director)

 /s/ JOHN C. GRIFFITH
John C. Griffith
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

 /s/ MARTHA CLARK GOSS
Martha Clark Goss
(Director)

 /s/ MELISSA K. WIKLE
Melissa K. Wikle
Chief Accounting Officer
(Principal Accounting Officer)

 /s/ KIMBERLY J. HARRIS
Kimberly J. Harris
(Director)

 /s/ LAURIE P. HAVANEC
Laurie P. Havanec
(Director)

 /s/ PATRICIA L. KAMPLING
Patricia L. Kampling
(Director)

 /s/ JULIA L. JOHNSON
Julia L. Johnson
(Director)

 /s/ KARL F. KURZ
Karl F. Kurz
(Board Chair)

 /s/ GEORGE MACKENZIE
George MacKenzie
(Director)

 /s/ MICHAEL L. MARBERRY
Michael L. Marberry
(Director)

 /s/ JAMES G. STAVRIDIS
James G. Stavridis
(Director)

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (Nos. 333-263068 and 333-253484) and Form S-8 (Nos. 333-235598, 333-219682, 333-217975, 333-168543 and 333-150381) of American Water Works Company, Inc. of our report dated February 15, 2023 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
February 15, 2023

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, M. Susan Hardwick certify that:

1. I have reviewed this annual report on Form 10-K of American Water Works Company, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 15, 2023

By: /s/ M. SUSAN HARDWICK

M. Susan Hardwick
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, John C. Griffith, certify that:

1. I have reviewed this annual report on Form 10-K of American Water Works Company, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 15, 2023

By: /s/ JOHN C. GRIFFITH

John C. Griffith
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

AMERICAN WATER WORKS COMPANY, INC.

CERTIFICATION PURSUANT TO
RULE 13a-14(b) UNDER THE SECURITIES EXCHANGE ACT OF 1934 AND
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, M. Susan Hardwick, President and Chief Executive Officer of American Water Works Company, Inc. (the "Company"), hereby certify that, based on my knowledge:

(1) The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

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

By: /s/ M. SUSAN HARDWICK

M. Susan Hardwick
President and Chief Executive Officer
(Principal Executive Officer)
February 15, 2023

Exhibit 32.2

AMERICAN WATER WORKS COMPANY, INC.

CERTIFICATION PURSUANT TO
RULE 13a-14(b) UNDER THE SECURITIES EXCHANGE ACT OF 1934 AND
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, John C. Griffith, Executive Vice President and Chief Financial Officer of American Water Works Company, Inc. (the "Company"), hereby certify that, based on my knowledge:

(1) The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

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

By: /s/ JOHN C. GRIFFITH

John C. Griffith
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)
February 15, 2023

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amwater.com ▪ ir.amwater.com

1 Water Street
Camden, NJ 08102-1658

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WE KEEP LIFE FLOWING®

Annual Report 2021



To Our Shareholders,

Looking forward from 2021, I could not be more excited about the future of American Water. In this report, you will read about the many positive opportunities that lie ahead for the company, built upon the continued execution of strategy and driven by a common sense of purpose.

The Board of Directors congratulates American Water's employees for achieving great results in 2021, and we have full confidence in their future performance.

For the five years ended December 31, 2021, our total shareholder return (TSR) was 185.2 percent, exceeding both the Philadelphia Utility Sector Index (PHLX) of 79.9 percent and the Standard & Poor's (S&P) 500 Index of 133.3 percent. Also, the company has once again attained its long-term diluted earnings per share (EPS) compound annual growth rate target.

Consistent with these excellent results and our expectations for strong future earnings and customer growth, the Board again increased the dividend in 2021, the 13th year in a row of increases. Our per share dividend has grown at a compound annual rate of approximately 10 percent over the last five years.

185.2%
RETURN

**5-YEAR TOTAL
SHAREHOLDER
RETURN**

Again, these results are an outcome of sound execution by American Water employees of our business strategy. By focusing on customers, communities, and growing where the company creates the most value, American Water has established a pathway to sustainable and profitable operations.

The American Water Board of Directors would like to thank our shareholders for their continued trust and support. I look forward to your attendance at our virtual Annual Meeting of Shareholders at 10 a.m., Eastern Time on Wednesday, May 11, 2022.

Sincerely,

KARL F. KURZ

Chairman of the Board



Dear Fellow Shareholders,

American Water is pleased to share this report, highlighting our accomplishments of 2021, and detailing how we will build upon those achievements for 2022 and beyond.

American Water's strategic focus centers on efficient performance, operating with impact, and maximizing value for all stakeholders. The sale of the Homeowner Services Group last December allows us to build on our commitment to provide reliable and resilient water and wastewater infrastructure, continue to put our customers first, and deliver water and wastewater solutions to many communities. We believe our transition to a nearly 100 percent regulated and regulated-like business at the end of 2021 will best serve all of our stakeholders going forward.

We believe that the best way to deliver value to our stakeholders is by executing our increased capital investment plan that drives modernization, improves efficiency, and increases reliability and resiliency. Our increased capital plan includes an additional \$6 billion over the next ten years, reflecting the continued needs in our existing systems as well as the investments needed in the systems we acquire.

We also announced multiple acquisitions in 2021, including our largest acquisition in York, Pennsylvania. We expect to close this acquisition in the second quarter of 2022 and are excited to welcome 45,000 customer

connections, including bulk contract customers. We also look forward to adding another 30,000+ customer connections through approximately 30 signed agreements across several states. Our proven success in providing meaningful water and wastewater solutions is why we are confident that we can meet our regulated acquisition EPS compounded annual growth target.

We are also keenly focused on customer affordability. Ours is a disciplined approach, driving operating and capital efficiencies, seeking constructive regulatory and legislative policies, and leveraging a large, growing customer base. It comes down to effectively deploying technology, taking advantage of our size and scale through the supply chain, and driving our cost management through a culture of continuous improvement – all areas where we've been successful.

None of this would be possible without our employees. Simply put, it is a privilege to work with such deeply committed, experienced and skilled employees every day. We are a community of passionate employees that care about our customers, our communities and each other. Our employees share a common purpose to keep life flowing for millions of customers across the U.S.

This common purpose is why Environmental, Social and Governance (ESG) principles are core to our business and



integral to our success. It's who we are, what we do, and how we do it. Living by ESG principles is our commitment to operate responsibly. It means that with every water and wastewater system we acquire, we have an opportunity to make a sustainable positive impact on the community, reflect the communities we serve with diverse and skilled employees, and maintain the governance and diligence that allows us to exceed service expectations for decades to come.

Our company remains one of the fastest growing utilities in the entire sector. The combination of our EPS growth, our strong dividend, and an ESG commitment has secured our place as a top performer in the utility sector for many years now. We have delivered an exceptional total return to our shareholders over the past five years, and we expect that to continue for many years to come.

This is a business that is fundamentally very strong and continues to deliver excellent outcomes for all our stakeholders. On behalf of American Water and our 6,400 employees, I want to thank you for your continued support. We are excited about our future and are thankful that you have joined us on this journey.

Sincerely,

A handwritten signature in black ink, appearing to read "M. Susan Hardwick". The signature is written in a cursive, flowing style.

M. SUSAN HARDWICK

President, Chief Executive Officer
and Chief Financial Officer



STRENGTHENING OUR STORY

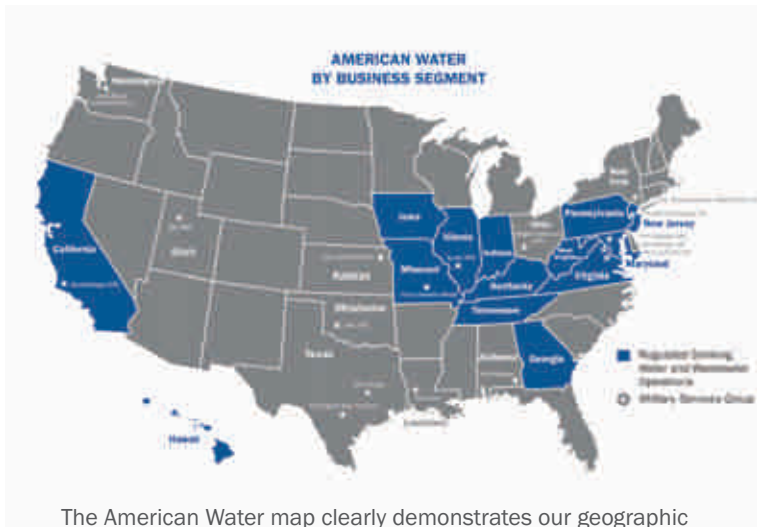


An Enhanced Business Profile

We know that we create value when we focus our resources and efforts where we have scale, can drive efficiencies, and invest in reliable and resilient infrastructure, while enhancing our customer's experience and keeping customer bills affordable.

The sale of the Homeowner Services Group (HOS) has allowed us to focus on the current and future growth of the regulated business. We have monetized the value of that business through the sale and will be using the proceeds to accelerate our regulated investment strategy through increased capital investment in our water and wastewater systems and through acquisitions of regulated water and wastewater systems.

Additionally, we know that the quality of earnings matter to those who invest in us. By reducing the risk of more volatile earnings in exchange for steady regulated and regulated-like earnings, the American Water value proposition is even stronger.



The American Water map clearly demonstrates our geographic diversity and how our scale and size are a key competitive advantage. We provide drinking water and wastewater services to an estimated 14 million people in 24 states, including on the 17 military installations we serve through our Military Services Group. There is no other water and wastewater service provider in the U.S. with our scale and capability.

Solid Financial Metrics

The execution on our capital investment plan and the move to a nearly 100 percent regulated and regulated-like business is reflected in our current credit ratings. Both Standard and Poor's (S&P) and Moody's affirmed our credit ratings based on our solid financial metrics and we're proud that our A credit rating at S&P is one of only two in the entire utility industry. Our strong credit profile is something we value and will continue to work to maintain for the benefit of our customers.

Decades of Growth

Shareholders are familiar with our growth triangle. It is a visual we have used for many years to convey simply how we intend to grow our business for the long-term.



We're confident that we can deliver on the components of this triangle. By advancing our capital plan, we are making critical investments in our systems, hardening our assets against extreme weather events and deploying technology that will help us work smarter and more efficiently.

While it will take time to execute our increased capital plan and earn the resulting return on those investments, our teams have the expertise and experience to deliver on this core strategy.

We'll balance our investment through a disciplined regulatory strategy and strategic cost management to support customer affordability.

And our teams will continue to provide water and wastewater solutions across the U.S. Through our regulated acquisition growth strategy, we are well-positioned to lead significant environmental and social change in the communities we serve or will serve in the future. In fact, as you will read further in this report, our entire growth triangle has impactful ESG-related initiatives integrated within each area.



The golden West Virginia State Capital Dome on the Kanawha River in Charleston, WV

HELPING COMMUNITIES

"With Pennsylvania American Water as a long-term partner, we will be able to pay off the city's long-standing debts, keep taxes and rates stable for residents and businesses and invest in our future."

- Mayor Michael Helfrich, City of York, PA

"We examined a lot of options and Missouri American Water was the best partner for our city. Our citizens overwhelmingly voted for this two years ago and we're glad to finally see it come to fruition."

- Mayor Logan Carter, Hallsville, MO

"I am grateful to the voters for recognizing that selling the system to New Jersey American Water is the best solution for our town. The sale proceeds will enable us to pay down the Borough's municipal debt and stabilize, or even potentially reduce, property taxes for our residents. Additionally, New Jersey American Water will be adding the sewer charges onto the existing water bills, which removes the significant burden of customer billing from the Borough's finance department."

- Mayor Bob Fazen, Bound Brook Borough, NJ

"Ransom was forward-thinking in building a water system 121 years ago. All these years later, we showed that same forward thinking by turning over the water system to the professionals."

- Mayor Matt Hauser, Village of Ransom, IL

Communities Are Better Because We're There

American Water's regulated acquisition pipeline stands at 1.3 million customer connections, with every future addition to our footprint offering tremendous opportunities to make a positive impact environmentally and socially in communities across the U.S. For us, delivering a reliable supply of safe, clean and affordable water service to our customers and treating their wastewater is fundamental to our business. We are proud of our legacy of strengthening communities by improving water quality and system compliance, which aligns with the purpose of our company and our people.

Providing Solutions

As a national water and wastewater utility company with a local presence, we believe that helping our communities thrive and providing meaningful and impactful support is a business imperative. We want our community contributions to be impactful, demonstrate who we are and what we stand for and support our successful business relationships with those we serve.

Scranton, PA – Restoring Water Resources

In December 2016, Pennsylvania American Water acquired the wastewater system assets of the Scranton Sewer Authority. This system provides wastewater service to approximately 31,000 customers connections in Scranton and Dunmore.

Prior to the acquisition of this system by Pennsylvania American Water, it was estimated that nearly 700 million gallons of combined sewer overflow discharged annually into the Lackawanna River. Pennsylvania American Water was already the water service provider for these communities and brought both the technical expertise and financial resources to meet the system's unique challenges. The goal was to provide a long-term wastewater solution and maintain reasonable rates for customers. Since Pennsylvania American Water purchased the system, improvements and investment of capital have reduced overflow volume by 70 percent and helped to restore the health of the local waterways. The journey does not end as Pennsylvania American Water continues to work collaboratively with the Pennsylvania Department of Environmental Protection on additional capital investments to further reduce the overflow volume and protect the local environment.

Kincaid, WV – Making Communities Stronger

The Page-Kincaid Public Service District served water to approximately 650 customers in Fayette County, West Virginia. Like many other small water providers, the district struggled to maintain

adequate service. Water quality tests showed high levels of manganese, iron and aluminum. Residents reported brown and red water and expressed their desire for a sale of the system to West Virginia American Water, which acquired the system in November 2021. Since then, West Virginia American Water has invested more than \$7 million in the distribution system. The company was able to provide and apply decades of expertise and experience to reduce leakage, improve water quality, and provide more reliable service. And importantly for Page and Kincaid residents, they have tap water they can trust.

Picatinny Arsenal, NJ – Serving those Who Serve

When American Water's Military Services Group detected higher levels of perfluorooctanoic acid, commonly known as PFOA, at a military installation in New Jersey, the team quickly went to work. American Water made recommendations to the facility to effectively remove the contaminants and was awarded a contract to install a temporary Granular Activated Carbon (GAC) system within 90 days. The American Water-led team kept the project ahead of schedule, completing the design, permitting, implementation, construction and treatment in just 38 days. Sample results were returned and showed PFOA levels were not detectable across the system. Serving our military is an honor for American Water and bringing peace of mind to the families that live on those bases is an even greater privilege.

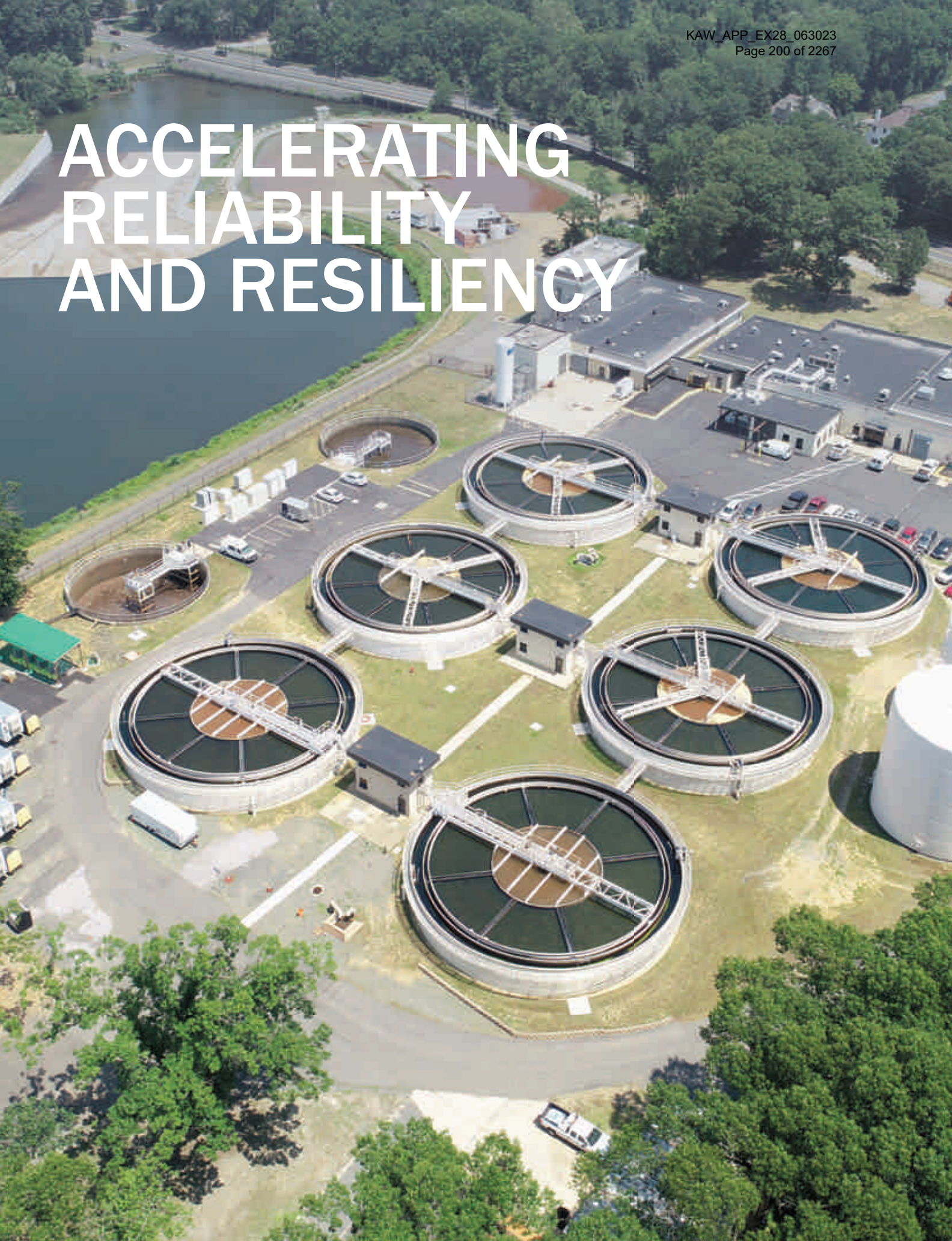
Built to Offer Solutions for the Long Term – Our Competitive Advantages

As the largest regulated water and wastewater provider in the United States, American Water is positioned to provide solutions for communities for years to come. We target acquisitions in the range of 5,000 to 50,000 customer connections and evaluate other strategic opportunities outside of our current footprint. In states where we have critical mass, we can better drive customer affordability through cost efficiencies and a robust supply chain strategy.

Another advantage is our ability to acquire wastewater systems within, or near, our water footprint. Our water operations make up approximately 93 percent of our business, while wastewater is only 7 percent. Expansion of our wastewater footprint presents a logical acquisition opportunity because we have the operational infrastructure, equipment, expertise, personnel, and relationships with communities where we already provide water service.

Equally important to our strategy is our ability to operate in constructive regulatory environments with a supportive business climate. We're proud to have worked with many stakeholders on constructive regulatory and legislative outcomes, ultimately benefiting the communities we serve. This foundation gives communities more options to solve water and wastewater challenges and American Water more opportunities to help those communities through acquisitions.

ACCELERATING RELIABILITY AND RESILIENCY





Investing in Our Systems

American Water plans to invest approximately \$28 to \$32 billion over the next 10 years in our regulated business. In addition to increasing reliability and water quality, there are meaningful benefits that come with that level of investment. These capital investments not only significantly contribute to the local and regional economies, but they also improve the environmental footprint of the systems we own, making these communities better because we're there. This is yet another way the values of ESG are integrated into our everyday work.

Building Stronger Systems

The national need for significant investment in water and wastewater infrastructure is widely recognized. Compared to the plan in place a year ago, American Water's updated 2022-2031 capital plan includes an increase of nearly \$6 billion over the next 10 years, reflecting the continued need in our existing systems, as well as the additional investment needed in the systems we will acquire.

Part of that increased investment centers on capital spend related to resiliency of system assets and we expect these investments to represent approximately 10 to 12 percent of our 10-year capital plan, up from 10 percent in last year's plan. These dollars will help reduce and eliminate leaks, improve cyber and physical security and mitigate the impacts of climate variability. This is in addition to replacing aging infrastructure, addressing contaminants of emerging concern, supporting ongoing efforts to replace lead and copper service lines and complying with increasingly complex water quality regulations.

Over the past few years, we have seen the devastation that extreme weather causes for many water systems. We witnessed the value of our resiliency investments when our recently reinforced flood wall protected our Raritan-Millstone water treatment plant enabling us to continue to provide service to more than one million people in central New Jersey during Tropical Depression Ida.

These investments also provide solutions to long-term water challenges. Maryland American Water was recently recognized by the U.S. Environmental Protection Agency (EPA) 2021 Drinking Water State Revolving Fund's (DWSRF) AQUARIUS program. Maryland American Water was chosen under the category of "Excellence in Problem Solving" for demonstrating an exceptional focus on sustainability and protection of public health.



Raritan-Millstone Water Treatment Plant flood wall holds up as planned during Tropical Depression Ida, helping ensure the plant continued to provide reliable service to over 1 million customers during and after the storm.

In response to a more than 20-year challenge to have an adequate water supply for the Town of Bel Air, Maryland, American Water built a reservoir that can store approximately 90 million gallons of water. This solution now serves as a reliable backup supply for the community and will sustain the water needs of the town for years to come. Jennifer McLain, Director of the EPA's Office of Ground Water and Drinking Water, said, "By enhancing both the reliability and sustainability of their system, Maryland American Water demonstrates the potential benefits of using water infrastructure funds to address multiple public health and environmental problems for the betterment of the community."



A West Virginia American Water employee monitoring operations at a treatment plant.

CARING FOR OUR CUSTOMERS





A Better Customer Experience

Customers continue to be at the center of everything we do. Core to this approach is our focus on customer affordability and assistance. American Water takes a holistic approach – from cost management to customer education on ways to reduce their bill to payment and assistance programs. We know all these efforts matter to our customers.

Our emphasis on cost and capital efficiencies, as well as regulatory mechanisms that reduce the need for larger general rate filings, have continued to deliver affordable customer water bills as a percentage of household income. Our customers' water bills are currently, on average, in the range of \$45 to \$65 per month.

This is an ongoing journey for us. As we continue to make needed investments, we continuously look at ways to improve our operating efficiencies, leverage technology and enhance our supply chain strategies to limit customer bill increases.

We also are very focused on providing our customers with payment assistance. Beyond our state payment assistance programs, our company is now implementing programs funded by the 2021 American Rescue Plan. In Pennsylvania alone, we have distributed nearly \$1 million to customers in need in less than two months since the establishment of the program.

Commitment to Customer Service

Our employees are also passionate about our customers. Recently, New Jersey American Water and Illinois American Water were recognized for being ranked #1 within the J.D. Power 2021 Water Utility Residential Customer Satisfaction Study. This recognition demonstrates our employees' commitment to delivering exceptional customer service. Other American Water subsidiaries that have been recently recognized by J.D. Power include California and Missouri.

Part of improving customer satisfaction are the investments we make in new technologies to enhance our customer experience. One example is MyWater.

MyWater is our online customer portal where users can find water usage information, pay their bill, turn service on or off, apply for customer assistance programs, and stay informed about water-related emergencies. Its purpose is to make it easier for customers to do business with us.

Through MyWater, users can also manage billing preferences by signing up for paperless billing and automatic payments. This too is an ESG story. Early in 2021, West Virginia American Water announced it would plant one tree for each customer who made the switch to paperless billing throughout the year. West Virginia American Water's goal was to convert 11 percent of its customers, or 3,122 accounts, to paperless billing. At the end of 2021, 3,239 customers in West Virginia converted to paperless billing, and a similar number of new trees were planted as a result. West Virginia American Water exceeded its paperless billing conversion goal, and we are looking to replicate this program across the American Water footprint.



CHAMPIONING INCLUSIVE, HIGH-PERFORMING TEAMS



Developing Our People

Our 6,400 employees are our most valuable asset. Our company has an intentional, long-term commitment to build and hire talent, inspire and reward high performance, create long-term development paths and build a strong, diverse team.

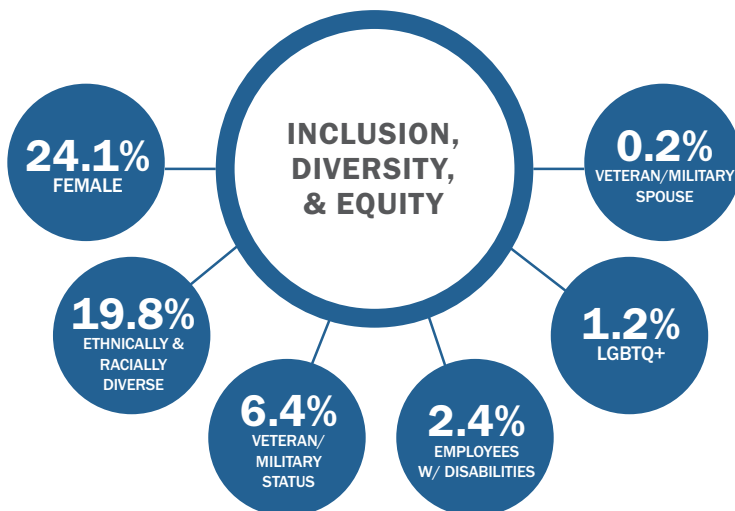
We provide a wide range of development opportunities to enable employees to reach their fullest potential and conduct work safely and effectively. We require a minimum of 25 training hours per employee, including our union-represented employees. We provide support during work hours on a variety of topics throughout the year, such as leadership and professional development and required annual inclusion, diversity and equity (ID&E) training. Importantly, we work closely with labor unions to learn how we can collaborate and improve our training effectiveness, especially around safety. Through year end 2021, the company delivered over 120,000 hours of annual employee safety training and further reduced its OSHA recordable injury rate to 0.97, the lowest in American Water's recorded history.

We also frequently evaluate, update and offer new and relevant training, as well as work with employees on individualized development plans to address their personal needs and goals. Through employee business resource groups (EBRGs) and frequent opportunities for inclusive conversation, we provide opportunities to build new skills, gain business exposure and make new and stronger connections.

Inclusion, Diversity and Equity

We are steadfast in our commitment to ID&E and have worked hard to embed these principles into the fabric of our culture. Last year, American Water published its first-ever Inclusion & Diversity Report. The report details just how far our company has come in recognizing that all backgrounds, ethnicities and experiences make our company better. With more than 100 data points related to our culture of inclusion, the report also demonstrates we still have work to do.

We have challenged ourselves in many areas including, but not limited to, goals to increase representation of women and ethnic and racial



Company-wide ID&E metrics are based on voluntary self-identification and our employee headcount as of January 1, 2022.

diversity in the workplace and targets on diverse business spend. We have also provided and supported consistent training to our employees on embracing diversity, promoting a harassment-free workplace, recognizing unconscious bias and encouraging allyship. Our ID&E priorities are led by our Chief Inclusion Officer, two ID&E Senior Managers, ID&E Executive Council and our four EBRGs:

- **Together We Stand** - Promotes a diverse and inclusive work environment, for Black/African American employees and their allies, at all levels within the company
- **WE CAN** - The Women's Empowerment Champion and Ally Network fosters an inclusive culture where female employees' personal and professional growth contributes to the success of our company and the communities we serve
- **People with Disabilities** - Advocates to create equity for employees with all types of disabilities (visible and invisible), caregivers and their allies to lead and excel both personally and professionally
- **American Proud** - Creates awareness and fosters candid discussions that proudly support the LGBTQ+ community and their allies

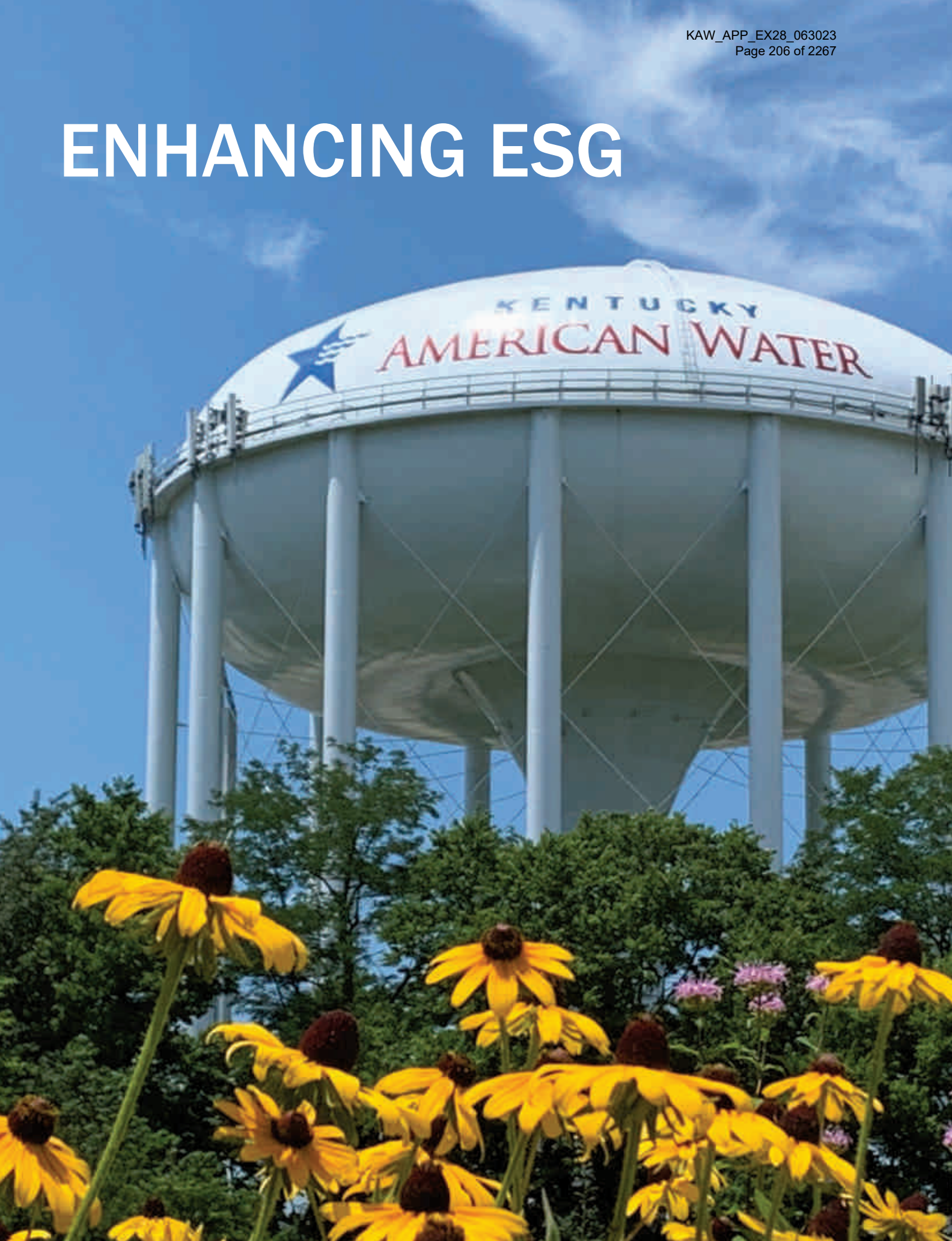
We continue to work hard on our ID&E journey, and have been recognized for the progress we have made, including the following:

- Received from New Jersey Business Magazine and New Jersey Business and Industry Association the 2021 Diversity and Inclusion Award
- Listed for the third consecutive year as a top-scoring company (among approximately 247 businesses) for our inclusive and diverse culture on the Disability Equality Index, a comprehensive disability inclusion assessment tool designed and embraced by both business leaders and disability advocates and listed among its "Best Places to Work for Disability Inclusion"
- Included among 418 companies across 45 countries and regions in the 2022 Bloomberg Gender-Equality Index
- Recognized by the Philadelphia Business Journal for our philanthropic partnership with Hopeworks Camden, a non-profit focusing on technology and related training and development of at-risk youth in Camden, New Jersey, also the location of our corporate headquarters
- Earned the 2022 Gold Employer, Spouse Employer and Supplier Diversity "Military Friendly" designations
- Recognized as Best for Vets employer by Military Times Magazine for four consecutive years
- Recognized as a "Champion of Diversity" by the Forum of Executive Women
- Three American Water executives were recognized by the National Diversity Council
- Awarded a Business Achievement Award from the Environmental Business Journal for our Inclusion & Diversity initiatives



American Water will utilize its new ESG badge to demonstrate the business and operational tie to ESG principles.

ENHANCING ESG



In today's world, customers and other stakeholders expect corporations to provide leadership on ESG principles and be good corporate citizens. For American Water, delivering a reliable supply of safe, clean and affordable drinking water to its customers and treating their wastewater is fundamental to our business. The company pursues its ESG goals because it is the right thing to do and is critical to long-term success. American Water's ESG commitment includes:



Environmental

- Invest \$28 to \$32 billion in capital over the next 10 years to continually maintain the quality and reliability of water and wastewater systems, increasing the resiliency of critical assets as well as increase energy conservation efforts
- Reduce scope 1 and scope 2 greenhouse gas emissions by more than 40 percent by 2025 from a 2007 baseline
- By 2035, meet customer needs while saving 15 percent in water delivered per customer compared to an averaged 2014 and 2015 baseline
- By 2030, increase water system resiliency to respond to more extreme events by increasing Utility Resilience Index weighted average by 10 percent from a 2020 baseline

Social

- In 2021, employees completed over 65,400 hours of training focused on ID&E
- American Water's Chief Inclusion Officer and its EBRGs serve identified employee groups with a goal of creating a more inclusive and diverse workplace, as well as giving the company a better understanding of the diverse communities it serves
- In 2021, American Water contributed \$45 million to the American Water Charitable Foundation to allow for an increase in charitable giving for many years to come
- More than \$941,000 was donated in 2021 by Company employees and the AWCF through workplace giving campaigns including the United Way, Water For People and other volunteering giving campaigns that supported more than 1,500 public charities nationwide

Governance

- The Board of Directors and each of its standing committees are led by an independent, non-executive chairperson
- Based on voluntary self-identification, American Water's 2022 Board of Directors nominees are 55.6 percent racially and gender diverse, and with the inclusion of disability and military veteran status, the Board's overall diversity is 66.7 percent
- 100 percent of American Water employees have completed annual Code of Ethics training
- The company's approach to ethics includes a supplier Code of Conduct, requiring suppliers to operate in accordance with our business ethics and approach to environmental stewardship
- American Water is transparent in disclosing its political contributions policy on the company's website, and annually publishes information related to political contributions and lobbying expenditures

American Water considers ESG principles fundamental to its corporate strategy and values. Integration of these principles into daily operations confirm the belief that "how" a company operates is just as important as "what" a company does.

Success is driven by a single, overriding purpose: to help KEEP LIFE FLOWING for our customers and the communities we serve, every day.

Shareholders

CORPORATE INFORMATION

Independent Registered Public Accounting Firm

PricewaterhouseCoopers LLP
Two Commerce Square
2001 Market Street, Suite 1800
Philadelphia, PA 19103-7042

Stock Transfer Agent

American Stock Transfer & Trust Company, LLC
6201 15th Avenue
Brooklyn, NY 11219
Phone: 1-800-937-5449

BOARD OF DIRECTORS

M. Susan Hardwick

President, Chief Executive Officer and Chief Financial Officer, American Water Works Company, Inc

Karl F. Kurz

Non-Executive Chairman of the Board
Former Chief Operating Officer, Anadarko Petroleum Corporation

Jeffrey N. Edwards

Director
Chief Operating Officer, New Vernon Capital

Martha Clark Goss

Director
Former Chief Operating Officer and Chief Financial Officer, Amwell Holdings/Hopewell Holdings, LLC

Veronica M. Hagen*

Director
Former Chief Executive Officer, Polymer Group, Inc. (now known as AVINTIV Specialty Materials Inc.)

Kimberly J. Harris

Director
Former President and Chief Executive Officer, Puget Energy, Inc. and Puget Sound Energy, Inc.

Julia L. Johnson

Director
President, Net Communications, LLC

Patricia L. Kampling

Director
Former Chairman and Chief Executive Officer, Alliant Energy Corporation

George MacKenzie

Director
Former Vice Chairman and Chief Financial Officer, Hercules Incorporated

Admiral James G. Stavridis

Director
Vice Chair, Global Affairs, The Carlyle Group

*Not standing for re-election in 2022.

Investor Inquiries

Shareholders with questions, or those who wish to obtain a copy of the company's reports filed with the Securities and Exchange Commission without charge, should visit American Water's Investor Relations page at <https://ir.amwater.com>

	12/30/16	12/29/17	12/31/18	12/31/19	12/31/20	12/31/21	TSR
							5 year
American Water Works Company, Inc.	\$ 100.00	\$ 129.02	\$ 130.71	\$ 180.09	\$ 228.50	\$ 285.19	185.2%
PHLX Utility Sector	\$ 100.00	\$ 112.82	\$ 116.79	\$ 148.11	\$ 152.14	\$ 179.90	79.9%
S&P 500	\$ 100.00	\$ 121.82	\$ 116.47	\$ 153.13	\$ 181.29	\$ 233.28	133.3%

Investor Relations

1 Water Street
 Camden, NJ 08102-1658
 Investor Relations Line: 856-566-4005
 Email: ir@amwater.com

Corporate Headquarters

1 Water Street
 Camden, NJ 08102-1658
 Phone: 856-955-4001
<https://amwater.com>

Stock Market

Common stock of American Water Works Company, Inc. is traded on the New York Stock Exchange (NYSE) under the symbol AWK.

Annual Meeting

The 2022 annual meeting of shareholders is scheduled for 10:00 a.m. ET on Wednesday, May 11, 2022, to be held virtually (and not at a physical location). All holders of our outstanding common stock at the close of business on March 17, 2022, are entitled to notice of, and to vote at, the meeting. Notice of the meeting and proxy materials will be distributed to shareholders and accessible to the public on our Investor Relations page at <https://ir.amwater.com>. Management encourages all investors to have their votes counted at the annual meeting.

Executive Certifications

American Water has included as exhibits to its 2021 Annual Report on Form 10-K filed with the Securities and Exchange Commission certifications of the chief executive officer and chief financial officer of the company regarding the company's public disclosures contained therein. The company also provides annually to the NYSE a certificate of the CEO certifying that, among other things, it is not aware of any violation by the company of NYSE corporate listing standards.

Dividends

Dividends paid on the company's common stock in 2021 were:

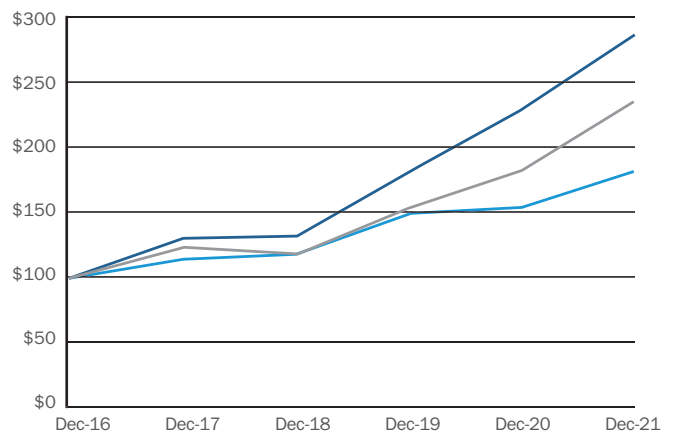
March 2, 2021	\$0.55
June 1, 2021	\$0.6025
September 1, 2021	\$0.6025
December 1, 2021	\$0.6025

Stock Performance Graph

The graph below compares the cumulative total return on American Water's common stock with the cumulative total return of the Standard & Poor's 500 Index and the PHLX Utility Sector Index from December 30, 2016, through December 31, 2021. The comparison assumes \$100 was invested on December 30, 2016, and that dividends were reinvested.

COMPARISON OF 5-YEAR CUMULATIVE TOTAL RETURN*

Among American Water Works Company, Inc., the S&P 500 Index, and the PHLX Utility Sector Index



● American Water Works Company, Inc. ● S&P 500 Index ● PHLX Utility Sector Index

*\$100 invested in each security on 12/30/2016, assumes reinvestment of dividends. Fiscal year ending December 31.

Source of data: Bloomberg.

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2021

OR

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

For the transition period from _____ to _____

Commission file number: 001-34028

AMERICAN WATER WORKS COMPANY, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

51-0063696
(I.R.S. Employer
Identification No.)

1 Water Street, Camden, NJ 08102-1658
(Address of principal executive offices) (Zip Code)

(856) 955-4001

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of each exchange on which registered</u>
Common stock, par value \$0.01 per share	AWK	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter.

Common Stock, \$0.01 par value—\$24,667,400,000 as of June 30, 2021 (solely for purposes of calculating this aggregate market value, American Water has defined its affiliates to include (i) those persons who were, as of June 30, 2021, its executive officers, directors or known beneficial owners of more than 10% of its common stock, and (ii) such other persons who were deemed, as of June 30, 2021, to be controlled by, or under common control with, American Water or any of the persons described in clause (i) above).

Indicate the number of shares outstanding of each of the registrant's classes of common stock as of the latest practicable date: Common Stock, \$0.01 par value per share—181,724,991 shares as of February 10, 2022.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the American Water Works Company, Inc. definitive proxy statement for the 2022 Annual Meeting of Shareholders to be filed with the Securities and Exchange Commission within 120 days after December 31, 2021 are incorporated by reference into Part III of this report.

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FORWARD-LOOKING STATEMENTS

Statements included in Item 1—Business, Item 1A—Risk Factors, and Item 7—Management’s Discussion and Analysis of Financial Condition and Results of Operations, and in other sections of this Annual Report on Form 10-K, or incorporated by reference therein, are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and the Private Securities Litigation Reform Act of 1995. In some cases, these forward-looking statements can be identified by words with prospective meanings such as “intend,” “plan,” “estimate,” “believe,” “anticipate,” “expect,” “predict,” “project,” “propose,” “assume,” “forecast,” “likely,” “uncertain,” “outlook,” “future,” “pending,” “goal,” “objective,” “potential,” “continue,” “seek to,” “may,” “can,” “should,” “will” and “could” or the negative of such terms or other variations or similar expressions. Forward-looking statements may relate to, among other things: the Company’s future financial performance, liquidity and cash flows; the timing and amount of rate and revenue adjustments, including through general rate case filings, filings for infrastructure surcharges and other governmental agency authorizations and proceedings, and filings to address regulatory lag; the Company’s growth and portfolio optimization strategies, including the timing and outcome of pending or future acquisition activity; the ability of the Company’s California subsidiary to obtain adequate alternative water supplies in lieu of diversions from the Carmel River; the amount and allocation of projected capital expenditures and related funding requirements; the Company’s ability to repay or refinance debt; the future impacts of increased or increasing financing costs, inflation and interest rates; the Company’s ability to execute its current and long-term business, operational and capital expenditures strategies; the Company’s ability to finance current operations, capital expenditures and growth initiatives by accessing the debt and equity capital markets; the outcome and impact on the Company of governmental and regulatory proceedings and related potential fines, penalties and other sanctions; the ability to meet or exceed the Company’s stated environmental and sustainability goals, including its greenhouse gas emission reduction, water delivery efficiency and water system resiliency goals; the ability to complete, and the timing and efficacy of, the design, development, implementation and improvement of technology and other strategic initiatives; the impacts to the Company of the ongoing COVID-19 pandemic; the ability to capitalize on existing or future utility privatization opportunities; trends in the water and wastewater industries in which the Company operates, including macro trends with respect to the Company’s efforts related to customer, technology and work execution; regulatory, legislative, tax policy or legal developments; and impacts that future significant tax legislation may have on the Company and on its business, results of operations, cash flows and liquidity.

Forward-looking statements are predictions based on the Company’s current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, financial results, levels of activity, performance or achievements, and readers are cautioned not to place undue reliance upon them. These forward-looking statements are subject to a number of estimates, assumptions, known and unknown risks, uncertainties and other factors. The Company’s actual results may vary materially from those discussed in the forward-looking statements included herein as a result of the factors discussed under Item 1A—Risk Factors, and the following important factors:

- the decisions of governmental and regulatory bodies, including decisions to raise or lower customer rates and regulatory responses to the ongoing COVID-19 pandemic;
- the timeliness and outcome of regulatory commissions’ and other authorities’ actions concerning rates, capital structure, authorized return on equity, capital investment, system acquisitions and dispositions, taxes, permitting, water supply and management, and other decisions;
- changes in customer demand for, and patterns of use of, water, such as may result from conservation efforts, impacts of the COVID-19 pandemic, or otherwise;
- limitations on the availability of the Company’s water supplies or sources of water, or restrictions on its use thereof, resulting from allocation rights, governmental or regulatory requirements and restrictions, drought, overuse or other factors;

- a loss of one or more large industrial or commercial customers due to adverse economic conditions, the COVID-19 pandemic, or other factors;
- changes in laws, governmental regulations and policies, including with respect to environmental, health and safety, data and consumer privacy, security and protection, water quality and water quality accountability, contaminants of emerging concern, public utility and tax regulations and policies, and impacts resulting from U.S., state and local elections and changes in federal, state and local executive administrations;
- the Company's ability to collect, distribute, use, secure and store consumer data in compliance with current or future governmental laws, regulations and policies with respect to data and consumer privacy, security and protection;
- weather conditions and events, climate variability patterns, and natural disasters, including drought or abnormally high rainfall, prolonged and abnormal ice or freezing conditions, strong winds, coastal and intercoastal flooding, pandemics (including COVID-19) and epidemics, earthquakes, landslides, hurricanes, tornadoes, wildfires, electrical storms, sinkholes and solar flares;
- the outcome of litigation and similar governmental and regulatory proceedings, investigations or actions;
- the risks associated with the Company's aging infrastructure, and its ability to appropriately improve the resiliency of or maintain and replace, current or future infrastructure and systems, including its technology and other assets, and manage the expansion of its businesses;
- exposure or infiltration of the Company's technology and critical infrastructure systems, including the disclosure of sensitive, personal or confidential information contained therein, through physical or cyber attacks or other means;
- the Company's ability to obtain permits and other approvals for projects and construction of various water and wastewater facilities;
- changes in the Company's capital requirements;
- the Company's ability to control operating expenses and to achieve operating efficiencies;
- the intentional or unintentional actions of a third party, including contamination of the Company's water supplies or the water provided to its customers;
- the Company's ability to obtain adequate and cost-effective supplies of pipe, equipment (including personal protective equipment), chemicals, electricity, fuel, water and other raw materials, and to address or mitigate supply chain constraints that may result in delays or shortages in, as well as increased costs of, supplies, products and materials that are critical to or used in the Company's business operations;
- the Company's ability to successfully meet its operational growth projections, either individually or in the aggregate, and capitalize on growth opportunities, including, among other things, with respect to:
 - acquiring, closing and successfully integrating regulated operations and market-based businesses;
 - the Company's Military Services Group ("MSG") entering into new military installation contracts, price redeterminations, and other agreements and contracts, with the U.S. government; and
 - realizing anticipated benefits and synergies from new acquisitions;
- risks and uncertainties following the completion of the sale of the Company's Homeowner Services Group ("HOS") and its New York subsidiary, including:
 - the Company's ability to receive any contingent consideration provided for in the HOS sale, as well as amounts due, payable and owing to the Company from time to time under the seller note when due; and

- the ability of the Company to redeploy successfully and timely the net proceeds of these transactions into the Company's Regulated Businesses;
- risks and uncertainties associated with contracting with the U.S. government, including ongoing compliance with applicable government procurement and security regulations;
- cost overruns relating to improvements in or the expansion of the Company's operations;
- the Company's ability to successfully develop and implement new technologies and to protect related intellectual property;
- the Company's ability to maintain safe work sites;
- the Company's exposure to liabilities related to environmental laws and similar matters resulting from, among other things, water and wastewater service provided to customers;
- changes in general economic, political, business and financial market conditions, including without limitation conditions and collateral consequences associated with the COVID-19 pandemic;
- access to sufficient debt and/or equity capital on satisfactory terms and when and as needed to support operations and capital expenditures;
- fluctuations in inflation or interest rates;
- the ability to comply with affirmative or negative covenants in the current or future indebtedness of the Company or any of its subsidiaries, or the issuance of new or modified credit ratings or outlooks by credit rating agencies with respect to the Company or any of its subsidiaries (or any current or future indebtedness thereof), which could increase financing costs or funding requirements and affect the Company's or its subsidiaries' ability to issue, repay or redeem debt, pay dividends or make distributions;
- fluctuations in the value of benefit plan assets and liabilities that could increase the Company's cost and funding requirements;
- changes in federal or state general, income and other tax laws, including (i) future significant tax legislation, (ii) the availability of, or the Company's compliance with, the terms of applicable tax credits and tax abatement programs, and (iii) the Company's ability to utilize its state income tax net operating loss ("NOL") carryforwards;
- migration of customers into or out of the Company's service territories;
- the use by municipalities of the power of eminent domain or other authority to condemn the systems of one or more of the Company's utility subsidiaries, or the assertion by private landowners of similar rights against such utility subsidiaries;
- any difficulty or inability to obtain insurance for the Company, its inability to obtain insurance at acceptable rates and on acceptable terms and conditions, or its inability to obtain reimbursement under existing or future insurance programs and coverages for any losses sustained;
- the incurrence of impairment charges related to the Company's goodwill or other assets;
- labor actions, including work stoppages and strikes;
- the Company's ability to retain and attract qualified employees;
- civil disturbances or unrest, or terrorist threats or acts, or public apprehension about future disturbances, unrest, or terrorist threats or acts; and
- the impact of new, and changes to existing, accounting standards.

These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above and the risk factors included in Item 1A—Risk Factors and other statements

contained in this Annual Report on Form 10-K, and readers should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements the Company makes shall speak only as of the date this Annual Report on Form 10-K was filed with the U.S. Securities and Exchange Commission (“SEC”). Except as required by the federal securities laws, the Company does not have any obligation, and it specifically disclaims any undertaking or intention, to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or otherwise. New factors emerge from time to time, and it is not possible for the Company to predict all such factors. Furthermore, it may not be possible to assess the impact of any such factor on the Company’s businesses, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.

PART I

ITEM 1. BUSINESS

The Company

With a history dating back to 1886, American Water is the largest and most geographically diverse, publicly-traded water and wastewater utility company in the United States, as measured by both operating revenues and population served. A holding company originally incorporated in Delaware in 1936, the Company employs approximately 6,400 professionals who provide drinking water, wastewater and other related services to over 14 million people in 24 states. The Company conducts the majority of its business through regulated utilities that provide water and wastewater services, collectively presented as the “Regulated Businesses.” The Company also operates market-based businesses that provide complementary services. Individually, these businesses do not meet the criteria of a reportable segment in accordance with generally accepted accounting principles in the United States (“GAAP”), and are collectively presented as the “Market-Based Businesses,” which is consistent with how management assesses the results of these businesses.

On December 9, 2021 (the “Closing Date”), the Company sold all of the equity interests of the HOS subsidiaries. See Item 1—Business—Market-Based Businesses—Sale of Homeowner Services Group below and Note 6—Acquisitions and Divestitures in the Notes to Consolidated Financial Statements for additional information.

On January 1, 2022, the Company completed the sale of its New York subsidiary, see Item 1—Business—Regulated Businesses—Sale of New York American Water Company, Inc. below and Note 6—Acquisitions and Divestitures in the Notes to Consolidated Financial Statements for additional information. The assets and related liabilities of the New York subsidiary were classified as held for sale on the Consolidated Balance Sheets as of December 31, 2021 and 2020.

Throughout this Annual Report on Form 10-K, unless the context otherwise requires, references to “we,” “us,” “our,” the “Company,” and “American Water” mean American Water Works Company, Inc. and its subsidiaries, taken together as a whole. References to “parent company” mean American Water Works Company, Inc., without its subsidiaries.

Regulated Businesses

The Company’s primary business involves the ownership of utilities that provide water and wastewater services to residential, commercial, industrial, public authority, fire service and sale for resale customers. The Company’s utilities operate in approximately 1,700 communities in 14 states in the United States, with 3.4 million active customers in its water and wastewater networks. Services provided by the Company’s utilities are subject to regulation by multiple state utility commissions or other entities engaged in utility regulation, collectively referred to as public utility commissions (“PUCs”). Federal, state and local governments also regulate environmental, health and safety, and water quality and water accountability matters. The Company reports the results of the services provided by its utilities in the Regulated Businesses segment. Operating revenues for the Regulated Businesses were \$3,384 million for 2021, \$3,255 million for 2020 and \$3,094 million for 2019, accounting for 86%, 86% and 86%, respectively, of the Company’s total operating revenues for the same periods.

Presented in the table below is a geographic summary of the Regulated Businesses' operating revenues and the number of customers the Company serves, by type of service, for and as of the year ended December 31, 2021:

	Operating Revenues (in millions)				Number of Customers (in thousands)			
	Water (a)	Wastewater	Total	% of Total	Water	Wastewater	Total	% of Total
New Jersey	\$ 778	\$ 48	\$ 826	24.4%	660	55	715	20.3%
Pennsylvania	688	82	770	22.8%	677	82	759	21.5%
Missouri	337	12	349	10.3%	474	17	491	13.9%
Illinois	303	37	340	10.0%	295	69	364	10.3%
California	265	3	268	7.9%	187	3	190	5.4%
Total—Top Five States								
(b)	2,371	182	2,553	75.4%	2,293	226	2,519	71.4%
New York (c)	127	—	127	3.8%	127	—	127	3.6%
Other (d)	678	26	704	20.8%	849	35	884	25.0%
Total Regulated Businesses	\$3,176	\$ 208	\$3,384	100.0%	3,269	261	3,530	100.0%

- (a) Includes other operating revenues consisting primarily of miscellaneous utility charges, fees and rents.
- (b) The Company's "Top Five States" are determined based upon operating revenues.
- (c) The Company completed the sale of its New York subsidiary on January 1, 2022.
- (d) Includes the Company's utility operations in the following states: Georgia, Hawaii, Indiana, Iowa, Kentucky, Maryland, Michigan, Tennessee, Virginia and West Virginia and other revenue attributable collectively to the Regulated Businesses. The Company completed the sale of its Michigan subsidiary on February 4, 2022.

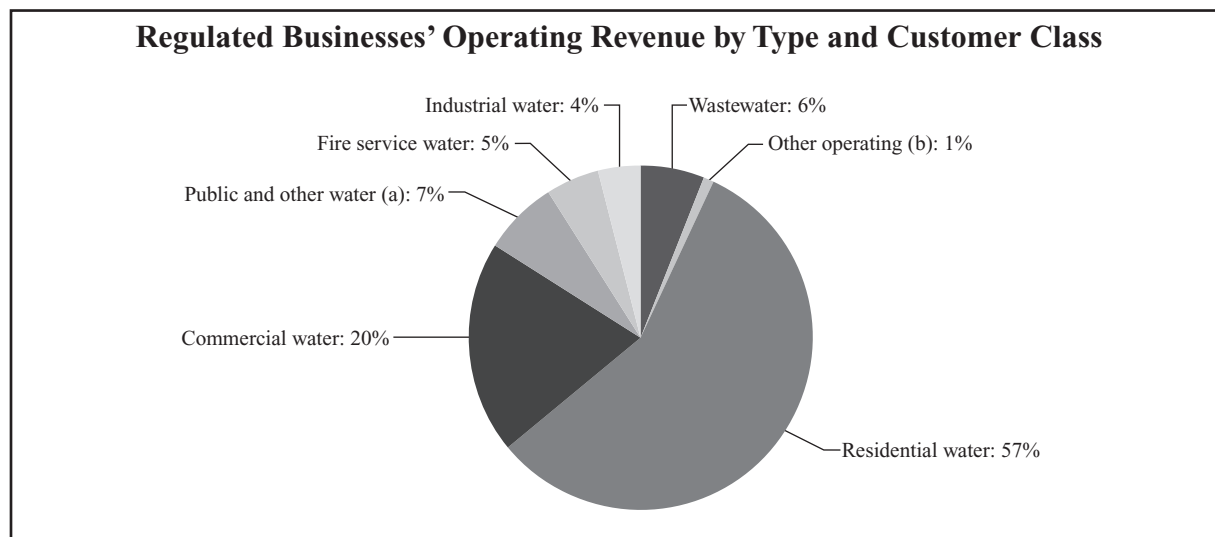
Customers

The Company's Regulated Businesses have a large and geographically diverse customer base. A customer is defined as a person, business, municipality or any other entity that purchases the Company's water or wastewater services as of the last business day of a reporting period. One single customer may purchase the Company's services for use by multiple individuals or businesses. Examples of these customers are homes, apartment complexes, businesses and governmental entities.

The vast majority of the Company's regulated water customers are metered, which allows the Company to measure and bill for its customers' water usage, typically on a monthly basis. The Company employs a variety of methods of customer meter reading to monitor consumption. These methods range from meters with mechanical registers where consumption is manually recorded by meter readers, to meters with electronic registers capable of transmitting consumption data to proximity devices or via radio frequency to mobile or fixed network data collectors. The Company's wastewater customers are billed either a flat rate or based upon their water consumption.

Residential customers make up a substantial portion of the Company's customer base in all of the states in which it operates. The Company also serves (i) commercial customers, such as food and beverage providers, commercial property developers and proprietors, and energy suppliers, (ii) fire service customers, where the Company supplies water through its distribution systems to public fire hydrants for firefighting purposes and to private fire customers for use in fire suppression systems in office buildings and other facilities, (iii) industrial customers, such as large-scale manufacturers, mining and production operations, (iv) public authorities, such as government buildings and other public sector facilities, including schools and universities, and (v) other utilities and community water and wastewater systems in the form of bulk contracts for the supply of water or the treatment of wastewater for their own customers.

The following chart depicts the allocation of the Company’s Regulated Businesses’ operating revenue of \$3,384 million by type, including a breakout of the total water services revenues by class of customer, for the year ended December 31, 2021:



- (a) Includes water revenues from public authorities and other utilities and community water systems under bulk contracts.
- (b) Includes other operating revenues consisting primarily of miscellaneous utility charges, fees and rents.

Presented in the table below is the number of water and wastewater customers the Company served by class as of December 31, 2021, 2020 and 2019, which represents approximately 14 million people served as of December 31, 2021:

(In thousands)	2021		2020		2019	
	Water	Wastewater	Water	Wastewater	Water	Wastewater
Residential	2,972	245	2,948	236	2,914	215
Commercial	225	15	225	15	222	13
Fire service	52	—	50	—	49	—
Industrial	4	—	4	—	4	—
Public and other (a)	16	1	17	1	16	1
Total	3,269	261	3,244	252	3,205	229

- (a) Includes public authorities and other utilities and community water and wastewater systems under bulk contracts. Bulk contracts, which are accounted for as a single customer in the table above, generally result in service to multiple customers.

Customer growth in the Company’s Regulated Businesses is primarily from (i) adding new customers to its customer base through acquisitions of water and/or wastewater utility systems, (ii) population growth in its authorized service areas, and (iii) sale of water to other water utilities and community water systems.

Capital Investment

The Company plans to invest between \$28 billion and \$32 billion over the next 10 years for capital improvements, including acquisitions, to its Regulated Businesses’ water and wastewater infrastructure, largely for pipe replacement and upgrading aging water and wastewater treatment facilities. The Company has proactively improved its pipe renewal rate from a 250-year replacement cycle in 2009 to an expected 110-year replacement cycle by 2026, which it anticipates will enable the Company to replace nearly 2,200 miles of mains and collection pipes between 2022 and 2026. In addition, from 2022 to 2026, the Company’s capital investment

in treatment plants, storage tanks and other key, above-ground facilities is expected to increase, further addressing infrastructure renewal, resiliency, water quality, operational efficiency, technology and innovation, and emerging regulatory compliance needs. Additionally, the Company continues to invest significantly in resiliency projects to address the impacts of climate and weather variability by hardening its assets. The benefit of investing in resiliency projects was seen firsthand in the aftermath of Tropical Depression Ida, when the Company’s New Jersey subsidiary reported that all its operating areas successfully withstood widespread flooding and drinking water quality was not impacted in any of its service areas. Specifically, the New Jersey subsidiary’s Raritan-Millstone Water Treatment Plant, which was fortified with a \$37 million flood protection project in 2018, withstood a record flood and continued to provide potable water supply for approximately 1 million people in parts of seven counties in central New Jersey.

Regulation and Rate Making

The operations of the Company’s Regulated Businesses are generally subject to regulation by PUCs in the states in which they operate, with the primary responsibility of the PUCs being the promotion of the overall public interest by balancing the interest of customers and utility investors. Specific authority might differ from state to state, but in most states, PUCs review and approve rates charged to customers, accounting treatments, long-term financing programs and cost of capital, operation and maintenance (“O&M”) expenses, capital expenditures, taxes, affiliated transactions and relationships, reorganizations, mergers and acquisitions, and dispositions, along with imposing certain penalties or granting certain incentives. Regulatory policies vary from state to state and can change over time. These policies will affect the timing, as well as the extent, of recovery of expenses and the realized return on invested capital.

Periodic changes in customer rates generally occur through the filing of a rate case by the utility with the PUC. The timing of rate case filings is typically determined by either periodic requirements in the regulatory jurisdiction or by the utility’s need to increase its revenue requirement to recover capital investment costs, changes in operating revenues, operating costs or other market conditions. The Company attempts to minimize “regulatory lag,” which is the time between the occurrence of an event that triggers a change in the utility’s revenue requirement and the recognition in rates of that change.

The Company’s Regulated Businesses support regulatory practices at the PUCs and state legislatures that mitigate the adverse impact of regulatory lag. Presented in the table below are examples of approved regulatory practices:

Regulatory Practices	Description	States Allowed
Infrastructure replacement surcharge mechanisms	Allows rates to change periodically, outside a general rate case proceeding, to reflect recovery of capital investments made to replace infrastructure necessary to sustain safe and reliable services for the Company’s customers. These mechanisms typically involve periodic filings and reviews to ensure transparency.	IA, IL, IN, KY, MO, NJ, PA, TN, VA, WV
Future test year	A “test year” is a period used for setting rates, and a future test year describes the first 12 months that new rates are proposed to be effective. The use of a future test year allows current or projected revenues, expenses and capital investments to be collected on a more timely basis.	CA, HI, IA, IL, IN, KY, PA, TN, VA
Hybrid test year	A historical test year sets rates using data from a 12-month period that ends prior to a general rate case filing. A hybrid test year allows an update to historical data for “known and measurable” changes that occur subsequent to the historical test year.	MD, MO, NJ, WV

Regulatory Practices	Description	States Allowed
Utility plant recovery mechanisms	Allows recovery of the full return on utility plant costs during the construction period, instead of capitalizing an allowance for funds used during construction (“AFUDC”). In addition, some states allow the utility to seek pre-approval of certain capital projects and associated costs. In this pre-approval process, the PUC may assess the prudence of such projects.	CA, IL, KY, PA, TN, VA
Expense mechanisms	Allows changes in certain operating expenses, which may fluctuate based on conditions beyond the utility’s control, to be recovered outside of a general rate case proceeding or deferred until the next general rate case proceeding.	CA, IL, MD, MO, NJ, PA, TN, VA
Revenue stability mechanisms	Adjusts rates periodically to ensure that a utility recovers the revenues authorized in its general rate case, regardless of sales volume, including recognition of declining sales resulting from reduced consumption, while providing an incentive for customers to use water more efficiently.	CA, IL
Consolidated tariffs	Use of a unified rate structure for water systems owned and operated by a single utility, which may or may not be physically interconnected. The consolidated tariff pricing structure may be used fully or partially in a state, and is generally used to moderate the price impact of periodic fluctuations in local costs, while lowering administrative costs for customers. Pennsylvania also permits a blending of water and wastewater revenue requirements.	CA, IA, IL, IN, KY, MD, MO, NJ, PA, VA, WV
Deferred accounting	A regulators’ willingness to defer recognition of financial impacts when setting rates for utilities.	All

The Company pursues enhancements to these regulatory practices to facilitate efficient recovery of its costs and capital investments and to continue to provide safe, clean, reliable and affordable services to its customers. The ability to seek regulatory treatment using the regulatory practices described above does not guarantee that the PUCs will accept the Company’s proposal in the context of a particular rate case, and these regulatory practices may reduce, but not eliminate, regulatory lag associated with traditional rate making processes. It is also the Company’s strategy to expand the use of these mechanisms in areas where they may not currently apply and enhance certain mechanisms where they already exist.

Acquisitions and Strategic Growth

The U.S. water and wastewater industries include investor-owned systems as well as municipal systems that are owned and operated by local governments or governmental subdivisions. According to the U.S. Environmental Protection Agency (“EPA”), as of 2017, approximately 84% of the water market is served by municipal systems and approximately 98% of the country’s wastewater systems are government owned. The EPA also estimates, as of 2017, that there are approximately 50,000 community water systems and approximately 15,000 community wastewater systems in the United States, with approximately 80% of the community water systems serving a population of 3,000 or less.

A fundamental aspect of the Company’s growth strategy is to pursue acquisitions of water and/or wastewater systems in geographic proximity to areas where the Company operates its Regulated Businesses, see Item 7—Management’s Discussion and Analysis of Financial Condition and Results of Operations for additional information. The proximity of acquisition opportunities to the Company’s regulated footprint allows it to integrate and manage the acquired systems and operations primarily using the Company’s existing management (although the Company typically retains the majority, if not all, of the employees of the acquired systems) and to

achieve operational efficiencies and prioritize capital investment needs. The Company's current customer mix of 93% water and 7% wastewater also presents strategic opportunities for wastewater growth and systems consolidation, allowing the Company to add wastewater customers where it already serves water customers. The Company intends to continue to expand its regulated footprint geographically by acquiring water and wastewater systems in its existing markets and, if appropriate, pursuing acquisition opportunities in certain domestic markets where the Company does not currently operate its Regulated Businesses. Before entering new regulated markets, the Company will evaluate the business and regulatory climates to ensure that it will have the opportunity to achieve an appropriate rate of return on its investment while maintaining its high standards for providing safe, reliable and affordable services to its customers, as well as a line of sight to grow the Company's base customers to attain efficiencies after entering the new domestic market.

Increasingly stringent environmental, health and safety, and water quality and water accountability regulations, the amount of infrastructure in need of significant capital investment, financial challenges and industry legislation are several elements, among others, that may drive more municipalities to consider selling their water and wastewater assets.

Sale of New York American Water Company, Inc.

On January 1, 2022, the Company completed the sale of its New York subsidiary to Liberty Utilities (Eastern Water Holdings) Corp. ("Liberty"), an indirect, wholly owned subsidiary of Algonquin Power & Utilities Corp. Under the terms of the Stock Purchase Agreement, dated November 20, 2019, as amended, by and among the Company, the Company's New York subsidiary and Liberty (the "Stock Purchase Agreement"), Liberty purchased from the Company all of the capital stock of the Company's New York subsidiary for a purchase price of \$608 million in cash. The sale was approved by the New York State Department of Public Service on December 16, 2021. The Company's regulated New York operations had approximately 127,000 customers in the State of New York. See Note 6—Acquisitions and Divestitures in the Notes to Consolidated Financial Statements for additional information.

Industry Legislation

On November 15, 2021, the Infrastructure Investment and Jobs Act (the "IIJA") was signed into law and provides for up to \$55 billion to aid in improving the country's ailing water infrastructure, including \$23.4 billion for drinking water and wastewater, \$15 billion for lead service line replacement (through the drinking water state revolving fund), and \$10 billion for the treatment of per- and polyfluoroalkyl substances ("PFAS") and other contaminants of emerging concern. The bill also includes a low-income assistance program, which provides eligible low-income customers who receive their water from public and private entities to be eligible to participate in the program. The Company is awaiting further guidance on the distribution of these funds.

In December 2020, Congress passed, and the President signed into law, a \$900 billion COVID-19 relief and \$1.4 trillion U.S. government appropriations package for 2021, which included \$638 million for a low-income water assistance program and \$2.8 billion for capitalization grants under the Clean Water and Drinking Water State Revolving Funds.

In 2017, New Jersey enacted the Water Quality Accountability Act (the "WQAA"), which sets operational standards for all water utilities in New Jersey, including municipal and investor-owned utilities with more than 500 service connections. This law imposes requirements in areas such as asset management, water quality reporting, remediation of notices of violation, and hydrant and valve maintenance. The WQAA requires the most senior water manager, or either the executive director for municipal utility authorities or the mayor or chief executive officer for municipally owned public water systems, to certify that the system meets the requirements under the WQAA. Enhanced WQAA legislation includes additional enforcement requirements for disclosure of results, requires the sale of systems for prolonged violations and imposes new cyber security requirements and asset management plans. The new amendments, which provide for both civil and criminal penalties for falsification of documents, were signed by the Governor with an effective date of November 8, 2021.

In 2018, Indiana passed a law to set minimum operational expectations for all water and wastewater utilities in the state, including municipal and investor-owned utilities. The law requires water and wastewater utilities to conduct rate analyses, develop capital asset management plans and conduct cybersecurity and water loss audits. It also requires water and wastewater utilities to participate in regional discussions and planning to assess opportunities for the more efficient use of water and wastewater utility assets and infrastructure. Water and wastewater utilities that fail to comply with the requirements of the law may be ineligible for grants and loans from the State Revolving Fund. Under the law, all new municipal and investor-owned utilities are required to be regulated by the Indiana Utility Regulatory Commission for ten years from inception of operations.

In 2020, Missouri enacted the Water Safety and Security Act, which requires small and medium-sized water providers to create cybersecurity, valve inspection and hydrant inspection programs. Upon request by the Missouri Department of Natural Resources, the water providers must certify compliance with all regulations regarding water quality sampling, testing and reporting, hydrant and valve testing and reporting and cybersecurity plans and procedures.

The Company's regulated subsidiaries in California, Illinois, Indiana, Iowa, Kentucky, Maryland, Missouri, New Jersey, Pennsylvania, Tennessee, Virginia and West Virginia have access to utility valuation legislation and regulation for private sector investment in public sector water and wastewater systems. The Company supports full optionality for municipalities, including state legislation that enables the consolidation of the largely fragmented water and wastewater industries through third-party fair market valuations of purchased property. Fair market value assessment of water and wastewater systems is an alternative to the traditional depreciated original cost method of valuation, which allows the Company to offer municipalities a purchase price for their system assets that is reflective of the assets' fair market value, while providing the Company with increased opportunity to recover the purchase price over the life of the purchased system assets, subject to PUC approval. In 2021, the Tennessee Public Utilities Commission implemented acquisition valuation rules that create a mechanism to value water and wastewater assets based upon replacement cost new less depreciation.

Consolidated tariffs use a unified rate structure for systems owned and operated by a single utility, which may or may not be physically interconnected. Consolidated tariff pricing moderates the impact of periodic fluctuations in local costs and promotes a more universal water infrastructure investment in a state. As a result, consolidated tariffs can make it easier to incorporate new systems into an existing utility, support economies of scale for even the smallest of systems and prioritize capital needs across the state. Overall, the Company believes that consolidated tariffs bring cost-effective, high-quality services to a larger number of customers. Eleven of the Company's regulated jurisdictions currently have some form of consolidated tariff pricing, including California, Illinois, Indiana, Iowa, Kentucky, Maryland, Missouri, New Jersey, Pennsylvania, Virginia and West Virginia.

Competition

The Company's Regulated Businesses generally do not face direct competition in their existing markets because (i) the Company operates in those markets pursuant to franchises, charters, certificates of public convenience and necessity or similar authorizations (collectively, "CPCNs") issued by state PUCs or other authorities, and (ii) the high cost of constructing a new water and wastewater system in an existing market creates a significant barrier to market entry. However, the Company's Regulated Businesses do face competition from governmental agencies, other investor-owned utilities, large industrial customers with the ability to provide their own water supply/treatment process and strategic buyers that are entering new markets and/or making strategic acquisitions. When pursuing acquisitions, the Company's largest investor-owned competitors, based on a comparison of operating revenues and population served, include Essential Utilities, Inc., Suez North America, American States Water Company and California Water Service Group. From time to time, the Company also faces competition from infrastructure funds, multi-utility companies and others, such as Algonquin Power and Utilities Corp., Eversource Energy and Corix.

Condemnation and Eminent Domain

All or portions of the Regulated Businesses' utility assets could be acquired by state, municipal or other government entities through one or more of the following methods: (i) eminent domain (also known as condemnation); (ii) the right of purchase given or reserved by a municipality or political subdivision when the original CPCN was granted; and (iii) the right of purchase given or reserved under the law of the state in which the utility subsidiary was incorporated or from which it received its CPCN. The acquisition consideration related to such a proceeding initiated by a local government may be determined consistent with applicable eminent domain law, or may be negotiated or fixed by appraisers as prescribed by the law of the state or in the particular CPCN.

As such, the Regulated Businesses are periodically subject to condemnation proceedings in the ordinary course of business. For example, a citizens group in Monterey, California successfully added "Measure J" to the November 2018 election ballot asking voters to decide whether the Monterey Peninsula Water Management District (the "MPWMD") should conduct a feasibility study concerning the potential purchase of the Monterey water service system assets (the "Monterey system assets") of the Company's California subsidiary, and, if feasible, to proceed with a purchase of those assets without an additional public vote. This service territory represents approximately 40,000 customers. In November 2018, Measure J was certified to have passed. In August 2019, the MPWMD's General Manager issued a report that recommends that the MPWMD board (1) develop criteria to determine which water systems should be considered for acquisition; (2) examine the feasibility of acquiring the Monterey system assets and consider public ownership of smaller systems only if the MPWMD becomes the owner of a larger system; (3) evaluate whether the acquisition of the Monterey system assets by the MPWMD is in the public interest and sufficiently satisfies the criterion of "feasible" as provided in Measure J; (4) ensure there is significant potential for cost savings before agreeing to commence an acquisition; and (5) develop more fully alternate operating plans before deciding whether to consider a Resolution of Necessity.

In November 2019, the MPWMD issued a preliminary valuation and cost of service analysis report, finding in part that (1) an estimate of the Monterey system assets' total value plus adjustments would be approximately \$513 million, (2) the cost of service modeling results indicate significant annual reductions in revenue requirements and projected monthly water bills, and (3) the acquisition of the Monterey system assets by the MPWMD would be economically feasible. On June 12, 2020, the MPWMD issued a draft environmental impact report for the potential acquisition of the Monterey system assets and a related district boundary adjustment that would be required if the MPWMD were to acquire and operate certain of the Monterey system assets located outside the MPWMD's boundaries. On September 15, 2020, the MPWMD gave notice of its intention to appraise the Monterey system assets and related property interests. On September 29, 2020, the Company's California subsidiary declined to make the Monterey system assets and related property interests available for inspection or to comply with any of the other requests contained in the MPWMD's notice. On October 7, 2020, the MPWMD issued a final environmental impact report ("FEIR"), and on November 4, 2020, the MPWMD certified the FEIR, which purports to analyze the environmental impacts of the MPWMD's project to (1) acquire the Monterey system assets through the power of eminent domain, if necessary, and (2) expand its geographic boundaries to include all parts of this system. On November 25, 2020, the Company's California subsidiary filed a petition challenging this certification in court. A hearing on the matter was held on August 30, 2021, and on November 19, 2021, the court denied the petition. See Item 3—Legal Proceedings—Challenge of Certification—Proposed Monterey System Final Environmental Impact Report.

On February 26, 2021, the MPWMD filed an application with the Local Agency Formation Commission of Monterey County ("LAFCO") seeking approval to become a retail water provider and annex approximately 58 parcels of land into the MPWMD's boundaries. On June 28, 2021, LAFCO's commissioners voted to require a third-party independent financial study as to the feasibility of an acquisition by the MPWMD of the Monterey system assets. On December 6, 2021, LAFCO's commissioners denied the MPWMD's application to become a retail water provider, determining that the MPWMD does not have the authority to proceed with a condemnation

of the Monterey system assets. On January 5, 2022, LAFCO's commissioners confirmed the denial. On January 31, 2022, the MPWMD filed an application for reconsideration of LAFCO's confirmation of denial. A hearing on the application has been set for February 28, 2022.

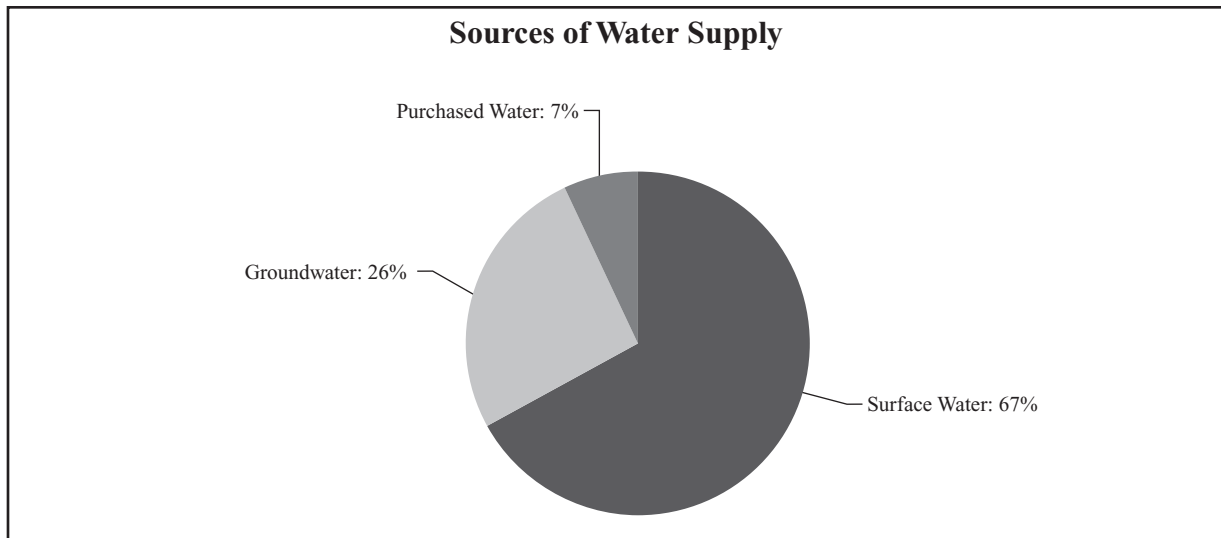
Also, five municipalities in the Chicago, Illinois area (approximately 30,300 customers in total) formed a water agency and filed an eminent domain lawsuit against the Company in January 2013, seeking to condemn the water pipeline that serves those five municipalities. Before filing its eminent domain lawsuit, the water agency made an offer of \$38 million for the pipeline. The parties have filed with the court updated valuation reports. A valuation trial was originally scheduled for October 2021 but has been continued to June 2022.

Furthermore, the law in certain jurisdictions in which the Regulated Businesses operate provides for eminent domain rights allowing private property owners to file a lawsuit to seek just compensation against a public utility, if a public utility's infrastructure has been determined to be a substantial cause of damage to that property. In these actions, the plaintiff would not have to prove that the public utility acted negligently. In California, lawsuits have been filed in connection with large-scale natural events such as wildfires. Some of these lawsuits have included allegations that infrastructure of certain utilities triggered the natural event that resulted in damage to the property. In some cases, the PUC has allowed certain costs or losses incurred by the utility to be recovered from customers in rates, but in other cases such recovery in rates has been disallowed. Also, the utility may have obtained insurance that could respond to some or all of such losses, although the utility would be at risk for any losses not ultimately subject to rate or insurance recovery or losses that exceed the limits of such insurance.

Water Supply and Wastewater Services

The Company's Regulated Businesses generally own the physical assets used to store, pump, treat and deliver water to its customers and collect, treat, transport and recycle wastewater. Typically, the Company does not own the water, which is held in public trust and is allocated to the Company through contracts, permits and allocation rights granted by federal and state or multi-state agencies or through the ownership of water rights pursuant to local law. The Company is dependent on defined sources of water supply and obtains its water supply from surface water sources such as reservoirs, lakes, rivers and streams; from groundwater sources, such as wells and aquifers; and water purchased from third-party water suppliers. The level of water treatment the Company applies varies significantly depending upon the quality of the water source and customer stipulations. Surface water sources typically generally require significant treatment, while groundwater sources often require chemical treatment only.

Presented in the chart below are the Company’s sources of water supply as of December 31, 2021:



Presented in the table below are the percentages of water supply by source type for the Company’s Top Five States for the year ended December 31, 2021:

	<u>Surface Water</u>	<u>Ground Water</u>	<u>Purchased Water</u>
New Jersey	74%	22%	4%
Pennsylvania	91%	7%	2%
Missouri	78%	21%	1%
Illinois	54%	35%	11%
California	—	65%	35%

The Company’s ability to meet the existing and future water demands of its customers depends on an adequate water supply. Drought, governmental restrictions, overuse of sources of water, the protection of threatened species or habitats, contamination or other factors may limit the availability of ground and surface water. The Company employs a variety of measures in an effort to obtain adequate sources of water supply, both in the short-term and over the long-term. The geographic diversity of the Company’s service areas may mitigate some of the economic effects on the water supply associated with weather extremes it might encounter in any particular service territory. For example, in any given summer, some areas may experience drier than average weather, which may reduce the amount of source water available, while other areas the Company serves may experience wetter than average weather.

The Company evaluates quality, quantity, growth needs and alternate sources of water supply as well as transmission and distribution capacity to provide water service to its customers. Water supply is seasonal in nature and weather conditions can have a pronounced effect on supply. In order to ensure that the Company has adequate water supply, it uses long-term planning processes and maintains contingency plans to minimize the potential impact on service caused by climate variability and a wide range of weather fluctuations. The Company reviews current climate science and global models related to temperature, precipitation and sea level rise on an ongoing basis. Where actionable forecasts are available, the Company will use this information in its comprehensive planning studies and asset management plans. These studies and plans, which are used by the Company to develop its asset management and system reliability strategies, assess the climate risk and resiliency of the Company’s water and wastewater systems over short-, medium- and long-term time horizons, and include evaluations of the availability of water supplies and system capacity against a number of different factors, projections and estimates.

In connection with supply planning for most surface or groundwater sources, the Company employs models to determine safe yields under different rainfall and drought conditions. Surface and ground water levels are routinely monitored so that supply capacity deficits may, to the extent possible, be predicted and mitigated through demand management and additional supply development. In California, where the state has been experiencing a multi-year drought, the Company utilizes multiple water supply options including numerous ground water wells in multiple aquifers as well as various long-term purchase water agreements with regional water suppliers to optimize supplies while assuring resiliency during dry years. An example of the Company's use of long-term planning to ensure that it has adequate water supply is its involvement in the Monterey Peninsula Water Supply Project (the "Water Supply Project") in California. The Water Supply Project includes the construction of a desalination plant, to be owned by the Company's California subsidiary, and the construction of wells that would supply water to the desalination plant. In addition, the Water Supply Project also includes the California subsidiary's purchase of water from a groundwater replenishment project (the "GWR Project") between Monterey One Water (formerly known as the Monterey Regional Water Pollution Control Agency) and the MPWMD. The Water Supply Project is intended, among other things, to fulfill obligations of the California subsidiary to eliminate unauthorized diversions from the Carmel River as required under orders of the California State Water Resources Control Board (the "SWRCB"). For more information, see Item 3—Legal Proceedings—Alternative Water Supply in Lieu of Carmel River Diversions and Note 17—Commitments and Contingencies—Contingencies—Alternative Water Supply in Lieu of Carmel River Diversions, in the Notes to the Consolidated Financial Statements.

Wastewater services involve the collection of wastewater from customers' premises through sewer lines. The wastewater is then transported through a sewer network to a treatment facility, where it is treated to meet required regulatory standards for wastewater before being returned to the environment. The solid waste by-product of the treatment process is disposed of or recycled in accordance with applicable standards and regulations.

Seasonality

Customer demand for the Company's water service is affected by weather and tends to vary with temperature and amount and frequency of rainfall. Customer demand is generally greater during the warmer months, primarily due to increased water usage for irrigation systems and other outdoor water use. As such, the Company typically expects its operating revenues to be the highest in the third quarter of each year. Weather that is hotter and/or drier than average generally increases operating revenues, whereas, weather that is cooler and/or wetter than average generally serves to suppress customer water demand and can reduce water operating revenues. Two of the Company's jurisdictions, California and Illinois, have adopted revenue stability mechanisms which permit the Company to collect state PUC-authorized revenue for a given period which is not tied to the volume of water sold during that period, thereby lessening the impact of weather variability. See Regulated Businesses—Regulation and Rate Making for additional information regarding revenue stability mechanisms.

Market-Based Businesses

The Company's Market-Based Businesses provide water and wastewater services to the U.S. government on military installations, as well as municipalities, and utility customers, and previously provided home services primarily to residential and smaller commercial customers through its former HOS business, which was sold on December 9, 2021. These businesses are not subject to regulation by state PUCs and the services provided generally do not require significant capital investment. Operating revenues for the Company's Market-Based Businesses were \$563 million for 2021, \$540 million for 2020 and \$539 million for 2019, accounting for 14%, 14% and 15%, respectively, of the Company's total operating revenues for the same periods.

MSG enters into long-term contracts with the U.S. government to provide water and wastewater services on various military installations. MSG is the Company's remaining primary market-based business.

The Company also has five contracts with municipal customers to operate and manage water and wastewater facilities and provide other related services through its Contract Services Group (“CSG”).

Military Services Group

MSG operates on 17 military installations under 50-year contracts with the U.S. government as part of its Utilities Privatization Program. The scope of these contracts generally includes the operation and maintenance of the installation’s water and wastewater systems and a capital program focused on asset replacement and, in certain instances, systems expansion. The replacement of assets assumed when a contract is awarded to MSG is completed either through a discrete set of projects executed in the first five years of the contract or through the long term recapitalization program performed over the life of the contract. Traditionally, both of these programs are funded from the contract fee. At times, new assets are required to support the installation’s mission, and the construction of these assets is funded by the U.S. government as separate modifications or amendments to the contract. The capital for these assets historically has not been funded through the Company’s debt or equity issuances; rather, the Company has used limited working capital for short-term needs under these contracts. In April 2018, the U.S. Army instituted a requirement that a bidder must offer financing in its proposal for these new capital projects under existing contracts, but the U.S. Army’s implementation of this requirement on existing contracts has limited the need for such financing. However, recent U.S. Army and Navy Utilities Privatization solicitations have included requirements for the successful bidder to finance discrete initial capital projects over either a five- or ten-year period after project completion. Three of MSG’s current contracts require such capital project financing, which the Company is currently addressing through internal sources of liquidity.

The contract price for six of MSG’s contracts with the U.S. government is subject to redetermination two years after commencement of operations, and every three years thereafter. Price redetermination is a contract mechanism to periodically adjust the service fee in the next period, to reflect changes in contract obligations and anticipated market conditions. The remaining 11 contracts with the U.S. government are subject to annual price adjustments under a mechanism called “Economic Price Adjustment.” All 17 contracts could be terminated, in whole or in part, prior to the end of the 50-year term for convenience of the U.S. government, or as a result of default or non-performance by the MSG subsidiary performing the contract. In either event, pursuant to termination provisions applicable to all of these contracts, MSG would be entitled to recover allowable costs that it may have incurred under the contract, plus the contract profit margin on incurred costs. MSG’s backlog of revenue associated with its contracts with the U.S. government is approximately \$6.2 billion, with an average remaining contract term of 41 years.

Sale of Homeowner Services Group

The Company has provided various warranty protection programs and other home services primarily to residential and smaller commercial customers through its HOS operations. On the Closing Date, the Company sold all of the equity interests in its HOS subsidiaries to an indirect, wholly owned subsidiary of funds advised by Apax Partners LLP, a global private equity advisory firm (the “Buyer”), for total consideration of approximately \$1.275 billion. See Item 7—Management’s Discussion and Analysis of Financial Condition and Results of Operations and Note 6—Acquisitions and Divestitures in the Notes to Consolidated Financial Statements for additional information.

Competition

MSG faces competition from a number of service providers, including American States Water Company, Suez North America, and Veolia Environnement S.A.

Environmental, Health and Safety, Water Quality and Other Regulation

The Company’s water and wastewater operations, including the services provided by both its Regulated Businesses and Market-Based Businesses, are subject to extensive federal, state and local laws and regulations

governing the protection of the environment, health and safety, the provision of water and wastewater services, particularly with respect to the quality of water the Company delivers to its customers, and the manner in which it collects, treats, discharges, recycles and disposes of wastewater. In the United States, these regulations are developed under federal legislation including the Safe Drinking Water Act, the Reduction of Lead in Drinking Water Act and the Clean Water Act, and under a variety of applicable state laws. Environmental, health and safety, and water quality regulations are complex and may vary from state to state in those instances where a state has adopted a standard that is more stringent than the federal standard. For example, while the EPA has issued a non-enforceable Health Advisory for the combined level of two perfluorinated compounds (perfluorooctanoic acid, or PFOA, and perfluorooctane sulfonic acid, or PFOS), the New Jersey Department of Environmental Protection was the first state agency to establish a standard for perfluorononanoic acid, or PFNA, in 2018 and has since established maximum containment levels for PFOA and PFOS, with implementation occurring in January 2021. The Company is also subject to various federal, state, and local laws and regulations governing the storage of hazardous materials, the management and disposal of hazardous and solid wastes, discharges to air and water, the cleanup of contaminated sites, dam safety and other matters relating to the protection of the environment and health and safety. PUCs also set conditions and standards for the water and wastewater services the Company delivers.

The Company maintains an environmental program that includes responsible business practices focused on compliance with environmental laws and regulations and the effective use of natural resources, recognizing that drinking water standards have generally, over time, increased in number and become increasingly more stringent. As newer or stricter standards are introduced, the Company's capital and operating costs needed to comply with them will likely increase. The Company incurs substantial costs associated with compliance with the environmental, health and safety, and water quality standards to which its operations are subject and the Company invests in technology solutions for enhanced detection and monitoring of water quality issues. The Company estimates that it will make capital expenditures of approximately \$850 million over the next five years, including \$180 million in 2022, for environmental control facilities, which the Company defines for this purpose as any project (or portion thereof) that involves the preservation of air, water or land. The Company believes that its operations are materially in compliance with, and in many cases surpass, minimum standards required by applicable environmental laws and regulations.

The Company's operations also involve the use, storage and disposal of hazardous substances and wastes. For example, the Company's water and wastewater treatment facilities store and use chlorine and other chemicals that generate wastes that require proper handling and disposal under applicable environmental requirements. The Company also could incur remedial costs in connection with any contamination relating to its operations or facilities or its off-site disposal of wastes. The Comprehensive Environmental Response, Compensation, and Liability Act of 1980 ("CERCLA"), authorizes the EPA, and comparable state laws authorize state environmental authorities, to issue orders and bring enforcement actions to compel responsible parties to investigate and take remedial actions at any site that is determined to present an actual or potential threat to human health or the environment because of an actual or threatened release of one or more hazardous substances. Parties that generated or transported hazardous substances to such sites, as well as current and former owners and operators of such sites, may be deemed liable, without regard to fault, under CERCLA or comparable state laws. Although the Company is not aware of any material cleanup or decontamination obligations, the discovery of contamination or the imposition of such obligations in the future could result in additional costs to the Company. The Company's facilities and operations are also subject to requirements under the U.S. Occupational Safety and Health Act and inspections thereunder.

Safe Drinking Water Act

The Safe Drinking Water Act and related regulations establish national quality standards for drinking water. The EPA has issued rules governing the levels of numerous, naturally occurring and manufactured chemical and microbial contaminants and radionuclides allowable in drinking water, and continues to propose new rules. These rules also prescribe testing requirements for detecting regulated contaminants, the treatment systems that may be used for removing those contaminants, and other requirements. To date, the EPA has set standards for over 90

contaminants and water quality indicators for drinking water, and there is a process in place to make a regulatory determination on at least five additional compounds every five years.

To help formulate the basis for future regulations, the EPA has the authority to require monitoring for additional, unregulated contaminants under the Unregulated Contaminant Monitoring Rule (the “Monitoring Rule”). The Company’s facilities have participated in the data gathering effort for the Monitoring Rule in previous rounds, which occurs every five years, including the fourth round that concluded at the end of 2020. There are millions of other chemical compounds that are not regulated, many of which lack a testing methodology, occurrence data, health effects information and/or cost-effective treatment options. The process of developing new drinking water standards is long and complex, but the Company actively participates with the EPA and other water industry groups by sharing research and water quality operational knowledge. See Research and Development—Contaminants of Emerging Concern for additional information.

To effect the removal or inactivation of microbial contaminants, the EPA has established various rules to improve the disinfection and filtration of drinking water and to reduce consumers’ exposure to disinfectants and/or the by-products of their use in the disinfection process. Examples of these rules are the Long-Term 2 Enhanced Surface Water Treatment Rule (the “Long-Term 2 Rule”), the Stage 2 Disinfectants and Disinfection Byproduct Rule, the Ground Water Rule, which is applicable to systems providing water from underground sources and the revised Total Coliform Rule, which implemented a “find and fix” process where exceeding bacterial trigger levels requires an assessment to correct any sanitary defects. The Company is within the EPA’s time frame for compliance with all of these standards, which includes sample collection, data analysis, and, in some instances engineering planning and implementation of treatment enhancements. Recent monitoring as required by the Long-Term 2 Rule has indicated that up to 30 of the Company’s surface water systems have recently completed or need to implement additional disinfection protection mechanisms against *Cryptosporidium*. In many cases, this will involve installing ultraviolet light disinfection systems, and although several plants have already completed assessments and upgrades, an estimated \$100 million to \$150 million of investment will still be required to upgrade the remaining facilities for *Cryptosporidium* disinfection. Further, the EPA is actively considering regulations for a number of contaminants, including strontium, hexavalent chromium, fluoride, nitrosamines, some pharmaceuticals and certain volatile organic compounds. The Company does not anticipate that any such regulations, if enacted, will require implementation in 2022.

The Company conducted over 10 million water quality and turbidity tests in 2021 at its laboratory facilities and plant operations, including continuous online instrumentations such as monitoring turbidity levels, disinfectant residuals and adjustments to chemical treatment based on changes in incoming water. The Company participates in the Partnership for Safe Water, the EPA’s voluntary program to meet more stringent goals for reducing microbial contaminants. With 67 of the Company’s surface water treatment plants receiving the EPA program’s prestigious “Director” award, which recognizes utilities that (i) have completed a comprehensive self-assessment report, (ii) created an action plan for continuous improvement, and (iii) produced high-quality drinking water, the Company accounts for approximately one-third of the plants receiving such awards nationwide. In addition, 66 of the Company’s surface water treatment plants have received the “Five-Year Phase III” award, 62 plants have received the “Ten-Year Phase III” award, 57 plants have received the “Fifteen-Year Phase III” award, and 39 plants have received the “Twenty-Year Phase III” award; these awards recognize plants that have met the Director award status for five, 10, 15 and 20 years, respectively. Further, nine of the Company’s surface water plants have received the “Presidents” award, which recognizes treatment plants that achieve the Partnership’s rigorous individual filter effluent turbidity standards and have maintained this status for at least five years.

Although it is difficult to project the ultimate costs of complying with the above or other pending or future requirements, the Company expects current cost requirements under the Safe Drinking Water Act and other similar laws to be recoverable through the regulatory process and therefore compliance costs are not expected to have a material impact on its operations or financial condition. In addition, capital expenditures and operating costs to comply with environmental mandates have been traditionally recognized by PUCs as appropriate for

inclusion in establishing rates. As a result, the Company expects to recover the operating and capital costs resulting from these pending or future requirements.

Lead and Copper Rule and Reduction of Lead in Drinking Water Act

In 1991, the EPA published the Lead and Copper Rule (“LCR”) to control lead and copper in drinking water and, since that time, has issued minor revisions in 2000, 2004 and 2007, enhancing monitoring, reporting and public education requirements. In 2011, Congress enacted the Reduction of Lead in Drinking Water Act regarding the use and introduction into commerce of lead pipes, plumbing fittings for fixtures, solder and flux. While these advances have made an impact in reducing lead exposure in drinking water, legacy lead plumbing materials, primarily in building plumbing, still remain in many communities. The failure of certain water systems in the United States to comply with the requirements of the LCR has received recent media attention and scrutiny, and in certain cases, has led to a number of investigations and the imposition of significant penalties and sanctions against the operators of those systems and others. As part of its ongoing water main replacement and service line renewal projects, the Company has started to replace lead service lines (“LSLs”) in accordance with current scientific guidance. Also, the Company utilizes appropriate corrosion control techniques as necessary to comply with current water quality regulatory requirements. The EPA finalized revisions to the LCR (the “Revised LCR”) on January 15, 2021 that are designed to provide more effective protection of public health by reducing exposure to lead and copper in drinking water. The Company is executing an implementation strategy to comply with the new requirements, which were originally mandated by January 2024 but have been delayed until at least late 2024 pending EPA additional review. Capital expenditures and operating costs associated with the Revised LCR will be determined once the EPA completes its additional review, but as previously noted, costs associated with compliance with federal water quality regulations have been traditionally recognized by PUCs as appropriate for inclusion in establishing rates.

The Company currently estimates that less than 5% of the service lines within its regulated service territories contain lead on either the Company or customer portion of the service line. The Company is replacing LSLs as part of its ongoing water main replacement and service line renewal projects. The Company’s goal is to work with the communities it currently serves to replace a significant majority of presently known LSLs in most of its service areas by the end of 2030, at an estimated cost ranging from \$600 million to \$1.2 billion. The Company believes this will be attainable for most of its service areas where public policy is supportive of this goal. The IJJA was signed into law in November 2021 and provides for up to \$15 billion for lead service line replacement through drinking water state revolving funds. The Company is awaiting further guidance on eligibility, the application process and the distribution of these funds. With regard to future acquisitions, the Company will work with those communities as part of the acquisition process to set LSL removal goals appropriate for those systems. The prioritization of LSL removal is dependent on several factors, including the Company’s planned water main and service line renewal projects, adjacent projects by municipalities or other utilities, LCR compliance monitoring results, and cooperation with its customers with respect to replacing the customer-owned portion of the LSL as necessary. In certain cases, these and other factors may result in a shorter or longer time frame for replacement. Because replacing the external LSL in its entirety is advised by several water industry organizations including the U.S. National Drinking Water Advisory Council, the Lead Service Line Replacement Collaborative, and the American Water Works Association, the Company’s preferred approach is to replace the entire external LSL if lead is found on either the Company or customer portion of the service line; full LSL replacement is also consistent with the Revised LCR. The Lead Service Line Replacement Collaborative is a diverse group of public health, water utility, environmental, labor, consumer and housing organizations from across the country working together to encourage communities to accelerate the full replacement of LSLs through collaborative efforts at the local level.

Clean Water Act

The Clean Water Act regulates discharges from drinking water and wastewater treatment facilities into lakes, rivers, streams and groundwater. In addition to requirements applicable to the Company’s wastewater

collection systems, its operations require discharge permits under the National Pollutant Discharge Elimination System (“NPDES”) permit program established under the Clean Water Act, which must be renewed every five years. Pursuant to the NPDES permit program, the EPA and implementing states set maximum discharge limits for wastewater effluents and overflows from wastewater collection systems. Discharges that exceed the limits specified under NPDES permits can lead to the imposition of fines and penalties, and persistent non-compliance could lead to significant fines and penalties and other compliance costs. In addition, the difficulty of obtaining and complying with NPDES permits, and renewing expiring permits, may impose time and cost burdens on the Company’s operations. From time to time, discharge violations occur at the Company’s facilities, some of which result in fines. The Company does not expect any such violations or fines to have a material impact on its results of operations or financial condition.

Research and Development

The Company’s Research and Development Program

The Company maintains an industry-leading research and development (“R&D”) program that is designed to enhance its services, support its compliance activities, improve service quality and operational effectiveness, and provide environmental leadership. For more than three decades from its inception, American Water’s R&D program has evolved into an industry-leading effort and has achieved numerous advancements in the science of drinking water, wastewater, and desalination. Through laboratory and industry resources and the team’s expertise, efforts are focused on contaminants of emerging concern, including but not limited to COVID-19, PFAS, Legionella, cyanotoxin-forming algal blooms, a variety of pathogens (for example, Cryptosporidium, Giardia, enteric viruses, and various bacteria), microbial indicators and disinfection byproducts. The Company’s R&D personnel are located at the Company’s corporate headquarters and at two laboratory testing facilities in New Jersey and Illinois, the latter housing its quality control and testing laboratory, which supports the Company’s R&D activities through testing and analysis.

The Company continues to leverage its expertise and collaborates with the EPA and state agencies to help establish effective environmental, health and safety, and water quality standards and regulations. This relationship includes the sharing of the Company’s research, such as its treatment and distribution system optimization research and its national water quality monitoring data. The Company’s engagement with the EPA provides it with early insight into emerging regulatory issues and initiatives, thereby allowing the Company to anticipate and to accommodate its future compliance requirements. The Company also frequently engages with the Centers for Disease Control and Prevention, other state environmental agencies, and national and international water research foundations. The Company believes that continued R&D activities are critical for providing safe, reliable and affordable services, as well as maintaining its leadership position in the industry, which provides the Company with a competitive advantage as it seeks business and operational growth.

Contaminants of Emerging Concern

Contaminants of emerging concern include numerous chemicals such as PFAS, pharmaceuticals, personal care products, pesticides, herbicides, endocrine disrupting compounds and industrial chemicals, as well as certain naturally occurring microbes, such as bacteria, viruses and parasites, which have been detected in drinking water supplies, for which the risk to the public’s health is not fully understood and/or has not been assessed. Technological advances have only recently made it possible to detect many of these contaminants at trace levels. The ability to detect contaminants, even at trace levels, has invited discussion about these contaminants among regulators and government agencies, which in turn shapes the public’s perception of drinking water quality.

The Chemicals Abstract Service Registry contains over 192 million registered chemicals, with an estimated 1,400 species of disease-causing microbes that can affect humans. The Company is continually investigating new substances and contaminants, employing a team of scientists, engineers and public health professionals to identify threats to its water supply, to act on emerging regulations and new health advisories, and to evaluate the

benefits of alternative or advanced treatment technologies. The Company utilizes water quality testing equipment and implements new and emerging technologies to help detect potential water supply contamination issues. Examples of the Company's efforts include:

- monitoring impacts of the COVID-19 pandemic on environmental virus loads and removal efforts through wastewater systems;
- characterizing factors that contribute to the formation of potentially carcinogenic disinfection by-products to define best practices for their mitigation;
- using its research findings to communicate information to its customers regarding potential actions to limit occurrences of Legionella in their buildings; in this regard, the Centers for Disease Control and Prevention statistics indicate that water-associated disease from Legionella is on the rise, with exposure typically associated with customer-owned plumbing systems in large buildings;
- defining a framework to support management or possible future regulation of opportunistic pathogens;
- developing expanded monitoring methods for PFAS compounds and piloting treatment techniques;
- leading a PFAS risk communication strategy for the water sector;
- using innovative technologies to detect and manage algal blooms to help prevent taste and odor events and cyanotoxins before they get to the water treatment plant;
- monitoring of taste and odor issues that impact customer satisfaction using expanded analytical methods to detect compounds, and evaluating and recommending treatment practices;
- implementing water source assessment tools, including sensors and data analytics, to evaluate and track chemical storage and aid in the identification of source water contamination events;
- developing methodology and advanced measurement techniques for contaminants of emerging concern to investigate transport, occurrence and treatment; and
- implementing activated carbon, biofiltration and ion exchange treatment to seek to control contaminants of emerging concern.

Service Company and Security

American Water Works Service Company, Inc. ("Service Company") is a wholly owned subsidiary of the Company that provides support and operational services to the Company and its affiliates. These services are predominantly provided to the Company's Regulated Businesses under contracts that have been approved by PUCs, where necessary, and are also provided to its Market-Based Businesses as requested or may otherwise be necessary. Services provided by Service Company may include accounting and finance, administration, business development, communications, compliance, education and training, engineering, health and safety, human resources, information systems, internal audit, investor relations, legal and governance, operations, procurement, R&D, rates and regulatory support, security, risk management and insurance, treasury, and water quality. Service Company also provides customer support to the Company's Regulated Businesses, which includes call handling, billing, a major accounts program and other related services. Services are provided by Service Company at cost, enabling the Company's operating subsidiaries to fulfill their responsibilities in a cost-effective manner, while providing them access to in-depth, functional expertise.

The Company's security team provides oversight and policy guidance on physical, cyber and information security, as well as business continuity, throughout its operations. It is responsible for designing, implementing, monitoring and supporting effective physical and technical security controls for the Company's physical assets, business systems and operational technologies. Risk assessments are conducted periodically to evaluate the effectiveness of existing security controls and serve as the basis for additional safeguards, security controls and measures. Operational and technical security controls are deployed and integrated as safeguards against

unauthorized access to the Company's information systems. These controls are aimed at (i) assuring the continuity of business processes that are dependent upon automation, (ii) maintaining the integrity of the Company's data, (iii) supporting regulatory and legislative compliance requirements, and (iv) maintaining safe and reliable service to the Company's customers. The Company engages in partnerships with U.S. federal, state and local law enforcement agencies to coordinate and improve the security of its water delivery systems and to safeguard its water supply and operations.

Environmental, Social Responsibility and Governance

The Company considers environmental, social responsibility and governance ("ESG") principles fundamental to its corporate strategy and values. Integration of these principles into the Company's daily operations emphasizes its belief that "how" a company operates is just as important as "what" a company does. The Company's vision and values drive its strategies, which are centered on five central themes:

- **Safety**—The safety of the Company's employees and customers is the number one focus for American Water.
- **Customers**—The Company's customers are at the center of everything it does, helping the Company to shape its strategic priorities.
- **People**—Maintaining an environment that is open, transparent, diverse and inclusive, and where the Company's people feel valued, included and accountable, is critical to the Company's ability to serve its customers every day.
- **Operational Excellence**—The Company strives to find better and more efficient ways to do business, and to provide safe, clean and affordable water services for its customers.
- **Growth**—The Company believes that through growth, it can invest in creating more jobs, better training and benefits, and improved infrastructure in its communities. The Company's growth also creates greater efficiencies of scale and drives improved customer affordability, which benefits all of its stakeholders, including shareholders.

In 2021, the Company issued its sixth biennial Sustainability Report, covering its sustainability performance for calendar years 2020 and 2019. This report can be accessed on the Company's website. In addition, the Company issued its first annual Inclusion & Diversity Report, which shares the inclusion and diversity strategies, practices, policies, and programs from across the business. The Company's values and actions have achieved prestigious recognition by many leading firms devoted to recognizing companies that demonstrate ESG leadership. Most recently, the Company received the highest S&P Global Ratings ESG Evaluation score given to a U.S. company and the third highest globally, and was ranked 19th within Barron's list of the 100 Most Sustainable Companies. Additionally, the Company was included in the Bloomberg Gender Equality Index for the fourth consecutive year, and the Company recently achieved the ranking of sixth on the Corporate Knights' Global 100 Most Sustainable Corporations in the World index.

The following goals and actions highlight the Company's commitment to embedding ESG principles throughout its business:

Environmental and Sustainability

- Energy and Emissions for the Company's Regulated Businesses
 - The Company clarified its existing goal to reduce by more than 40% its greenhouse gas ("GHG") emissions by 2025, from a 2007 baseline, as an absolute measurement of its scope 1 (direct) emissions, and scope 2 (indirect, derived from the Company's purchases of energy) emissions.
 - The Company lowered its GHG emissions through December 31, 2020 by approximately 36% since its base year of 2007. GHG emissions data for the full calendar year 2021 is expected to be released in April 2022.

- Water Efficiency and Resiliency for the Company’s Regulated Businesses
 - The Company established a water efficiency goal to meet customer needs while saving 15% in water volume delivered per customer by 2035, compared to a 2014 and 2015 averaged baseline. The Company has lowered its water delivery per customer over the last three years. The Company reduced its water volume delivered per customer compared to a 2015 baseline by 5.0%, 5.3% and 4.3% as of December 31, 2021, 2020, and 2019, respectively.
 - The Company has further utilized a uniform water system resiliency metric, the Utility Resilience Index (“URI”), to track enhancements in the Company’s ability to prepare for, respond to, remediate and effectively manage incidents impacting its operations. The Company plans to increase its URI weighted average by 10% by 2030 from a 2020 baseline. The URI is a part of the American Water Works Association’s J-100 voluntary consensus risk and resilience standard and focuses on a utility’s ability to manage incidents affecting its customers, employees and assets, and return to normal operations as quickly as possible.
 - Approximately 10-12% of the Company’s total projected capital investment over the next five years is dedicated to resiliency, accounting for approximately \$1.2 billion to \$1.4 billion allocated to renewing and improving assets of the Regulated Businesses.
- Policy Leadership
 - The Company employs a team of R&D scientists dedicated to partnering with water research organizations on water quality and technology-based source water monitoring.
 - The Company collaborates and partners with federal and state agencies to support effective environmental, health and safety and water quality standards and regulations.

Social Responsibility

- Customers
 - For 2021, the Company achieved an aggregate customer satisfaction rating in the top quartile among the Company’s industry peer group.
 - To better reflect the customers that the Company serves, the Company increased spend with diverse suppliers and small businesses in 2021 by more than 10% year over year.
- Employees
 - During 2021, over 109,000 hours of safety training were completed by the Company’s employees.
 - The Company has made significant progress toward its zero injuries goal, reducing workplace injuries by 66% since 2015. Through year end 2021, the Company has further reduced its OSHA recordable injury rate (“ORIR”) to 0.97, the lowest in the Company’s recorded history, which is approximately two times better than the water industry average.
 - During 2021, approximately 86% of the Company’s job requisitions had a diverse candidate pool, with approximately 58% of transfers or promotions filled by diverse individuals.
 - In 2021, the Company named Cheryl Norton as its first female Executive Vice President and Chief Operating Officer.
- Communities
 - In December 2021, the Company authorized the contribution of \$45 million to the American Water Charitable Foundation (“AWCF”), a 501(c)(3) private foundation established by American Water in 2010.

- More than \$941 thousand was donated in 2021 by the Company's employees and the AWCFC through workplace giving campaigns including the United Way, Water For People and other volunteering giving campaigns that supported more than 1,500 public charities nationwide.

Governance

- Board and Committees
 - The Board of Directors and each of its standing committees are led by an independent, non-executive chairperson.
 - The Board of Directors met 14 times in 2021.
 - The Board of Directors reflects gender, racial and experiential diversity. As of December 31, 2021, 54.5% of the Company's directors voluntarily self-identified as female or racially diverse.
 - The Company's average director tenure was approximately 7.2 years as of December 31, 2021.
- Demonstrated and Representative Expertise
 - The members of the Company's Board of Directors have demonstrated expertise, including, among others, experience in utility and finance operations, customer service, cybersecurity, the military, financial services and capital markets, service as a public company CEO, CFO and/or board member, and management of global operations.
- Transparency
 - The Company discloses on its website its Political Contributions Policy and, on an annual basis, information related to its political contributions and lobbying expenditures.
 - The Company makes available on its website its ESG goals and achievements.

Human Capital Resources

Overview

The Company's people are a critical part of its business, and the Company's investment in its people begins with recruitment of qualified and diverse talent. The Company believes that representing the communities in which it serves plays a key role in its ability to serve its customers and improves its talent. The Company promotes an inclusive culture where its employees are given the opportunity to develop to their fullest potential and understand that they directly contribute to the Company's ability to operate, grow and serve its customers. The Company believes that investing in the safety, health and well-being of its employees is a key component of its people and culture goals, and that these investments in its people allow employees to generate great ideas, provide quality customer service and make a difference in the lives of the Company's customers.

Employee Health and Safety

A longstanding value and strategy of the Company is safety. In this regard, the Company continues to focus on the safety of its employees and contractors so that they may return home from work in the same, or better, condition than when they arrived. The Company strives for all employees to feel emotionally safe, live a healthy lifestyle and be physically safe at work and at home. The Company assesses occupational health and safety to measure performance across the entire organization, with the ultimate goal of achieving zero incidents, injuries and fatalities for the Company's employees and contractors.

To uphold the Company's commitment to safety, the Company's employees completed over 100,000 hours of employee safety training during 2021. Additionally, through frequent labor-management meetings, the Company encourages open exchanges to explore new ways to further enhance safety on the job. All employees

are empowered to demonstrate safety leadership by taking the time they need to complete a task safely and to use “Stop Work Authority” — the power to stop working immediately whenever they believe a task is unsafe — to personally mitigate the hazard or issue or collaborate with management to create a safe situation. The Company believes that this Stop Work Authority is so important that it is stated on the back of every employee’s identification badge.

For 2021, the Company had its lowest ORIR injury rate in its recorded history, achieving a 2% reduction compared to 2020, even though labor hours increased by 5%. Also, the number of injuries for purposes of the Company’s Days Away Restricted or Transferred (“DART”) rate decreased by 14% compared to 2020. For 2021, the Company’s ORIR was 0.97 (64 injuries) and its DART rate was 0.54 (36 injuries), compared to an ORIR of 0.99 (63 injuries) and a DART rate of 0.63 in 2020.

In 2021, American Water teams led by promoting safety leading indicator activities, including pre-job safety briefings and near miss reporting, and by achieving internal Certified Safe Worker designations. Near miss reports, where employees report potential hazards or incidents in a safe and secure manner, increased by 27% in 2021 over 2020, and 99% of near miss incident corrective actions were completed within 30 days, meeting the Company’s 2021 goal. The Company utilizes near miss reporting and timely corrective actions as key measurements of employee engagement and safety performance.

Understanding that some employees may have delayed seeking preventative or other medical care due to the COVID-19 pandemic, a 2021 priority for the Company was to encourage employees to increase their utilization of preventative exams. Through the Company’s marketing efforts and targeted incentives in its myWellness program, the Company sought to encourage employees to take preventative health actions. The number of total preventative care exams completed by the Company’s employees increased by 15% during 2021 compared to 2020.

Supporting Employees During the COVID-19 Pandemic

American Water remains committed to the health, well-being and safety of its employees and families, as well as its customers and communities. The Company’s Emergency Crisis Response Team (“ECRT”) continued to deploy a COVID-19 contact tracing program to reduce the risk of COVID-19 transmission at work. The ECRT consistently monitors current events and the latest public health guidance and adjusts workplace safety measures and the Company’s COVID-19 guidance accordingly. During the pandemic, American Water provided temporary medical and emotional health benefits, including paid time off and emergency leave. The Company also supported employees and their families during the uncertainty of the pandemic by providing additional resources, such as enhanced well-being support, workplace flexibility, back-up dependent care, caretaker database discounts and academic support. American Water did not lay off any employees due to the pandemic.

As an essential business that must continue to provide water and wastewater services during the COVID-19 pandemic, the Company continued to focus on the care and safety of its employees, contractors, vendors and others who work at or visit the Company’s worksites. In 2021, as COVID-19 vaccines became more readily available, the Company began planning for the reintegration of those who had been working remotely back to its work facilities, and also began to implement safety protocols based on current COVID-19 health guidance for the return of employees to perform work in customers’ homes. Furthermore, the Company has continued to support employee health and safety by providing safety training and resources, continuing to enforce safety protocols such as maintaining social distancing, requiring the use of face coverings at work, and encouraging good hygiene and frequent handwashing and cleaning of work areas. The Company continues to receive input from its employees via pulse surveys throughout the COVID-19 pandemic, which has also helped to shape the Company’s pandemic-related responses and a flexible return to hybrid work where possible. Throughout the fall of 2021, managers and employees who had been working remotely during the pandemic began to return to the Company’s offices and facilities with increasing frequency, in preparation for a three-day in-person, two-day remote work week, where feasible.

Inclusion, Diversity and Equity

In 2021, the Company continued to evolve its inclusion and diversity strategic framework to include equity. The Company defines equity as fair treatment, access, opportunity and advancement for all people, while also eliminating barriers that may prevent some groups from full participation. The Company promotes an environment where inclusion, diversity and equity are embedded in its culture. At all levels, the Company strives to understand, respect, value and provide equal opportunity to each employee. The Company seeks to foster an environment where employees' differences are embraced and celebrated. The Company holds as an essential concept the right of employees to proudly share their ideas and unique perspectives in an environment built on mutual respect, equity and inclusion. The Company is committed to diversity among its workforce, executive and senior management leadership teams, by reflecting the diversity of the communities in which the Company serves. The Company expects all of its leaders to lead with inclusion, diversity and equity.

During 2021, the Company published its first Inclusion & Diversity Report. The report shares the Company's diversity strategies, practices, policies and programs from across the business and includes more than 100 data points related to building a culture of inclusion. The following graphic highlights the Company's principal employee inclusion, diversity and equity metrics for 2021 based on its employee headcount as of January 1, 2022, and which are based on responses from employees who voluntarily self-reported this information to the Company.



During 2021, 85.6% of the Company's hiring candidate pools were diverse. For this purpose, diversity refers to gender, race, ethnicity, disability and/or veteran/military status, based on voluntary, self-identified employee information.

The Company maintains active memberships with groups such as Hiring our Heroes, Military Spouse Employment Partnership, American Corporate Partners, CEO Action for Diversity and Inclusion, Disability:IN, Paradigm for Parity, and Out and Equal, to further enhance its ability to recruit and retain diverse employees. Among this year's recognitions, the Company was designated as a 2021 Military Friendly® Top 10 Gold Employer and recognized by Military Times for its industry-leading efforts on hiring and supporting U.S. military veterans. The Company was also a top scorer in the 2021 Disability Equality Index for the third consecutive year and was recognized by U.S. Veterans Magazine as a veteran-friendly company and as an organization with a veteran-friendly supplier diversity program.

In keeping with the Company's values, the Company does not tolerate discrimination, harassment or retaliation by or toward any employee, vendor, customer or other person in its workplace. All employees are

required to complete anti-harassment, workplace respect and dignity, unconscious bias and inclusion and diversity training. In addition, annual Code of Ethics training is provided to all employees, which includes education on using the Company's anonymous hotline for reporting potential Code of Ethics violations.

In 2021, the Company launched four employee business resource groups ("EBRGs"), which represent diverse employee demographics (Women, African American/Black, LGBTQ+ and Disabilities) throughout the Company. EBRGs offer opportunities for employees to share ideas and best practices, and to create measurable and long-lasting positive impacts on the Company's culture. The Company's Inclusion and Diversity Advisory Council oversees the formation, goals and actions of the EBRGs to support the Company's inclusion diversity and equity priorities.

To further its commitment to inclusion, diversity and equity, and in response to feedback from employees about work-life balance, in 2021, the Company announced a new Inclusion Holiday Swap benefit, to allow the opportunity for all employees to swap a Company holiday with another day of their choosing that more closely reflects their personal values, beliefs or culture. In addition, the Company is evaluating the implementation of workforce diversity goals in certain of its compensation programs.

Total Rewards

Employees are considered the Company's greatest assets and the Company views their overall well-being to be as important as their physical safety. American Water's health and well-being programs aim for employees to go home in the same or better condition than when they came to work. Health and well-being programs are approached holistically by offering the following benefits, among others: medical, prescription, dental, vision, disability and life insurance coverage, as well as a health and wellness program and a menu of additional voluntary benefits. The Company's Total Rewards programs are designed to reflect many aspects of employee health and well-being, cultivate an inclusive workforce and motivate, attract and retain talent to seek to achieve the Company's strategic business priorities.

As part of Total Rewards, the Company provides a comprehensive compensation and benefit program designed to recognize the vital roles the Company's employees play. Further, all of the Company's employees, including those who are union-represented, participate in the Company's Annual Performance Plan, to promote alignment in bonus compensation to the Company's short-term performance goals. Moreover, all employees who average 30 hours or more per week receive full-time benefits. Approximately 90% of all benefit eligible employees are enrolled in the Company's healthcare benefits. Full-time employees pay approximately 16% of the total cost of medical, dental and vision coverage. The Company offers its non-union employees who average 20 to 30 hours per week medical, dental and vision coverage at 50% of the total cost. Additional medical benefits include coverage for applied behavior analysis, autism treatment, transgender services and hearing aids, as well as a fertility assistance benefit to assist employees in building a family. The Company also offers additional employment benefits, including holiday, vacation and sick time, which are at levels generally greater than or equal to those offered by other companies in the utility industry. For example, the Company offers its employees up to two weeks of paid leave in connection with the birth, adoption or foster placement of a child, or to take care of a sick family member.

The Company believes that good emotional and mental health is fundamental, and offers a behavioral health benefit to assist employees and their families to maintain their well-being. Additionally, the Company offers an employee assistance program (EAP) that provides all employees and their eligible dependents with access to a variety of support resources free of charge. The EAP provides confidential support through its Work-Life Specialists to help individuals who are experiencing a variety of challenges, including financial, legal, family and emotional needs. The EAP provides guidance, resources and expert referrals based on an individual's needs. In addition, the Company provides all employees and their families with access to an interactive online wellness program that supports and encourages a healthy lifestyle both at work and at home. In 2021, the Company enhanced its internal myWellness website to include additional tools and activities for employees, including customized programs and action cards tailored to an individual's self-identified health needs.

Talent Development

The Company provides learning opportunities and work experiences to equip its employees with the tools, skills, and competencies they need to operate safely and effectively and to grow professionally. To this end, the Company has established an Employee Experience and Talent Development team to help develop and deploy programs that are designed to attract, motivate, develop and retain talented employees, and foster a learning culture. The Company requires every employee, including its union-represented employees, to complete a minimum of 25 hours of training each year (an increase in the 20-hour requirement for 2020). Approximately 98% of active full-time employees hired before October 1, 2021 met this requirement for 2021, with over 331,000 hours of total training completed during the year, including approximately 109,000 hours of safety training. In addition to required role-based training, managers assist employees to identify professional development opportunities to help them reach their full potential and grow their careers. Additionally, in 2021, approximately 58% of the Company's internal employee transfers and promotions were diverse (defined as female, minority, disability, military, military spouse, and LGBTQ+ status, based on voluntary employee self-identification), which reflects the Company's commitment to employee development and career growth as well as the Company's focus on diversity, inclusion and equity, and a desire for its employees to reflect the communities in which it operates.

Developing talent and ensuring a pipeline to executive leadership is a critical priority for the Company. During 2021, the Company engaged in succession planning activities for the Company's critical positions and executive leaders. These succession plans aid in providing continued leadership for the growth and future of the Company's business, while also seeking to promote diversity, retention and development. In addition to succession of executive leadership roles, in 2022, the Company plans to focus on talent reviews, which will include identification of critical skill and competency areas, a focus on diverse emerging talent, and a discussion of strengths, gaps, and development plans. Talent reviews will be conducted for a select group of employees, including employees who are being assessed for senior leadership or other critical roles.

Employee Experience

The Company's employee value proposition ("EVP") focuses on employee experience as an influencer of an employee's opinions and emotional response about the Company as an employer. The Company continually seeks to shape and refine its employee experience, and therefore its EVP, by offering an inclusive employee culture, employee development opportunities and competitive compensation and benefits. In developing its current EVP, the Company identified components that it believes are important to its employees and then solicited and received feedback from over 400 Company employees on those components to understand better the aspects that they value from their employer. From this employee outreach, and as a part of its EVP, the Company developed weCare, which is comprised of the following five components: deeper connections, personal growth, shared purpose, flexibility and well-being.

Workforce Data

As of January 1, 2022, the Company had approximately 6,400 employees. For 2021, the Company's employee turnover rate, which the Company defines as the ratio of the number of separated employees to the 12-month average headcount during 2021, was 13.1%, up from 7.4% in 2020. American Water seeks to reduce employee turnover by assessing its EVP and through its efforts to foster the Company's employee experience.

As of January 1, 2022, approximately 47% of the Company's workforce was represented by unions, which include 73 collective bargaining agreements with 14 different unions. Additionally, in 2022, the Company has begun to negotiate two new collective bargaining agreements, which would cover approximately 180 employees. During 2022, 21 of the Company's collective bargaining agreements are set to expire in accordance with their terms and the Company expects to be able to negotiate these agreements during the year. The Company collaborates with union leadership on topics such as safety, customer, technology and employee benefits in forums such as the Joint Healthcare Committee, National Labor Management Committee and the annual Labor Management Conference.

Board Oversight

The Executive Development and Compensation Committee (“ED&CC”) of the Board of Directors establishes and reviews the Company’s overall compensation philosophy and oversees the compensation and benefits plans and programs for its executive officers. The ED&CC oversees the process of planning for executive officer succession. It also provides oversight of the Company’s inclusion, diversity and equity programs and initiatives. Further, the ED&CC is responsible for reviewing and assessing, at least annually, the Company’s culture and related culture engagement, its organizational and leadership development plans and programs, and its programs designed to identify, attract and retain high-potential employees.

Information About Our Executive Officers

Presented in the table below are the name, age, offices held and business experience for each of the Company’s executive officers, as of February 16, 2022:

Name	Age	Office and Experience
M. Susan Hardwick	59	<p>President, Chief Executive Officer and Chief Financial Officer.</p> <p>Ms. Hardwick joined the Company in June 2019 as its Executive Vice President—Finance and has served as its Executive Vice President and Chief Financial Officer since July 2019. From December 7, 2021 until January 31, 2022, Ms. Hardwick also served as Interim Chief Executive Officer, and, on February 2, 2022, was elected as President and Chief Executive Officer. Ms. Hardwick previously served as the Executive Vice President and Chief Financial Officer of Vectren Corporation, which was sold to CenterPoint Energy, Inc., an electric and natural gas utility, on February 1, 2019. Ms. Hardwick joined Vectren Corporation in January 2000 and served in a variety of positions, including: Vice President, Controller and Assistant Treasurer; Senior Vice President, Finance; Senior Vice President, Chief Financial Officer; and Executive Vice President and Chief Financial Officer. Prior to joining Vectren, Ms. Hardwick was Assistant Corporate Comptroller at Cinergy Corp. She began her career with Arthur Andersen & Co. Ms. Hardwick is a Certified Public Accountant. Since September 2020, Ms. Hardwick has served on the Board of Directors of New Jersey Resources Corporation, a diversified energy services company, where she is currently serving a three-year term expiring in 2024, and since January 1, 2021, she has served as a member of its Audit Committee.</p>

Name	Age	Office and Experience
Maureen Duffy	52	<p>Senior Vice President, Communications and External Affairs. Ms. Duffy has served as Senior Vice President, Communications and External Affairs since January 2020 and has been an executive officer of the Company since June 2020. Prior to that, Ms. Duffy served as Vice President, Corporate Communications and Federal Affairs from May 2017 to December 2019 and Vice President, Corporate Communications and External Affairs from September 2011 to May 2017. From July 2006 to September 2011, Ms. Duffy held various positions of increasing responsibility in the Company’s internal and external corporate communications function. From November 1999 to July 2006, she held various positions with the Company’s New Jersey subsidiary, including Government Affairs/Media Specialist, Communications Manager and Director of Corporate Communications. Prior to joining American Water, Ms. Duffy reported and produced news for WNJN/WNET-TV.</p>
Melanie M. Kennedy	48	<p>Executive Vice President, Chief Human Resources Officer. Ms. Kennedy has served as the Company’s Executive Vice President, Chief Human Resources Officer since December 9, 2021, and as Senior Vice President, Chief Human Resources Officer from December 2020 to December 2021. Prior to that, she served as the Company’s Senior Vice President, Human Resources from March 2017 to December 2020. From August 2014 through February 2017, Ms. Kennedy served as the Company’s Vice President, Human Resources, and from August 2012 to August 2014, she served as Director, Human Resources in the Company’s Northeast Division. Ms. Kennedy initially joined the Company in 2007, and before that time, she practiced law for nine years.</p>
James S. Merante	47	<p>Vice President and Treasurer. Mr. Merante has served as the Company’s Vice President and Treasurer since February 2019. Prior to that, Mr. Merante was Vice President, Internal Audit from February 2018 to February 2019, and served as Divisional Chief Financial Officer for the Company’s Mid-Atlantic Division from July 2014 until February 2018. Mr. Merante is a Certified Public Accountant.</p>
Adam Noble	56	<p>Chief Technology and Innovation Officer. Mr. Noble has over 30 years of collective experience in the information technology sector. Mr. Noble joined the Company in August 2020 as its Chief Technology and Innovation Officer. Prior to joining the Company, Mr. Noble served as Senior Vice President and Chief Information Officer of Veritiv Corporation, a North American business-to-business distributor of packaging and facility solutions, since June 2019. Previously, Mr. Noble served as Senior Vice President and Global Chief Information Officer at GAF Materials Corporation, a global manufacturing company, from May 2010 to March 2019, and as its Vice President and Chief Information Officer from May 2006 to April 2010.</p>

Name	Age	Office and Experience
Cheryl Norton	57	<p>Executive Vice President and Chief Operating Officer. Ms. Norton has over 30 years of employment with the Company serving in various roles, including operational leadership, environmental stewardship, laboratory management and research. She has been serving as the Company’s Executive Vice President and Chief Operating Officer since March 1, 2021 and served as its Senior Vice President, Chief Environmental Officer from March 2020 to March 2021. She was also the Company’s Senior Vice President, Eastern Division and President of its New Jersey subsidiary from March 2019 to March 2021. Prior to that, Ms. Norton served as President of the Company’s Missouri subsidiary from November 2015 to March 2019, and President of its Kentucky subsidiary from January 2011 until November 2015. In addition, Ms. Norton also serves as a member of the Board of Directors of the Water Research Foundation.</p>
Melissa K. Wikle	56	<p>Chief Accounting Officer. Ms. Wikle joined the Company in July 2016 as its Vice President and Controller and assumed the duties of the Company’s principal accounting officer in August 2016. She has served as Chief Accounting Officer since December 9, 2021. Prior to joining the Company, Ms. Wikle served as Corporate Controller and Chief Accounting Officer of Columbus McKinnon Corporation, a publicly traded worldwide designer, manufacturer and marketer of material handling products, systems and services, since April 2011. Ms. Wikle is a Certified Public Accountant.</p>

Each executive officer is elected annually by the Board of Directors and serves until his or her respective successor has been elected and qualified or his or her earlier death, resignation or removal.

Available Information

The Company is subject to the reporting requirements of the Exchange Act. The Company files or furnishes annual, quarterly and current reports, proxy statements and other information with the SEC. Readers may obtain a copy of the Company’s annual reports on Form 10-K, its quarterly reports on Form 10-Q or its current reports on Form 8-K, or any amendments to them, that are filed with or furnished to the SEC, free of charge, from the Investor Relations section of the Company’s website, <https://ir.amwater.com>, as soon as reasonably practicable after the Company files or furnishes the information to the SEC.

The Company maintains a website at <https://amwater.com>. Information contained on the Company’s website, including its Sustainability Report, its Inclusion and Diversity Annual Report, and other reports or documents, shall not be deemed incorporated into, or to be a part of, this report, and any website references included herein are not intended to be made through active hyperlinks. The Company recognizes its website as a key channel of distribution to reach public investors and as a means of disclosing information to comply with SEC Regulation FD.

The American Water corporate governance guidelines and the charters for each of the standing committees of the Board of Directors, together with the American Water Code of Ethics and additional information regarding the Company’s corporate governance, are available on its Investor Relations website, <https://ir.amwater.com>, and will be made available, without charge, in print to any shareholder who requests such documents from its Investor Relations Department, American Water Works Company, Inc., 1 Water Street, Camden, NJ, 08102.

ITEM 1A. RISK FACTORS

We operate in a market and regulatory environment that involves significant risks, many of which are beyond our control. In addition to the other information included or incorporated by reference in this Annual Report on Form 10-K, the following material factors should be considered in evaluating our business and future prospects. Any of the following risks, either alone or taken together, could materially and adversely affect our business, financial position, results of operations, cash flows and liquidity.

Risks Related to Our Industry and Business Operations

Our Regulated Businesses are subject to extensive regulation by state PUCs and other regulatory agencies, which significantly affects our business, financial condition, results of operations and cash flows. Our Regulated Businesses also may be subject to fines, penalties and other sanctions for an inability to meet these regulatory requirements.

Our Regulated Businesses provide water and wastewater services to our customers through subsidiaries that are subject to regulation by state PUCs. This regulation affects the rates we charge our customers and has a significant impact on our business and operations. Generally, the state PUCs authorize us to charge rates that they determine are sufficient to recover our prudently incurred operating expenses, including, but not limited to, operating and maintenance costs, depreciation, financing costs and taxes, and provide us with the opportunity to earn an appropriate rate of return on invested capital.

Our ability to successfully implement our business plan and strategy depends on the rates authorized by the various state PUCs. We periodically file rate increase applications with state PUCs. The ensuing administrative process may be lengthy and costly. Our rate increase requests may or may not be approved, or may be partially approved, and any approval may not occur in a timely manner. Moreover, a PUC may not approve a rate request to an extent that is sufficient to:

- cover our expenses, including purchased water and costs of chemicals, fuel and other commodities used in our operations;
- enable us to recover our investment; and
- provide us with an opportunity to earn an appropriate rate of return on our investment.

Approval by the PUCs is also required in connection with other aspects of our Regulated Businesses, which are required to have numerous permits, approvals and certificates from the PUCs that regulate their businesses and authorize acquisitions, dispositions, debt and/or equity financing, and, in certain cases, affiliated transactions. Some state PUCs are empowered to impose financial penalties, fines and other sanctions for non-compliance with applicable rules and regulations. Although we believe that each utility subsidiary has obtained or sought renewal of the material permits, approvals and certificates necessary for its existing operations, we are unable to predict the impact that future regulatory activities may have on our business.

PUCs and other governmental authorities have taken, and may continue to take, emergency or other actions in light of the on-going COVID-19 pandemic that may impact us, including prohibiting the termination of service for non-payment and extending or delaying procedural schedules in our regulatory proceedings. We are unable to predict the range of impacts that the ongoing COVID-19 pandemic and other related events may have on our ability to obtain these approvals as needed or requested by our Regulated Businesses in the ordinary course or at all, or the nature or impacts of any further emergency or other action that may be taken by the PUCs or other governmental authorities.

In any of these cases, our business, financial condition, results of operations, cash flows and liquidity may be adversely affected. Even if the rates approved are sufficient, we face the risk that we will not achieve the rates of return on our invested capital to the extent permitted by state PUCs. This could occur if certain conditions

exist, including, but not limited to, water usage is less than the level anticipated in establishing rates, customers increase their conservation efforts, or we experience unanticipated impacts of the on-going COVID-19 pandemic, or if our investments or expenses prove to be higher than the levels estimated in establishing rates.

Our operations and the quality of water we supply are subject to extensive and increasingly stringent environmental, water quality and health and safety laws and regulations, including with respect to contaminants of emerging concern, compliance with which could impact both our operating costs and capital expenditures, and violations of which could subject us to substantial liabilities and costs, as well as damage to our reputation.

Our regulated water and wastewater operations and the operations of our Market-Based Businesses are subject to extensive federal, state and local laws and regulations. These requirements include, among others, CERCLA, the Clean Water Act, the Safe Drinking Water Act, the LCR, and other federal and state requirements. For example, state PUCs and environmental regulators set conditions and standards for the water and wastewater services we deliver. If we deliver water or wastewater services to our customers that do not comply with regulatory standards, or otherwise violate environmental laws, regulations or permits, or other health and safety and water quality regulations, we could incur substantial fines, penalties or other sanctions or costs, as well as damage to our reputation. In the most serious cases, regulators could reduce requested rate increases or force us to discontinue operations and sell our operating assets to another utility or to a municipality. Given the nature of our business which, in part, involves providing water service for human consumption, any potential non-compliance with, or violation of, environmental, water quality and health and safety laws or regulations would likely pose a more significant risk to us than to a company not similarly involved in the water and wastewater industry.

In addition, CERCLA authorizes the EPA to issue orders and bring enforcement actions to compel responsible parties to investigate and take remedial actions with respect to actual or threatened releases of hazardous substances, and can impose joint and several liability, without regard to fault, on responsible parties for the costs thereof. We are also required to obtain various environmental permits from regulatory agencies for our operations.

We incur substantial operating and capital costs on an ongoing basis to comply with environmental, water quality and health and safety laws and regulations. These laws and regulations and their enforcement, have become more stringent over time, and new or stricter requirements could increase our costs. Although we may seek to recover ongoing compliance costs in our Regulated Businesses through customer rates, there can be no guarantee that the various state PUCs or similar regulatory bodies that govern our Regulated Businesses would approve rate increases that would enable us to recover such costs or that such costs will not materially and adversely affect our financial condition, results of operations, cash flows and liquidity.

We may also incur liabilities if, under environmental laws and regulations, we are required to investigate and clean up environmental contamination, including potential releases of hazardous chemicals, such as chlorine, which we use to treat water, or at off-site locations where we have disposed of residual waste or caused an adverse environmental impact. The discovery of previously unknown conditions, or the imposition of cleanup obligations in the future, could result in significant costs and could adversely affect our financial condition, results of operations, cash flows and liquidity. Such remediation costs may not be covered by insurance and may make it difficult for us to secure insurance at acceptable rates in the future.

Attention is being given to contaminants of emerging concern, including, without limitation, chemicals and other substances that currently do not have any regulatory standard in drinking water or have been recently created or discovered (including by means of scientific achievements in the analysis and detection of trace amounts of substances). Examples of sources of contaminants include, but are not limited to, newly created chemical compounds (including, for example, manufactured nanomaterials); human and veterinary products; perfluorinated and polyfluorinated compounds; bacteria, microbes, viruses (including the coronavirus), amoebae

and other pathogens; and residual by-products of disinfection. We rely upon governmental agencies to set appropriate regulatory standards to protect the public from these and other contaminants, and our role is to provide service that meets these standards, if any. In some of our states, PUCs may disapprove of cost recovery, in whole or in part, for implementation of treatment infrastructure for a contaminant in the absence of a regulatory standard. Furthermore, given the rapid pace at which these contaminants are being created and/or discovered, we may not be able to detect and/or mitigate all such substances in our drinking water system or supplies, which could have a material adverse impact on our financial condition, results of operations and reputation. In addition, we believe these contaminants may form the basis for additional or increased federal or state regulatory initiatives and requirements in the future, which could significantly increase the cost of our operations.

Limitations on availability of water supplies or restrictions on our use of water supplies as a result of government regulation or action may adversely affect our access to sources of water, our ability to supply water to customers or the demand for our water services.

Our ability to meet the existing and future demand of our customers depends on the availability of an adequate supply of water. As a general rule, sources of public water supply, including rivers, lakes, streams, groundwater aquifers and recycled water sources, are held in the public trust and are not generally owned by private interests. As a result, we typically do not own the source water that we use in our operations, and the availability of our water supply is established through allocation rights (determined by legislation or court decisions) and passing-flow requirements set by governmental entities or by entering into water purchase agreements. These requirements, which can change from time to time, and vary by state or region, may adversely impact our water supply. Supply issues, such as drought, overuse of sources of water, the protection of threatened species or habitats, contamination or other factors may limit the availability of ground and surface water. If we are unable to secure available or alternative sources of water, our business, financial condition, results of operations and cash flows could be adversely affected.

For example, in our Monterey County, California operations, we are seeking to augment our sources of water supply, principally to comply with an October 2009 cease and desist order (the “2009 Order”), as amended by a July 2016 order (the “2016 Order”), of the SWRCB that requires our California subsidiary to significantly decrease its diversions from the Carmel River in accordance with a reduction schedule that terminated on December 31, 2021 (the “2021 Deadline”). See Item 3—Legal Proceedings—Alternative Water Supply in Lieu of Carmel River Diversions, which includes additional information regarding this matter. We are also required to augment our Monterey County sources of water supply to comply with the requirements of the Endangered Species Act. Beginning in January 2022, Cal Am currently expects that it will be able to comply with the diversion reduction requirement schedule contained in the 2016 Order, but continued compliance with the diversion reduction requirements for 2023 and future years will depend on successful development of alternate water supply sources sufficient to meet customer demand. The 2009 Order and the 2016 Order remain in effect until Cal Am certifies to the SWRCB, and the SWRCB concurs, that Cal Am has obtained a permanent supply of water to substitute for past unauthorized Carmel River diversions. While the Company cannot currently predict the likelihood or result of any adverse outcome associated with these matters, further attempts to comply with the 2009 Order and the 2016 Order may result in material additional costs or obligations, including fines and penalties against our California subsidiary in the event of noncompliance with the 2009 Order and the 2016 Order, which could have a material adverse effect upon us and our business, results of operations and cash flows.

Service disruptions caused by severe weather conditions, climate variability patterns or natural or other disasters may disrupt our operations or reduce the demand for our water services, which could adversely affect our financial condition, results of operations, cash flows and liquidity.

Service interruptions due to severe weather, climate variability patterns and natural or other events are possible across all our businesses. These include, among other things, storms, freezing conditions, high wind conditions, hurricanes, tornadoes, earthquakes, landslides, drought, wildfires, coastal and intercoastal floods or

high water conditions, including those in or near designated flood plains, pandemics (including the COVID-19 pandemic) and epidemics, severe electrical storms, sinkholes and solar flares. Weather and other natural events such as these may affect the condition or operability of our facilities, limiting or preventing us from delivering water or wastewater services to our customers, or requiring us to make substantial capital expenditures to repair any damage. Tariffs in place or cost recovery proceedings with respect to our Regulated Businesses may not provide reimbursement to us, in whole or in part, for any of these impacts.

Government restrictions on water use may also result in decreased use of water services, even if our water supplies are sufficient to serve our customers, which may adversely affect our financial condition, results of operations and cash flows. Seasonal drought conditions that may impact our water services are possible across all of our service areas. Governmental restrictions imposed in response to a drought may apply to all systems within a region independent of the supply adequacy of any individual system. Responses may range from voluntary to mandatory water use restrictions, rationing restrictions, water conservation regulations, and requirements to minimize water system leaks. While expenses incurred in implementing water conservation and rationing plans may generally be recoverable provided the relevant PUC determines they were reasonable and prudent, we cannot assure that any such expenses incurred will, in fact, be fully recovered. Moreover, reductions in water consumption, including those resulting from installation of equipment or changed consumer behavior, may persist even after drought restrictions are repealed and the drought has ended, which could adversely affect our business, financial condition, results of operations and cash flows.

Climate variability may cause increased volatility in weather and may impact water usage and related revenue or require additional expenditures, all of which may not be fully recoverable in rates or otherwise.

The issue of climate variability is receiving increasing attention nationally and worldwide. There is consensus among climate scientists that there will be worsening of weather volatility in the future associated with climate variability. Many climate variability predictions present several potential challenges to water and wastewater utilities, including us, such as:

- increased frequency and duration of droughts;
- increased precipitation and flooding;
- increased frequency and severity of storms and other weather events;
- challenges associated with changes in temperature or increases in ocean levels;
- potential degradation of water quality;
- decreases in available water supply and changes in water usage patterns;
- increases in disruptions in service;
- increased costs to repair damaged facilities; or
- increased costs to reduce risks associated with the increasing frequency and severity of natural events, including to improve the resiliency and reliability of our water and wastewater treatment and conveyance facilities and systems.

Because of the uncertainty of weather volatility related to climate variability, we cannot predict its potential impact on our business, financial condition, results of operations, cash flows and liquidity. Furthermore, laws and regulations have been enacted that seek to reduce or limit GHG emissions and require additional reporting and monitoring, and these regulations may become more pervasive or stringent in light of changing governmental agendas and priorities, although the exact nature and timing of these changes is uncertain. Although some or all potential expenditures and costs associated with the impact of climate variability and related laws and regulations on our Regulated Businesses could be recovered through rates, infrastructure replacement surcharges or other regulatory mechanisms, there can be no assurance that state PUCs would authorize rate increases to enable us to recover such expenditures and costs, in whole or in part.

The current regulatory rate setting process may result in a significant delay, also known as “regulatory lag,” from the time that we invest in infrastructure improvements, incur increased operating expenses as a result of inflation or other factors, incur increased cost of capital, including as a result of increasing short- and long-term rates, or experience declining water usage, to the time at which we can seek to address these events in rate case applications; our inability to mitigate or minimize regulatory lag could adversely affect our business.

There is typically a delay, known as “regulatory lag,” between the time our Regulated Businesses make a capital investment or incur an operating expense increase and the time when those costs are reflected in rates. In addition, billings permitted by state PUCs typically are, to a considerable extent, based on the volume of water usage in addition to a minimum base rate. Thus, we may experience regulatory lag between the time our revenues are affected by declining usage and the time we are able to adjust the rate per gallon of usage to address declining usage. Our inability to mitigate or reduce regulatory lag could have an adverse effect on our financial condition, results of operations, cash flows and liquidity.

We endeavor to mitigate or reduce regulatory lag by pursuing constructive regulatory practices. For example, two of our states have approved revenue stability mechanisms that adjust rates periodically to ensure that a utility’s revenue will be sufficient to cover its costs regardless of sales volume, including recognition of declining sales resulting from reduced consumption, while providing an incentive for customers to use water more efficiently. In addition, 10 of our state PUCs permit rates to be adjusted outside of the general rate case application process through surcharges that address certain capital investments, such as replacement of aging infrastructure. These surcharges are adjusted periodically based on factors such as project completion or future budgeted expenditures, and specific surcharges are eliminated once the related capital investment is incorporated in new PUC approved rates. Furthermore, in setting rates, nine of our state PUCs allow us to use future test years, which extend beyond the date a rate request is filed to allow for current or projected revenues, expenses and investments to be reflected in rates on a more timely basis. Other examples of such regulatory practices include expense mechanisms that allow us to increase rates for certain cost increases that are beyond our control, such as purchased water costs, property or other taxes, or power, conservation, chemical or other expenditures. These mechanisms enable us to adjust rates in less time after costs have been incurred than would be the case under a general rate case application process without the mechanisms.

While these mechanisms have mitigated or reduced regulatory lag in several of our regulated states, we continue to seek approval of regulatory practices to mitigate or reduce regulatory lag in those jurisdictions that have not approved them. Furthermore, PUCs may fail to adopt new surcharges and existing mechanisms may not continue in their current form, or at all, or we may be unable or become ineligible to continue to utilize certain of these mechanisms in the future. Although we intend to continue our efforts to seek state PUC approval of constructive regulatory practices to mitigate or reduce regulatory lag, our efforts may not be successful, or even if partially successful, our business, financial condition, results of operations, cash flows and liquidity may be materially and adversely affected.

Changes in laws and regulations can significantly and materially affect our business, financial condition, results of operations, cash flows and liquidity.

The impact of any future revisions or changes in interpretations of existing regulations or the adoption of new laws and regulations applicable to our Regulated Businesses is uncertain. Changes in laws or regulations, the imposition of additional laws and regulations, changes in enforcement practices of regulators, government policies or court decisions can materially affect our operations, results of operations and cash flows. Certain of the individuals who serve as regulators are elected or political appointees. Therefore, elections which result in a change of political administration or new appointments may also result in changes of the individuals who serve as regulators and changes in the policies of the regulatory agencies that they serve. New laws or regulations, new interpretations of existing laws or regulations, changes in agency policy, including those made in response to

shifts in public opinion, or conditions imposed during the regulatory hearing process could have the following consequences, among others:

- making it more difficult for us to increase our rates and, as a consequence, to recover our costs or earn our expected rates of return;
- changing the determination of the costs, or the amount of costs, that would be considered recoverable in rate cases and other regulatory proceedings;
- restricting our ability to terminate our services to customers who owe us money for services previously provided or limiting our bill collection efforts;
- requiring us to provide water or wastewater services at reduced rates to certain customers;
- limiting or restricting our ability to acquire water or wastewater systems, purchase or dispose of assets, or issue long-term debt or equity, or making it less cost-effective for us to do so;
- negatively impacting, among other things: (i) tax rates or positions or the deductibility of expenses under federal or state tax laws, (ii) the availability or amount of, or our ability to comply with the terms and conditions of, tax credits or tax abatement benefit, (iii) the amount of taxes owed, (iv) the timing of tax effects on rates or (v) the ability to utilize our net operating loss carryforwards;
- changing regulations that affect the benefits we expected to receive when we began offering services in a particular area;
- increasing the associated costs of, or difficulty complying with, environmental, health, safety, consumer privacy, water quality, and water quality accountability laws and regulations to which our operations are subject;
- changing or placing additional limitations on change in control requirements relating to any concentration of ownership of our common stock;
- making it easier for governmental entities to convert our assets to public ownership via condemnation, eminent domain or other similar process, or for governmental agencies or private plaintiffs to assess liability against us for damages under these or similar processes;
- placing limitations, prohibitions or other requirements with respect to the sharing of information and participation in transactions by or between a regulated subsidiary and us or our other affiliates, including Service Company and any of our other subsidiaries;
- restricting or prohibiting our extraction of water from rivers, streams, reservoirs or aquifers; and
- revoking or altering the terms of a CPCN issued to us by a state PUC or other governmental authority.

Regulatory and environmental risks associated with the collection, treatment and disposal of wastewater may impose significant costs and liabilities.

The wastewater collection, treatment and disposal operations of our subsidiaries are subject to substantial regulation and involve environmental risks. If collection, treatment or disposal systems fail, overflow, or do not operate properly, untreated or inadequately treated wastewater or other contaminants could spill onto nearby properties or into nearby streams and rivers, causing damage to persons or property, injury to aquatic life and economic damages. This risk is most acute during periods of substantial rainfall or flooding, which are the main causes of sewer overflow and system failure. Liabilities resulting from such damage could adversely and materially affect our business, financial condition, results of operations and cash flows. Certain of our wastewater systems have commercial and industrial customers that are subject to specific limitations on the type, character and strength of the wastewater they are permitted to discharge into our systems. The failure by these commercial and industrial customers to comply with their respective discharge requirements could, in turn, negatively impact our operations, damage our facilities or cause us to exceed applicable discharge limitations and requirements. Liabilities resulting from such exceedance events could adversely and materially affect our business, financial condition, results of operations and cash flows.

A loss of one or more large industrial or commercial customers could have a material adverse impact upon the results of operations of one or more of our Regulated Businesses.

Adverse economic conditions, including the COVID-19 pandemic or other factors, may cause our customers, particularly industrial and large commercial customers, to curtail operations. A curtailment of operations by such a customer typically results in reduced water usage by that customer. In more severe circumstances, the decline in usage could be permanent. Any decrease in demand resulting from difficult economic conditions affecting these customers could adversely affect our financial condition and results of operations. Tariffs in place with respect to our Regulated Businesses may not reimburse us, in whole or in part, for any of these impacts.

Our Regulated Businesses require significant capital expenditures and may suffer if we fail to secure appropriate funding to make investments, experience increases in short- and long-term interest rates or if we experience delays in completing major capital expenditure projects.

The water and wastewater utility business is capital intensive. We invest significant amounts of capital to add, replace and maintain property, plant and equipment, and to improve aging infrastructure. In 2021, we invested \$1.8 billion in net Company-funded capital improvements. The level of capital expenditures necessary to maintain the integrity of our systems will continue into the future and, we believe, will increase. We expect to fund capital improvement projects using cash generated from operations (including, among other things, a portion of the net proceeds from the sales of HOS and our New York subsidiary), borrowings under our revolving credit facility and commercial paper programs and issuances of long-term debt and equity. We may not be able to access our revolving credit facility or the commercial paper, long-term debt and equity capital markets, when necessary or desirable to fund capital improvements on favorable terms or at all. If we are not able to obtain sufficient financing, we may be unable to maintain our existing property, plant and equipment, fund our capital investment strategies, meet our growth targets and expand our rate base to enable us to earn satisfactory future returns on our investments. Even with adequate financial resources to make required capital expenditures, we face the additional risk that we will not complete our major capital projects on time, as a result of supply chain interruptions, construction delays, permitting delays, labor shortages or other disruptions, environmental restrictions, legal and regulatory challenges, or other obstacles. Each of these outcomes could adversely affect our business, financial condition, results of operations and cash flows.

Aging infrastructure may lead to service disruptions, property damage and increased capital expenditures and O&M costs, all of which could negatively impact our financial results.

We have risks associated with aging infrastructure, including water and sewer mains, pumping stations and water and wastewater treatment facilities. Additionally, we may have limited information regarding buried and newly acquired assets, which could challenge our ability to conduct efficient asset management and maintenance practices. Assets that have aged beyond their expected useful lives may experience a higher rate of failure. Failure of aging infrastructure could result in increased capital expenditures and O&M costs, and negatively impact our future O&M efficiency ratio. In addition, failure of aging infrastructure may result in property damage, and in safety, environmental and public health impacts. To the extent that any increased costs or expenditures are not fully recovered in rates, our results of operations, liquidity and cash flows could be negatively impacted.

Seasonality could adversely affect the volume of water sold and our revenues.

The volume of water we sell during the warmer months, typically in the summer, is generally greater than during other months, due primarily to increased water usage for irrigation systems, swimming pools, cooling systems and other applications. Throughout the year, and particularly during typically warmer months, the volume of water sold tends to vary with temperature, rainfall levels and rainfall frequency. In the event that temperatures during the typically warmer months are cooler than normal, or if there is more rainfall than normal, the amount of water we sell may decrease and adversely affect our revenues.

Two of our jurisdictions, California and Illinois, have adopted revenue stability mechanisms that permit us to recover the revenues authorized in a general rate case, regardless of sales volume. Revenue stability mechanisms are designed to recognize declining sales resulting from reduced consumption, while providing an incentive for customers to use water more efficiently. In those jurisdictions that have not adopted a revenue stability mechanism, our operating results could continue to be affected by seasonality.

Contamination of water supplies or our water service provided to our customers could result in service limitations and interruptions and exposure to substances not typically found in potable water supplies, and could subject us and our subsidiaries to reductions in usage and other responsive obligations, government enforcement actions, damage to our reputation and private litigation.

The water supplies that flow into our treatment plants or are delivered through our distribution system, or the water service that is provided to our customers, may be subject to contamination, including, among other items, contamination from naturally-occurring compounds, chemicals in groundwater systems, pollution resulting from manufactured sources (such as perchlorate, perfluorinated and polyfluorinated compounds, methyl tertiary butyl ether, 1,4-dioxane, lead and other materials, or chemical spills or other incidents that result in contaminants entering the water source), and possible terrorist attacks or other similar incidents. In addition, new categories of contaminants continue to emerge in the water industry. If one of our water supplies or the water service provided to our customers is contaminated, depending on the nature of the contamination, we may have to take responsive actions that could include, among other things (1) limiting use of the water supply under a “Do Not Use” protective order that enables continuation of basic sanitation and essential fire protection, or (2) interrupting the use of that water supply, in whole or in part, potentially impacting basic sanitation and fire protection needs. If service is disrupted, our financial condition, results of operations, cash flows, liquidity and reputation may be adversely affected. In addition, we may incur significant costs in order to treat the contaminated source through the expansion of our current treatment facilities or the development of new sources of supply or new treatment methods. We may be unable to recover costs associated with treating or decontaminating water supplies through insurance, customer rates, tariffs or contract terms, and any recovery of these costs that we are able to obtain through regulatory proceedings or otherwise may not occur in a timely manner. Moreover, we could be subject to claims for damages arising from government enforcement actions or toxic tort or other lawsuits arising out of an interruption of service or human exposure to hazardous substances in our drinking water and water supplies. See Item 3—Legal Proceedings for information on certain pending lawsuits related to interruptions of water service.

Since we are engaged in the business of providing water service to our customers, contamination of the water supply, or the water service provided to our customers, could result in substantial injury or damage to our customers, employees or others and we could be exposed to substantial claims and litigation. Such claims could relate to, among other things, personal injury, loss of life, business interruption, property damage, pollution, and environmental damage and may be brought by our customers or third parties. Litigation and regulatory proceedings are subject to inherent uncertainties and unfavorable rulings can and do occur. We may not be protected from these claims or negative impacts of these claims in whole or in part by tariffs or other contract terms. Negative impacts to our reputation may occur even if we are not liable for any contamination or other environmental damage or the consequences arising out of human exposure to contamination or hazardous substances within the water supply or distributed finished drinking water. In addition, insurance coverage may not cover all or a portion of these losses, and are subject to deductibles and other limitations. Pending or future claims against us could have a material adverse impact on our business, financial condition, results of operations and cash flows.

We are subject to adverse publicity and reputational risks, which make us vulnerable to negative customer perception and could lead to increased regulatory oversight or sanctions.

Our business and operations have a large direct and indirect customer base and, as a result, we are exposed to public criticism regarding, among other things, the reliability of water service, wastewater and related or ancillary services, the quality of water provided, and the amount, timeliness, accuracy and format of bills that are

provided for such services. Adverse publicity and negative consumer sentiment arising out of these and other incidents may render legislatures and other governing bodies, state PUCs and other regulatory authorities, and government officials less likely to view us in a favorable light, and may cause us to be susceptible to less favorable legislative, regulatory and economic outcomes, as well as increased regulatory or other oversight and more stringent regulatory or economic requirements. Unfavorable regulatory and economic outcomes may include the enactment of more stringent laws and regulations governing our operations and less favorable economic terms in our agreements related to our Military Services Group, as well as fines, penalties or other sanctions or requirements. The imposition of any of the foregoing could have a material negative impact on us and our financial condition, results of operations and cash flows.

The failure of, or the requirement to repair, upgrade or dismantle, any of our dams may adversely affect our financial condition, results of operations, cash flows and liquidity.

The properties of our Regulated Businesses segment include 76 dams, the majority of which are earthen dams. The failure of any of these dams could result in personal injury and property damage, including without limitation downstream property damage, for which we may be liable. The failure of a dam would also adversely affect our ability to supply water in sufficient quantities to our customers and could adversely affect our financial condition and results of operations. Any losses or liabilities incurred due to a failure of one of our dams might not be covered by insurance policies or be recoverable in rates, and such losses may make it difficult for us to secure insurance at acceptable rates in the future.

We also are required from time to time to decommission, repair or upgrade the dams that we own. The cost of such repairs or upgrades can be and has been material. The federal and state agencies that regulate our operations may adopt rules and regulations requiring us to dismantle our dams, which also could entail material costs. Although in most cases the PUC has permitted recovery of expenses and capital investment related to dam rehabilitation, we might not be able to recover costs of repairs, upgrades or dismantling through rates in the future. The inability to recover these costs or delayed recovery of the costs as a result of regulatory lag can affect our financial condition, results of operations, cash flows and liquidity.

Any failure of our network of water and wastewater pipes, water mains and water reservoirs could result in losses and damages that may affect our financial condition and reputation.

Our operating subsidiaries distribute water and collect wastewater through an extensive network of pipes, water mains and storage systems located across the United States. A failure of major pipes, mains or reservoirs could result in injuries, property and other damage for which we may be liable. The failure of major pipes, mains and reservoirs may also result in the need to shut down some facilities or parts of our network in order to conduct repairs. Such failures and shutdowns may limit our ability to supply water in sufficient quantities to our customers and to meet the water and wastewater delivery requirements prescribed by government regulators, including state PUCs with jurisdiction over our operations, and adversely affect our financial condition, results of operations, cash flows, liquidity and reputation. Any business interruption or other losses might not be covered by insurance policies or be recoverable in rates, and such losses may make it difficult for us to secure insurance at acceptable rates in the future. Moreover, to the extent such business interruptions or other losses are not covered by insurance, they may not be recovered through rate adjustments.

An important part of our growth strategy is the acquisition of water and wastewater systems, which involves risks, including competition for acquisition opportunities from other regulated utilities, governmental entities and other buyers, which may hinder or limit our ability to grow our business.

An important element of our growth strategy is the acquisition and optimization of water and wastewater systems in order to broaden our current, and move into new, service areas. We may not be able to acquire other systems or businesses if we cannot identify suitable acquisition opportunities or reach mutually agreeable terms with acquisition candidates. Further, competition for acquisition opportunities from other regulated utilities, governmental entities and other buyers may hinder our ability to expand our business.

The negotiation and execution of potential acquisitions as well as the integration of acquired systems or businesses with our existing operations could require us to incur significant costs and cause diversion of our management's time and resources. Future acquisitions by us could result in, among other things:

- incurrence or assumption of debt, contingent liabilities and environmental liabilities and obligations, including liabilities that were unknown or undisclosed at the time of acquisition;
- failure to recover acquisition premiums;
- unanticipated capital expenditures;
- failure to maintain effective internal control over financial reporting;
- the need to successfully integrate the acquired systems' operations and water quality, cybersecurity and infrastructure protection measures;
- recording goodwill and other intangible assets at values that ultimately may be subject to impairment charges;
- fluctuations in quarterly results;
- unanticipated acquisition-related expenses;
- failure to realize anticipated benefits and synergies, such as cost savings and revenue enhancements; and
- difficulties in integrating or assimilating personnel, benefits, services and systems.

Some or all of these items could have a material adverse effect on our business. The systems and businesses we acquire in the future may not achieve anticipated revenue, return on equity or profitability, or other perceived synergies, and any difficulties we encounter in the integration process could interfere with our operations, reduce our net income and profitability or adversely affect our internal control over financial reporting.

We compete with governmental entities, other regulated utilities, and strategic and financial buyers for acquisition opportunities. As consolidation activity increases in the water and wastewater industries and competition for acquisitions continues to increase, the prices for suitable acquisition candidates may increase and limit our ability to expand through acquisitions.

Our Regulated Businesses are subject to condemnation and other proceedings through eminent domain or other similar authorized process, which could materially and adversely affect their results of operations and financial condition.

Municipalities and other government subdivisions have historically been involved in the provision of water and wastewater services in the United States, and organized efforts may arise from time to time in one or more of the service areas in which our Regulated Businesses operate to convert our assets to public ownership and operation through exercise of the governmental power of eminent domain, or another similar authorized process. A municipality, other government subdivision or a citizen group may seek to acquire our assets through eminent domain or such other process, either directly or indirectly as a result of a citizen petition.

For example, in November 2018, Monterey, California ballot Measure J, which was added by a citizens group, was certified as having been approved by a public vote, requiring the MPWMD to conduct a study and submit a written plan concerning the feasibility of a potential purchase of the Monterey system assets without an additional public vote. The public vote led to the issuance by the MPWMD in November 2019 of a preliminary report finding, among other things, that the acquisition of the Monterey system assets by the MPWMD would be economically feasible. Also, five municipalities in the Chicago, Illinois area formed a water agency that filed an eminent domain lawsuit against our Illinois subsidiary in January 2013, seeking to condemn a water pipeline that serves those five municipalities. This lawsuit remains pending, and a valuation trial is scheduled for the second quarter of 2022. See Item 1—Business—Regulated Businesses—Condemnation and Eminent Domain, which includes additional information regarding these matters.

Furthermore, the law in certain jurisdictions in which our Regulated Businesses operate provides for eminent domain rights allowing private property owners to file a lawsuit to seek just compensation against a public utility, if the public utility's infrastructure has been determined to be a substantial cause of damage to that property. In these actions, the plaintiff would not have to prove that the public utility acted negligently. In California, lawsuits have been filed in connection with large-scale natural events such as wildfires. Some of these lawsuits have included allegations that infrastructure of certain utilities triggered the natural event that resulted in damage to the property. In some cases, the PUC has disallowed recovery in rates of losses incurred by these utilities as a result of such lawsuits.

Contesting an exercise of condemnation, eminent domain or other similar process, or responding to a citizen petition, may result in costly legal proceedings and may divert the attention of management. Moreover, our efforts to resist the condemnation, eminent domain or other process may not be successful, which may require us to sell the operations at issue in a condemnation proceeding or to pay a private property owner compensation for the property damage suffered. If a municipality or other government subdivision succeeds in acquiring the assets of one or more of our Regulated Businesses through eminent domain or other process, there is a risk that we will not receive adequate compensation for the business, that we will not be able to keep the compensation, or that we will not be able to divest the business without incurring significant charges. Any of these outcomes may have a material adverse effect on our business, results of operations, financial condition, cash flows and liquidity.

We may be subject to physical and cyber attacks.

As operators of critical infrastructure, we may face a heightened risk of physical and cyber attacks from internal or external sources. Our water and wastewater systems may be vulnerable to disability or failures as a result of physical or cyber attacks, acts of war or terrorism, vandalism or other causes. Our operational and technology systems throughout our businesses may be vulnerable to unauthorized external or internal access, due to hacking, viruses, acts of war or terrorism, and other causes. Unauthorized access to confidential information located or stored on these systems could negatively and materially impact our customers, employees, suppliers and other third parties. Further, third parties, including vendors, suppliers and contractors, who perform certain services for us or administer and maintain our sensitive information, could also be targets of cyber attacks and unauthorized access. While we have instituted safeguards to protect our operational and technology systems, those safeguards may not always be effective due to the evolving nature of cyber attacks and cyber vulnerabilities. We cannot guarantee that such protections will be completely successful in the event of a cyber attack.

If, despite our security measures, a significant physical attack or cyber breach occurred, our operations could be disrupted, property damaged, and customer and other confidential information lost or stolen; we could experience substantial loss of revenues, response costs and other financial loss; we could suffer a loss of management time, attention and resources from our regular business operations; and we may be subject to increased regulation, litigation and damage to our reputation, any of which could have a negative impact on our business, results of operations and cash flows. Experiencing a cyber security incident could also cause us to be non-compliant with applicable laws and regulations or contracts that require us to securely maintain confidential data, causing us to incur costs related to legal claims or proceedings and regulatory fines or penalties. These types of events, either impacting our facilities or the industry in general, could also cause us to incur additional security and insurance related costs.

In addition, in the ordinary course of business, we collect and retain sensitive information, including personally identifiable information, about our customers and employees. In many cases, we outsource administration of certain functions to vendors that could be targets of cyber attacks. Any theft, loss or fraudulent use of customer, employee or proprietary data as a result of a cyber attack could subject us to significant litigation, liability and costs, as well as adversely impact our reputation with customers and regulators, among others.

We have obtained cyber insurance to provide coverage for a portion of the losses and damages that may result from a security breach, but such insurance is subject to a number of exclusions and may not cover the total loss or damage caused by a breach. The market for cybersecurity insurance is relatively new and coverage available for cybersecurity events may evolve as the industry matures. In the future, adequate insurance may not be available at rates that we believe are reasonable, and the costs of responding to and recovering from a cyber incident may not be covered by insurance or recoverable in rates.

Our business is subject to complex and evolving federal, state and local laws and regulations regarding consumer privacy and the protection or transfer of data relating to individuals, which could result in, among other things, private or governmental claims or litigation against us, changes to our business practices, monetary penalties, reputational harm and increased cost of operations.

Laws and regulations are changing and increasing rapidly with respect to data and consumer privacy, security and protection. We are becoming subject to an increasing number of complex and continually evolving data and consumer privacy, security and protection laws and regulations administered by various federal, state and local governments, including, for example, the California Consumer Privacy Act of 2018. Federal and state governments have also adopted or are proposing other limitations on, or requirements regarding, the collection, distribution, use, security and storage of personally identifiable information. In addition, the Federal Trade Commission and state attorneys general are applying federal and state consumer protection laws to impose standards on the collection, use and dissemination of data. Moreover, we expect that current laws, regulations and industry standards concerning privacy, data protection and information security in the United States will continue to evolve and increase, and we cannot determine the impact that compliance with such future laws, regulations or standards will have on us or on our business. Any failure or perceived failure by us to comply with current or future federal, state, or local data or consumer privacy or security laws, regulations, policies, guidance, industry standards, or legal obligations, or any incident resulting in unauthorized access to, or acquisition, release, or transfer of personally identifiable information or other data relating to our customers, employees and others, may result in private or governmental enforcement actions, litigation or other claims against us, fines and penalties, or adverse perception or publicity about us and our businesses, which could have a material adverse effect on our reputation and business and could result in us incurring substantial costs. These events could also require us to change our business practices, and the events or such changes may result in significant diversions of resources, distract management and divert the focus and attention of our security and technical personnel from other critical activities. Any of the foregoing consequences could have a material adverse effect on our business, financial condition, results of operations, cash flows and liquidity.

We may sustain losses that exceed or are excluded from our insurance coverage or for which we are self-insured.

We maintain insurance coverage as part of our overall legal and risk management strategy to minimize potential liabilities arising from our Regulated Businesses, as well as the operations of our Market-Based Businesses. Our insurance programs have varying coverage limits, exclusions and maximums, and insurance companies may seek to deny claims we might make. Generally, our insurance policies cover property damage, worker's compensation, employer's liability, general liability, cybersecurity, terrorism risks and automobile liability. Each policy includes deductibles or self-insured retentions and policy limits for covered claims. As a result, we may sustain losses that exceed or that are excluded from our insurance coverage or for which we are self-insured.

Although in the past we have been generally able to obtain insurance coverage related to our business, there can be no assurance that we can secure all necessary or appropriate insurance in the future, or that such insurance can be economically secured. For example, catastrophic events can result in decreased coverage limits, more limited coverage, increased premium costs or deductibles.

We rely on technology to facilitate the management of our business as well as our customer and supplier relationships, and a failure or disruption of implemented technology could materially and adversely affect our business.

Technology is an integral part of our business and operations, and any failure or disruption of the technology or related systems we implement could significantly limit our ability to manage and operate our business effectively and efficiently, which, in turn, could cause our business and competitive position to suffer and adversely affect our results of operations. We use technology systems to, among other things, bill customers, process orders, provide customer service, manage certain plant operations and construction projects, manage our financial records, track assets, remotely monitor our plants and facilities, and manage human resources, supply chain, inventory, and accounts receivable collections. As a specific example, we depend on water meters to record and communicate the amount of water our customers use, and in recent years, we have experienced greater than expected performance failures with certain water meters used in the Regulated Businesses. When these occur, we work with meter manufacturers to determine and address the cause of such failures. While these and other failures that we have experienced have not to date had a material adverse effect on our operations, there can be no assurance that efforts to address performance failures or other issues we may experience with water meters will be successful and that these or future failures of water meters or other issues will not have a material adverse effect on us.

Although we do not believe that the technology we have implemented or may in the future implement is at a materially greater risk of failure than that used by other similar organizations, our technology and operations that use or rely on technology remain vulnerable to damage or interruption from, among other things: failure or interruption of the technology or its related systems; loss or failure of power, internet, telecommunications or data network systems; and operator error or improper operation by, the negligent or improper supervision of, or the intentional acts of, employees, contractors and other third parties. Any or all of these events could have a material adverse impact on our business, results of operations, financial condition and cash flows.

An inability to successfully develop and implement new technologies poses substantial risks to our business and operational excellence strategies, which could have a material adverse effect on our business and financial results.

A significant part of our long-term strategic focus on safety, operational excellence, O&M expense efficiency, water quality, asset and capital management and the customer experience includes implementing new technologies for, among other things: customer service and support; environmental compliance; water metering; water quality and source monitoring; cybersecurity; business development and growth; data analysis; employee development and training; and other initiatives. For example, we have made and plan to continue to make significant investments in developing, deploying and maintaining customer-facing technologies, applications to support field service and customer service operations, water source sensor and evaluation technologies, data analytics and hyperautomation technologies and artificial intelligence technologies. Where appropriate, we also seek to align these new technologies with existing technology infrastructure and systems. There can be no assurance that we will be successful in designing, developing, deploying, integrating or maintaining these new technologies. Because these efforts can be long-term in nature, these new technologies may be more costly or time-consuming than expected to design, develop, integrate and complete and may not ultimately deliver the expected or desired benefits upon completion. While we have and will continue to seek to recover costs and earn a return on capital expenditures with respect to the costs and expenses of development and deployment of these new technologies in our Regulated Businesses, there can be no assurance that we will be able to do so in every instance or at all, and our inability to do so may adversely affect our ability to achieve intended O&M expense efficiencies or other key performance results and, ultimately, could materially and adversely impact our business, financial condition, results of operations and cash flows.

Our inability to efficiently upgrade and improve our operational and technology systems, or implement new systems, could result in higher than expected costs or otherwise adversely impact our internal controls environment, operations and profitability.

Upgrades and improvements to computer systems and networks, or the implementation of new systems, may require substantial amounts of management's time and financial resources to complete, and may also result in system or network defects or operational errors due to multiple factors, including employees' ability to effectively use the new or upgraded system. We continue to implement technology to improve our business processes and customer interactions, and have installed new, and upgraded existing, technology systems. Any technical or other difficulties in upgrading and improving existing or implementing new technology systems may increase costs beyond those anticipated and have an adverse or disruptive effect on our operations and reporting processes, including our internal control over financial reporting. We may also experience difficulties integrating current systems with new or upgraded systems, which may impact our ability to serve our customers effectively or efficiently. Although we make efforts to minimize any adverse impact on our controls, business and operations, we cannot assure that all such impacts have been or will be mitigated, and any such impacts could harm our business (individually or collectively) and have a material adverse effect on our results of operations, financial condition and cash flows.

Disruptions in our supply chain related to goods, such as pipe, chemicals, fuel, electricity, equipment, water and other raw materials, and services, could adversely impact our operations and our ability to serve our customers, as well as our financial results.

Our ability to serve our customers and operate our business in compliance with regulatory requirements is dependent upon purchasing or securing necessary goods and services from our suppliers and vendors. These items include but are not limited to contracted services, chemicals, pipe, valves, hydrants, fittings, fuel, equipment (including personal protective equipment), water and electricity. Examples of supply chain disruptions include reduced quantities of goods available in the marketplace, delays in manufacturing or shipping goods, labor shortages at our suppliers or vendors, natural disasters and operational impacts to some of our suppliers or vendors. Disruptions in our supply chain related to goods and services have occurred and we anticipate will continue to occur into the foreseeable future. Supply chain disruptions may cause us to be unable to purchase or otherwise obtain needed goods or services at a reasonable price or at all, and may significantly increase the price of goods and services we may obtain from suppliers and vendors. This, in turn, may adversely impact our operations and our ability to serve our customers in compliance with regulatory requirements, as well as our associated results of operations, cash flows and financial condition. While we attempt to plan for and have contingencies in place to address supply chain disruptions, our mitigation efforts may not be successful or may have further negative impacts on us.

Our business has inherently dangerous work sites. If we fail to maintain safe work sites, we may experience workforce or customer injuries or loss of life, and be exposed to financial losses, including penalties and other liabilities.

Safety is a core value and a strategy at American Water. Our safety performance and progress to our ultimate desired goal of zero injuries are critical to our ability to carry out our operations effectively and to serve our customers, and thereby, to support our reputation. We maintain health and safety practices to protect our employees, customers, contractors, vendors and the public. Eliminating all hazards all of the time is extremely challenging, but through strict adherence to our health and safety practices, and empowering employees to be safety leaders who are expected to stop work if deemed "unsafe," we believe we can achieve an injury-free workplace.

At our business sites, including construction and maintenance sites, our employees, contractors and others are often in close proximity to large mechanical operating equipment, moving vehicles, pressurized water, electric and gas utility lines, below grade trenches and vaults, electrical and pneumatic hazards, fall from height

hazards, suspended loads, hazardous chemicals and other regulated materials. On many sites, we are responsible for safety and, accordingly, must implement important safety procedures and practices above governmental regulatory requirements. As an essential business that must continue to provide water and wastewater services during the COVID-19 pandemic, we are focused on the health and safety of our employees, contractors, vendors, customers and others who work at or visit our worksites. If the procedures we implement are ineffective or are not followed by our employees or others, or we fail to implement procedures, our employees, contractors and others may experience illness, or minor, serious or fatal injuries. Unsafe work sites have the potential to increase employee turnover, expose us to litigation and raise our operating costs. Any of the foregoing could result in financial losses, which could have a material adverse impact on our business, financial condition, results of operations and cash flows.

In addition, our operations can involve the delivery, handling, storage, use and disposal of hazardous chemicals, which, if improperly delivered, handled, stored, used or disposed of, could result in serious injury, death, environmental damage or property damage, and could subject us to penalties or other liabilities. We are also subject to various environmental, transportation and occupational health and safety regulations. Although we maintain functional employee groups whose primary purpose is to implement effective environmental health and safety work procedures and practices throughout our organization, including construction sites and operating facilities, the failure to comply with these regulations or procedures could subject us to liability.

Work stoppages and other labor relations matters could adversely affect our results of operations and the ability to serve our customers.

As of December 31, 2021, approximately 47% of our workforce was represented by unions, and we had 73 collective bargaining agreements in place with 14 different unions representing our unionized employees. These collective bargaining agreements, 21 of which will expire during 2022, are subject to periodic renewal and renegotiation. We may not be able to successfully renew or renegotiate these labor contracts, or enter into new agreements, on terms that are acceptable to us. Any negotiations or dispute resolution processes undertaken in connection with our labor contracts could be delayed or affected by labor actions or work stoppages. Labor actions, work stoppages or the threat of work stoppages, and our failure to obtain favorable labor contract terms during renegotiations, may disrupt our operations, negatively impact the ability to serve our customers, and result in higher labor costs, which could adversely affect our reputation, financial condition, results of operations, cash flows and liquidity. While we have developed contingency plans to be implemented as necessary if a work stoppage or strike does occur, a strike or work stoppage may have a material adverse impact on our financial position, results of operations and cash flows.

Financial, Economic and Market-Related Risks

Our indebtedness could adversely affect our business and limit our ability to plan for or respond to changes in our business, and we may be unable to generate sufficient cash flows to satisfy our liquidity needs.

As of December 31, 2021, our aggregate long-term and short-term debt balance (including preferred stock with mandatory redemption requirements) was \$11.0 billion, and our working capital (defined as current assets less current liabilities) was in a deficit position. Our indebtedness could have important consequences, including:

- limiting our ability to obtain additional financing to fund future working capital requirements or capital expenditures;
- exposing us to interest rate risk with respect to the portion of our indebtedness that bears interest at variable rates;
- limiting our ability to pay dividends on our common stock or make payments in connection with our other obligations;
- impairing our access to the capital markets for debt and equity;

- requiring that an increasing portion of our cash flows from operations be dedicated to the payment of the principal and interest on our debt, thereby reducing funds available for future operations, dividends on our common stock or capital expenditures;
- limiting our ability to take advantage of significant business opportunities, such as acquisition opportunities, and to react to changes in market or industry conditions; and
- placing us at a competitive disadvantage compared to those of our competitors that have less debt.

In order to meet our capital expenditure needs, we may be required to borrow additional funds under the revolving credit facility or issue a combination of new short-term and long-term debt securities and/or equity. We continue to assess our short- and long-term liquidity needs in light of the impact of the COVID-19 pandemic on the financial and capital markets, especially with respect to the market for corporate commercial paper, which experienced volatility and shortages of liquidity in March 2020. In response to these events, in March 2020, we entered into a \$750 million 364-day term loan facility and immediately executed a \$500 million draw thereunder to support our short-term liquidity by retaining that amount in cash. We repaid this term loan facility in full in March 2021. During 2021, we utilized other existing sources of liquidity, such as our current cash balances, cash flows from operations and borrowings under the revolving credit facility as necessary or desirable to meet our short-term liquidity requirements. We believe that existing sources of liquidity will be sufficient to meet our cash requirements for the foreseeable future. However, as the impacts of the COVID-19 pandemic on the economy, the financial and capital markets and our operations continue to evolve, we will continue to assess our liquidity needs. In the event of a sustained market deterioration, we may need to obtain additional sources of liquidity, which would require us to evaluate available alternatives and take appropriate actions.

Moreover, additional borrowings may be required to repay or refinance outstanding indebtedness. Other than debt with respect to the term loan facility, debt maturities and sinking fund payments in 2022, 2023 and 2024 will be \$57 million, \$280 million and \$474 million, respectively. We can provide no assurance that we will be able to access the debt or equity capital markets on favorable terms, if at all, to repay or refinance this debt. Moreover, as new debt is added to our current debt levels, the related risks we now face could intensify, limiting our ability to repay or refinance existing debt on favorable terms.

We have in the past entered into, and in the future may enter into, financial derivative instruments, including without limitation, interest rate swaps, forward starting swaps and U.S. Treasury lock agreements. See Item 7A—Quantitative and Qualitative Disclosures About Market Risk. However, these efforts may not be effective to fully mitigate interest rate risk, and may expose us to other risks and uncertainties, including quarterly “mark to market” valuation risk associated with these instruments, that could negatively and materially affect our financial condition, results of operations and cash flows.

Our ability to pay our expenses and satisfy our debt service obligations depends in significant part on our future performance, which will be affected by the financial, business, economic, competitive, legislative (including tax initiatives and reforms, and other similar legislation or regulation), regulatory and other risk factors described in this section, many of which are beyond our control. If we do not have sufficient cash flows to pay the principal and interest on our outstanding debt, we may be required to refinance all or part of our existing debt, reduce capital investments, sell assets, borrow additional funds or sell additional equity. In addition, if our business does not generate sufficient cash flows from operations, or if we are unable to incur indebtedness sufficient to enable us to fund our liquidity needs, we may be unable to plan for or respond to changes in our business, which could cause our financial condition, operating results and prospects to be affected materially and adversely.

Our inability to access the debt or equity capital or financial markets or other events could affect our ability to meet our liquidity needs at reasonable cost and our ability to meet long-term commitments, which could adversely affect our financial condition and results of operations.

In addition to cash from operations, during 2021, we generally relied primarily on a \$2.25 billion revolving credit facility, a \$2.10 billion commercial paper program, our \$750 million 364-day term loan facility (which expired and was repaid in full in March 2021) and the capital markets, to satisfy our liquidity needs. The revolving credit facility currently expires in accordance with its terms in March 2025. Historically, we have regularly used our commercial paper program rather than the revolving credit facility as a principal source of short-term borrowing due to the generally more attractive rates we generally could obtain in the commercial paper market. As of December 31, 2021, there were no outstanding borrowings under the revolving credit facility, \$584 million of commercial paper outstanding and \$76 million in outstanding letters of credit. There can be no assurance that we will be able to continue to access this commercial paper program or revolving credit facility, when, as and if desired, or that the amount of capital available thereunder will be sufficient to meet all of our liquidity needs at a reasonable, or any, cost.

Under the terms of the revolving credit facility, our consolidated debt cannot exceed 70% of our consolidated capitalization, as determined under the terms of the facility. If our equity were to decline or debt were to increase to a level that causes us to exceed this limit, lenders under the facility would be entitled to refuse any further extension of credit and to declare all of the outstanding debt thereunder immediately due and payable. To avoid such a default, a waiver or renegotiation of this covenant would be required, which would likely increase funding costs and could result in additional covenants that would restrict our operational and financing flexibility. Our ability to comply with this and other covenants contained in the revolving credit facility and our other consolidated indebtedness is subject to various risks and uncertainties, including events beyond our control. For example, events that could cause a reduction in equity include, without limitation, a significant write-down of our goodwill. Even if we are able to comply with this or other covenants, the limitations on our operational and financial flexibility could harm our business by, among other things, limiting our ability to incur indebtedness or reduce equity in connection with financings or other corporate opportunities that we may believe would be in our best interests or the interests of our shareholders to complete.

Disruptions in the capital markets or changes in our credit ratings could also limit our ability to access capital on terms favorable to us or at all. While the lending banks that participate in the revolving credit facility have to date honored their commitments under those facilities, disruptions in the credit markets, changes in our credit ratings, or deterioration of the banking industry's financial condition could discourage or prevent lenders from meeting their existing lending commitments, extending the terms of such commitments, or agreeing to new commitments. In such a case, we may not be able to access the commercial paper or debt or capital markets, or other sources of potential liquidity, in the future on terms acceptable to us or at all. Furthermore, our inability to maintain, renew or replace commitments under our revolving credit facility could materially increase our cost of capital and adversely affect our financial condition, results of operations and liquidity. Short- or long-term disruptions in the capital and credit markets as a result of economic, legislative, political or other uncertainty, including as a result of the COVID-19 pandemic, changes in U.S. tax and other laws, reduced financing alternatives, or failures of significant financial institutions could adversely affect our access to the liquidity needed for our business. Any significant disruption in the capital, debt or credit markets, or financial institution failures could require us to take measures to conserve cash until the market stabilizes or until alternative financing can be arranged. Such measures could include delaying or deferring capital expenditures, reducing or suspending dividend payments, and reducing other discretionary expenditures. Finally, there is no assurance that we will be able to access the equity markets to obtain capital or financing when necessary or desirable and on terms that are reasonable or acceptable to us.

Any of the foregoing events that impede our access to the debt or equity capital markets, or the failure of any of our lenders to meet their commitments that result from financial market disruptions, could expose us to increased interest expense, require us to institute cash conservation measures or otherwise adversely and materially affect our business, financial condition, results of operations, cash flows and liquidity.

Parent company may be unable to meet its ongoing and future financial obligations and to pay dividends on its common stock if its subsidiaries are unable to pay upstream dividends or repay funds.

Parent company is a holding company and, as such, it has no substantive operations of its own. Substantially all of our consolidated assets are held by subsidiaries. Parent company's ability to meet its financial obligations and to pay dividends on its common stock is primarily dependent on the net income and cash flows of its subsidiaries and their ability to pay upstream dividends or repay indebtedness to parent company. Prior to paying dividends to parent company, our regulated subsidiaries must comply with applicable regulatory restrictions and financial obligations, including, for example, debt service and preferred and preference stock dividends, as well as applicable corporate, tax and other laws and regulations and agreements, and our covenants and other agreements. Our subsidiaries are separate legal entities and have no obligation to pay or upstream dividends to parent company. A failure or inability of any of these subsidiaries to pay such dividends or repay intercompany obligations could have a material adverse impact on our liquidity and parent company's ability to pay dividends on its common stock and meet its other obligations.

We may not be able to fully utilize our state net operating loss carryforwards.

As of December 31, 2021, we had state NOL carryforwards of approximately \$123 million, and management believes it is more likely than not that these NOL carryforwards will be recovered in the future. Our state NOL carryforwards began to expire in 2021 and will continue to expire through 2041. We have, in the past, been unable to utilize certain of our state NOL carryforwards, and the establishment or increase of a valuation allowance in the future would reduce our deferred income tax assets and our net income. Our actual results may differ from those estimated by management in making its assessment as to our ability to use the state NOL carryforwards. If we are unable to fully utilize our state NOL carryforwards to offset taxable income generated in the future, our financial position, results of operations and cash flows could be materially adversely affected.

We have recorded a significant amount of goodwill, and we may never realize the full value of our intangible assets, causing us to record impairments that may negatively affect our results of operations.

Our total assets include \$1.1 billion of goodwill at December 31, 2021. The goodwill is primarily associated with the acquisition of American Water by an affiliate of our previous owner in 2003. Goodwill represents the excess of the purchase price the purchaser paid over the fair value of the net tangible and other intangible assets acquired. Goodwill is recorded at fair value on the date of an acquisition and is reviewed annually or more frequently if changes in circumstances indicate the carrying value may not be recoverable. As required by the applicable accounting rules, we have taken significant non-cash charges to operating results for goodwill impairments in the past. We may be required to recognize an impairment of goodwill in the future due to market conditions or other factors related to our performance or the performance of an acquired business. These market conditions could include a decline over a period of time of our stock price, a decline over a period of time in valuation multiples of comparable water utilities, market price performance of our common stock that compares unfavorably to our peer companies, decreases in control premiums, or other circumstances. A decline in the results forecasted in our business plan due to events such as changes in rate case results, capital investment budgets or interest rates, could also result in an impairment charge. Recognition of impairments of goodwill would result in a charge to income in the period in which the impairment occurred, which may negatively affect our financial condition, results of operations and total capitalization. The effects of any such impairment could be material and could make it more difficult to maintain our credit ratings, secure financing on attractive terms, maintain compliance with debt covenants and meet the expectations of our regulators.

Market volatility and other conditions may impact the value of benefit plan assets and liabilities, as well as assumptions related to the benefit plans, which may require us to provide significant additional funding.

The performance of the capital markets affects the values of the assets that are held in trust to satisfy significant future obligations under our pension and postretirement benefit plans. The value of these assets is

subject to market fluctuations and volatility, which may cause investment returns to fall below our projected return rates. We are currently unable to predict the effect, if any, of the COVID-19 pandemic or other events on the valuation of our pension assets and liabilities. A decline in the market value of our pension and postretirement benefit plan assets as of the measurement date can increase the funding requirements under our pension and postretirement benefit plans. Additionally, our pension and postretirement benefit plan liabilities are sensitive to changes in interest rates. Interest rates have experienced volatility and are subject to potential further adjustments based on the actions of the U.S. Federal Reserve, and others. If interest rates are lower at the measurement date, our liabilities would increase, potentially increasing benefit expense and funding requirements. Further, changes in assumptions, such as increases in life expectancy assumptions and increasing trends in health care costs may also increase our funding requirements. Future increases in pension and other postretirement costs as a result of reduced plan assets may not be fully recoverable in rates, in which case our results of operations and financial position could be negatively affected. In addition, market factors can affect assumptions we use in determining funding requirements with respect to our pension and postretirement plans. For example, a relatively modest change in our assumptions regarding discount rates can materially affect our calculation of funding requirements. To the extent that the discount rate used in our assumptions is reduced, our benefit obligations could be materially increased, which could adversely affect our financial position, results of operations and cash flows.

Additional Risks Related to Market-Based Businesses

Parent company provides performance guarantees with respect to certain of the obligations of our Market-Based Businesses, including financial guarantees or deposits, which may adversely affect parent company if the guarantees are successfully enforced.

Under the terms of certain agreements under which our Market-Based Businesses, primarily MSG, provide water and wastewater services to municipalities and federal governmental entities, parent company provides guarantees of specified performance obligations, including financial guarantees or deposits. In the event these obligations are not performed, the entity holding the guarantees may seek to enforce the performance commitments against parent company or proceed against the deposit. In that event, our financial condition, results of operations, cash flows and liquidity could be adversely affected. At December 31, 2021, we had remaining performance commitments as measured by remaining contract revenue totaling approximately \$6.2 billion related to MSG's contracts, and this amount is likely to increase if the number of military bases served by MSG increases. The presence of these commitments may adversely affect our financial condition and make it more difficult for us to secure financing on attractive terms.

MSG's operations are subject to various risks associated with doing business with the U.S. government.

MSG enters into contracts with the U.S. government for the operation and maintenance of water and wastewater systems, which contracts may be terminated, in whole or in part, prior to the end of the 50-year term for convenience of the U.S. government or as a result of default or non-performance by the subsidiary performing the contract. In addition, the contract price for each of these military contracts is typically subject to either an annual economic price adjustment, or a redetermination two years after commencement of operations and every three years thereafter. Annual economic price adjustment is an inflation index-based contract price increase mechanism. Price redetermination is a contract mechanism to periodically adjust the service fee in the next period to reflect changes in contract obligations and anticipated market conditions. Any early contract termination or unfavorable annual economic price adjustment or price redetermination could adversely affect our financial condition, results of operations and cash flows.

Moreover, entering into contracts with the U.S. government subjects us to a number of operational and compliance risks, including dependence on the level of government spending and compliance with and changes in governmental procurement and security regulations. We are subject to potential government investigations of our business practices and compliance with government procurement and security regulations, which are

complex, and compliance with these regulations can be expensive and burdensome. If we were charged with wrongdoing as a result of an investigation, we could be suspended or debarred from bidding on or receiving awards of new contracts with the U.S. government or our existing contracts could be terminated, which could have a material adverse effect on our results of operations and cash flows.

General Risk Factors

New accounting standards or changes to existing accounting standards could materially impact how we report our results of operations, cash flow and financial condition.

Our Consolidated Financial Statements are prepared in accordance with GAAP. The SEC, the Financial Accounting Standards Board or other authoritative bodies or governmental entities may issue new pronouncements or new interpretations of existing accounting standards that may require us to change our accounting policies or critical accounting estimates. These changes are beyond our control, can be difficult to predict and could materially impact how we report our results of operations, cash flow and financial condition. We could be required to apply a new or revised standard retroactively, which could also adversely affect our previously reported results of operations, cash flow and financial condition.

Undetected errors in internal controls and information reporting could result in the disallowance of cost recovery and noncompliant disclosure.

Our internal controls, accounting policies and practices and internal information systems are designed to enable us to capture and process transactions and information in a timely and accurate manner in compliance with GAAP, taxation requirements, federal securities laws and regulations and other laws and regulations applicable to us. We have also implemented corporate governance, internal control and accounting policies and procedures in connection with the Sarbanes-Oxley Act of 2002 (the “Sarbanes-Oxley Act”) and relevant SEC rules, as well as other applicable regulations. Such internal controls and policies have been and continue to be closely monitored by our management and Board of Directors to ensure continued compliance with these laws, rules and regulations. Management is also responsible for establishing and maintaining internal control over financial reporting and is required to assess annually the effectiveness of these controls. While we believe these controls, policies, practices and systems are adequate to verify data integrity, unanticipated or unauthorized actions of employees or temporary lapses in internal controls due to shortfalls in oversight or resource constraints could lead to undetected errors that could result in the disallowance of cost recovery and non-compliant disclosure and reporting. The consequences of these events could have a negative impact on our results of operations, cash flows and financial condition. The inability of management to certify as to the effectiveness of these controls due to the identification of one or more material weaknesses in these controls could also harm our reputation, increase financing costs or adversely affect our ability to access the capital markets.

Our continued success is dependent upon our ability to hire, retain and utilize qualified personnel.

The success of our business is dependent upon our ability to hire, retain and utilize qualified personnel, including engineers, licensed operators, water quality and other operating and craft personnel, and management professionals who have the required experience and expertise. From time to time, it may be difficult to attract and retain qualified individuals with the expertise and in the timeframe demanded for our business needs. In certain geographic areas, for example, we may not be able to satisfy the demand for our services because of our inability to successfully hire and retain qualified personnel.

In addition, as key personnel approach retirement age, we need to have appropriate succession plans in place and to successfully implement such plans. If we cannot attract and retain qualified personnel or effectively implement appropriate succession plans, our business, financial condition, results of operations and cash flows may be materially and adversely impacted.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The Company's properties consist primarily of (i) water and wastewater treatment plants, (ii) mains and pipes used for transmission, distribution and collection of water and wastewater, (iii) wells and other sources of water supply, such as reservoirs, (iv) water and wastewater pumping stations, (v) meters and fire hydrants, (vi) general structures, including buildings, dams and treated water storage facilities, (vii) land and easements, (viii) vehicles, (ix) software rights, and (x) other equipment and facilities, the majority of which are used directly in the operation of its systems. Substantially all of the Company's properties are owned by its subsidiaries, with a large percentage subject to liens of its mortgage bonds. A wholly owned subsidiary of parent company owns the Company's corporate headquarters, located in Camden, New Jersey, and the Company and its operating subsidiaries lease office space, equipment and furniture from certain of the Company's wholly owned subsidiaries. These properties are utilized by the Company's directors, officers and staff in the conduct of the business.

The properties of the Company's Regulated Businesses consist mainly of approximately:

- 80 surface water treatment plants;
- 480 groundwater treatment plants;
- 160 wastewater treatment plants;
- 52,500 miles of transmission, distribution and collection mains and pipes;
- 1,100 groundwater wells;
- 1,700 water and wastewater pumping stations;
- 1,300 treated water storage facilities; and
- 76 dams.

The Company has ongoing infrastructure renewal programs in all states in which its Regulated Businesses operate. These programs consist of both the rehabilitation of existing mains and equipment, and the replacement of mains and equipment that have been damaged or have reached, or are near, the end of their useful service lives. The properties of its Market-Based Businesses consist mainly of office furniture and IT equipment. Approximately 51% of all properties that the Company owns are located in New Jersey and Pennsylvania.

The Company maintains property insurance against loss or damage to its properties by fire or other perils, subject to certain exceptions. For insured losses, the Company is self-insured to the extent that any losses are within the policy deductible or exceed the amount of insurance maintained.

The Company believes that its properties are generally maintained in good operating condition and in accordance with current standards of good water and wastewater industry practice.

ITEM 3. LEGAL PROCEEDINGS

Set forth below is information related to the Company's material pending legal proceedings as of February 16, 2022, other than ordinary routine litigation incidental to the business, required to be disclosed in this Annual Report on Form 10-K. The information below should be read together with Note 17—Commitments and Contingencies in the Notes to the Consolidated Financial Statements. In accordance with the SEC's disclosure rules, the Company has elected to disclose environmental proceedings involving the Company and a governmental authority if the amount of potential monetary sanctions, exclusive of interest and costs, that the Company reasonably believes will result from such proceeding is \$1 million or more.

Alternative Water Supply in Lieu of Carmel River Diversions

Compliance with SWRCB Orders to Reduce Carmel River Diversions

Under the 2009 Order, California-American Water Company, the Company's California subsidiary ("Cal Am") is required, among other things, to decrease significantly its yearly diversions of water from the Carmel River according to a set reduction schedule. See Item 1—Business—Regulated Businesses—Water Supply and Wastewater Services and Item 1A—Risk Factors. The 2009 Order responded to claims that Cal Am had not sufficiently implemented actions to terminate its unpermitted diversions of water from the Carmel River as required by a 1995 order of the SWRCB. In July 2016, at the request of Cal Am and several Monterey County government agencies, the SWRCB issued the 2016 Order approving the 2021 Deadline.

The 2009 Order includes a condition prohibiting Cal Am from diverting water from the Carmel River for new service connections or for any increased use of water at existing service addresses resulting from a change in zoning or use. In 2011, the California Public Utilities Commission (the "CPUC") issued a decision directing modifications in Cal Am's tariffs to recognize the moratorium mandated by the 2009 Order, and directing Cal Am to seek written guidance from the SWRCB with respect to any unresolved issues of interpretation or implementation of this condition. In 2012, the Deputy Director of the SWRCB sent a letter to Cal Am providing an interpretation as to the calculation of a baseline to determine increases in use of water at existing service addresses. In March 2018, the MPWMD adopted a resolution directing Cal Am to interpret the baseline in a manner that conflicts with the SWRCB's written interpretation. In May 2018, Cal Am notified the MPWMD and the SWRCB that it intends to seek declaratory relief concerning the conflicting regulatory interpretations under the 2009 Order. In an attempt to resolve these conflicting interpretations prior to seeking judicial intervention, Cal Am has met with the MPWMD and the SWRCB several times. The SWRCB agreed to circulate revisions to its 2012 interpretive letter, which would be subject to a public comment period. Any failure to follow the MPWMD's resolution or the SWRCB's written interpretation, despite these conflicting interpretations, could potentially result in fines, penalties and other actions against Cal Am.

Cal Am continues to work constructively with all appropriate agencies to provide necessary information in connection with obtaining required approvals for the Water Supply Project. However, there can be no assurance that the Water Supply Project in its current configuration will be completed on a timely basis, if ever. Beginning in January 2022, Cal Am expects to be able to comply with the diversion reduction requirements contained in the 2016 Order, but continued compliance with the diversion reduction requirements for 2023 and future years will depend on successful development of alternate water supply sources sufficient to meet customer demand. The 2009 Order and the 2016 Order remain in effect until Cal Am certifies to the SWRCB, and the SWRCB concurs, that Cal Am has obtained a permanent supply of water to substitute for past unauthorized Carmel River diversions. While the Company cannot currently predict the likelihood or result of any adverse outcome associated with these matters, further attempts to comply with the 2009 Order and the 2016 Order in the future may result in material additional costs and obligations to Cal Am, including fines and penalties against Cal Am in the event of noncompliance with the 2009 Order and the 2016 Order.

Monterey Peninsula Water Supply Project

CPUC Final Approval of Water Supply Project

Cal Am's ability to move forward on the Water Supply Project is and has been subject to extensive administrative review by the CPUC and other government agencies, obtaining necessary permits, and intervention from other parties. In September 2016, the CPUC unanimously approved a final decision to authorize Cal Am to enter into a water purchase agreement for the GWR Project and to construct a pipeline and pump station facilities and recover up to the incurred \$50 million in associated costs plus AFUDC, subject to meeting certain criteria.

In July 2019, Cal Am notified the MPWMD and Monterey One Water (collectively, the "Agencies") that an event of default occurred under the water purchase agreement for the GWR Project because the Agencies failed

to deliver to Cal Am by July 1, 2019 advanced treated recycled water produced by the GWR Project. In its notification to the Agencies, Cal Am expressly reserved its right to terminate the water purchase agreement until the Performance Start Date, which was September 1, 2020. As of June 30, 2021, Cal Am determined that the Agencies met their performance obligations under the water purchase agreement with respect to the first fiscal year of the contract.

In September 2018, the CPUC unanimously approved another final decision finding that the Water Supply Project meets the CPUC's requirements for a CPCN and an additional procedural phase was not necessary to consider alternative projects. The CPUC's 2018 decision concludes that the Water Supply Project is the best project to address estimated future water demands in Monterey, and, in addition to the cost recovery approved in its 2016 decision, adopts Cal Am's cost estimates for the Water Supply Project, which amounted to an aggregate of \$279 million plus AFUDC at a rate representative of Cal Am's actual financing costs. The 2018 final decision specifies the procedures for recovery of all of Cal Am's prudently incurred costs associated with the Water Supply Project upon its completion, subject to the frameworks included in the final decision related to cost caps, O&M costs, financing, ratemaking and contingency matters. The reasonableness of the Water Supply Project costs will be reviewed in the first general rate case filed by Cal Am after it becomes operational. Cal Am is also required to implement mitigation measures to avoid, minimize or offset significant environmental impacts from the construction and operation of the Water Supply Project and comply with a mitigation monitoring and reporting program, a reimbursement agreement for CPUC costs associated with that program, and reporting requirements on plant operations following placement of the Water Supply Project in service. Cal Am has incurred \$186 million in aggregate costs as of December 31, 2021 related to the Water Supply Project, which includes \$47 million in AFUDC.

In September 2021, Cal Am, Monterey One Water and the MPWMD reached an agreement on Cal Am's purchase of additional water from the expansion to the GWR Project, which is not expected to produce additional water until 2024 at the earliest. The amended and restated water purchase agreement for the GWR Project is subject to review and approval of the CPUC, and on November 29, 2021, Cal Am filed an application with the CPUC seeking review and approval of the amended and restated water purchase agreement. Cal Am is also requesting rate base treatment of the additional capital investment for certain Cal Am facilities required to maximize the water supply from the expansion to the GWR Project and a related Aquifer Storage and Recovery Project, totaling approximately \$81 million. This amount is in addition to, and consistent in regulatory treatment with, the prior \$50 million of recovery for facilities associated with the original water purchase agreement, which was approved by the CPUC in its 2016 final decision.

While Cal Am believes that its expenditures to date have been prudent and necessary to comply with the 2009 Order and the 2016 Order, as well as the CPUC's 2016 and 2018 final decisions, Cal Am cannot currently predict its ability to recover all of its costs and expenses associated with the Water Supply Project and there can be no assurance that Cal Am will be able to recover all of such costs and expenses in excess of the \$50 million in construction costs previously approved by the CPUC in its 2016 final decision. See Note 17—Commitments and Contingencies in the Notes to the Consolidated Financial Statements for further discussion.

Coastal Development Permit Application

In June 2018, Cal Am submitted a coastal development permit application to the City of Marina (the "City") for those project components of the Water Supply Project located within the City's coastal zone. Members of the City's Planning Commission, as well as City councilpersons, have publicly expressed opposition to the Water Supply Project. In May 2019, the City issued a notice of final local action based upon the denial by the Planning Commission of Cal Am's coastal development permit application. Thereafter, Cal Am appealed this decision to the Coastal Commission, as permitted under the City's code and the California Coastal Act. At the same time, Cal Am submitted an application to the Coastal Commission for a coastal development permit for those project components located within the Coastal Commission's original jurisdiction. In October 2019, staff of the Coastal Commission issued a report recommending a denial of Cal Am's application for a coastal development permit

with respect to the Water Supply Project, largely based on a memorandum prepared by the general manager of the MPWMD that contradicted findings made by the CPUC in its final decision approving the Water Supply Project. In November 2019, discussions between staffs of the Coastal Commission and the CPUC took place regarding the Coastal Commission staff recommendation, at which time the CPUC raised questions about the Coastal Commission staff's findings on water supply and demand, groundwater impacts and the viability of a project that the Coastal Commission staff believes may be a possible alternative to the Water Supply Project.

In August 2020, the staff of the Coastal Commission released a report again recommending denial of Cal Am's application for a coastal development permit. Although the report concluded that the Water Supply Project would have a negligible impact on groundwater resources, the report also concluded it would impact other coastal resources, such as environmentally sensitive habitat areas and wetlands, and that the Coastal Commission staff believes that a feasible alternative project exists that would avoid those impacts. The staff's report also noted disproportionate impacts to communities of concern. In September 2020, Cal Am withdrew its original jurisdiction application to allow additional time to address the Coastal Commission staff's environmental justice concerns. The withdrawal of the original jurisdiction application did not impact Cal Am's appeal of the City's denial, which remains pending before the Coastal Commission. Cal Am refiled the original jurisdiction application in November 2020. In December 2020, the Coastal Commission sent to Cal Am a notice of incomplete application, identifying certain additional information needed to consider the application complete.

In March 2021, Cal Am provided responses to the Coastal Commission's notice of incomplete application. On June 18, 2021, the Coastal Commission responded, acknowledging the responses and requesting certain additional information before the application could be considered complete. Cal Am responded with the requested additional information on January 11, 2022, and on February 8, 2022, the Coastal Commission requested additional information. The original jurisdiction application remains pending.

Desalination Plant Development Permit

The proposed desalination plant for the Water Supply Project is to be located in an unincorporated portion of Monterey County, California on a site owned by CEMEX, Inc. ("CEMEX"), and requires a combined development permit from the County of Monterey prior to commencement of construction. On April 24, 2019, the County's Planning Commission voted to approve the permit. In July 2019, the Board of Supervisors heard appeals filed by MCWD and a public advocacy group, at which time it denied the appeals and approved the permit. In August 2019, MCWD filed a petition in Monterey County Superior Court challenging Monterey County's approval of Cal Am's combined development permit application and seeking injunctive relief to enjoin Monterey County and Cal Am from commencing construction of the desalination plant. In October 2019, after a hearing, the court denied, without prejudice, MCWD's motion for a preliminary injunction, but issued a stay of the County's approval of the combined development permit, precluding commencement of physical construction of the desalination plant, but allowing Cal Am to continue to obtain permits needed for the desalination plant's construction. On January 21, 2021, the court issued its decision granting in part and denying in part MCWD's petition. The court found that the County of Monterey did not completely comply with all of the requirements necessary to approve the combined development permit and set aside its approval so that the County could come into compliance. The court denied all of MCWD's other claims. The court also lifted its stay on physical construction at the plant site.

On May 25, 2021, Cal Am filed a notice of appeal as to the Monterey County Superior Court's January 21, 2021 decision, seeking to challenge the court's decision on Monterey County's statement of overriding considerations. Monterey County filed a notice of appeal as to the same issue on May 26, 2021. On June 22, 2021, MCWD filed cross-appeals on its claims that had been denied by the court.

Proposed Zoning Changes at CEMEX Site for Slant Wells

In August 2018, the City circulated a public review draft of proposed amendments to its local coastal program and zoning ordinance, and placed the matter for consideration on the Planning Commission's agenda for

its September 2018 meeting. The proposed amendments would change zoning at the CEMEX site to open space and restrict future uses, including with respect to Cal Am's planned use of the site for the slant wells for the Water Supply Project. Any change to the City's local coastal program must ultimately be approved by the Coastal Commission. Cal Am, CEMEX and the Coastal Commission each submitted letters opposing the proposed amendments. At its November 2018 meeting, the Planning Commission adopted a resolution recommending that the Marina City Council consider approving the amendments.

In December 2018, the Marina City Council considered the proposed amendments. Cal Am, CEMEX and the Coastal Commission again submitted letters opposing the proposed changes, but the City Council unanimously adopted a resolution amending its local coastal plan and a draft amendment to its zoning ordinance. Changes to the ordinance require a second reading before becoming final, which occurred at the City's December 2018 meeting. The changes to the local coastal plan must be submitted to the Coastal Commission for approval and are not effective until such approval is obtained.

Test Slant Well Permitting

A preliminary step to building the Water Supply Project desalination plant is the construction and operation of a test slant well to confirm the suitability of the property on which intake wells will be located to draw water from under Monterey Bay. In November 2014, the Coastal Commission approved coastal development permits for the test slant well, enabling Cal Am to construct and operate the test slant well. Because Cal Am may use the test slant well as one of the slant wells for the Water Supply Project, Cal Am sought and obtained from the Coastal Commission permit amendments to allow the test slant well to remain in place and be maintained until February 23, 2023. A required lease obtained from the California State Lands Commission, as amended, will expire on December 16, 2022. Effective February 28, 2018, test slant well pumping ceased, except for minimal maintenance pumping activities, in accordance with Cal Am's coastal development permits.

Water Supply Project Land Acquisition and Slant Well Site Use

In July 2017, the Coastal Commission adopted a consent agreement and cease and desist order requiring sand mining operations on the property owned by CEMEX on which intake wells for the Water Supply Project will be located, to cease by the end of 2020 and the property to be sold to either a non-profit or governmental entity. The consent agreement strictly limits future use of the property but preserves Cal Am's existing property rights and allows uses consistent with existing easements and other rights of record. A permanent easement granted by CEMEX to Cal Am was recorded in June 2018 to allow Cal Am access to the property and to construct, operate and maintain the Water Supply Project intake wells. On November 26, 2019, the City notified CEMEX that, based on this permanent easement and Cal Am's proposed use of the site for the intake wells, CEMEX has breached or will soon breach a prior 1996 annexation agreement (to which Cal Am was not a party). The City states that it intends to seek declaratory relief from CEMEX and Cal Am ordering that Cal Am's extraction is limited to 500 acre-feet per year of groundwater, that Cal Am cannot export extracted water out of the basin, and that the permanent easement granted by CEMEX to Cal Am is void. CEMEX has denied the City's claims and requested indemnification from Cal Am under the terms of the permanent easement. Cal Am and CEMEX believe that there is no valid limitation under the annexation agreement on Cal Am's right to pump brackish groundwater and seawater at the site for desalination and use by Cal Am's customers.

In May 2020, the City filed a lawsuit in Monterey County Superior Court, naming Cal Am and CEMEX as defendants, and MCWRA and MCWD as real parties in interest. The lawsuit, as amended, alleges a claim for breach of contract against CEMEX and seeks declaratory relief to void the permanent easement and prohibiting extraction of water by Cal Am's slant wells at the CEMEX site in excess of 500 acre-feet per year and the export of such water outside the groundwater basin. In November 2020, Cal Am, CEMEX and MCWRA filed demurrers, which were overruled by the court at a hearing held on February 9, 2021.

In August 2020, MCWD filed a cross-complaint in the May 8, 2020 lawsuit against Cal Am, CEMEX and MCWRA, alleging claims for specific performance of certain provisions of the 1996 annexation agreement

related to the property owned by CEMEX on which intake wells for the Water Supply Project will be located, as well as claims of water rights, nuisance and unreasonable water use, and seeking additional declaratory relief. Following various rulings on demurrers filed by Cal Am, CEMEX and MCWRA, on February 23, 2021, the court sustained, without leave to amend, the demurrer to MCWD's nuisance claim and overruled the remainder of the demurrers. On October 7, 2021, the court granted a motion filed by Cal Am related to MCWD's cross-complaint, which motion requested a referral of certain issues related to MCWD's water rights and unreasonable use claims to the SWRCB for its expert advisory opinion.

Challenges Related to Compliance with California's Sustainable Groundwater Management Act

Under California's Sustainable Groundwater Management Act ("SGMA") enacted in 2015, groundwater basins designated by the state as critically overdrafted must be managed by a groundwater sustainability agency ("GSA") by 2020 in accordance with an approved groundwater sustainability plan ("GSP") designed to achieve sustainability by 2040. Under the SGMA, GSAs have broad powers to achieve sustainability including, but not limited to, regulating groundwater extraction by imposing fees on groundwater extractions and controlling groundwater extractions by regulating, limiting or suspending extractions from wells. The 400-acre CEMEX site overlies a small portion of the 180/400 Subbasin of the Salinas Valley Groundwater Basin; the 84,000-acre 180/400 Subbasin has been designated by the state as critically overdrafted, mainly due to seawater intrusion into the subbasin.

In late 2016, the Salinas Valley Basin Groundwater Sustainability Agency (the "SVBGSA") was formed as a joint powers authority to become the GSA for the Salinas Valley Groundwater Basin and prepare a GSP. In April 2018, the City filed a notice to become the GSA for the CEMEX site, creating an overlap with the SVBGSA's filing for the 180/400 Subbasin. In 2016, the SVBGSA commenced preparation of a GSP covering the entire 180/400 subbasin, including the CEMEX site, but in August 2019 the City filed a notice that it intends to prepare its own GSP for the CEMEX site with the intent to severely limit or prohibit groundwater pumping at that site. The State Department of Water Resources ("SDWR") has taken the position that until the overlap is resolved, it will not accept the GSP from either agency, placing the subbasin at risk of being placed in a probationary status and subject to state management. In December 2019, the County of Monterey filed its own notice to become the exclusive GSA at the CEMEX site in order to resolve the overlap, which is permitted under SGMA. SDWR accepted Monterey County's filing on December 18, 2019, and now lists Monterey County as the exclusive GSA for the site.

On December 30, 2019, the City filed a lawsuit in Monterey County Superior Court challenging Monterey County's filing, and SDWR's acceptance of the filing, as the exclusive GSA for the CEMEX site. The City has named Monterey County and its Board of Supervisors, its GSA, and SDWR and its director as defendants, and the SVBGSA and its Board of Directors as real parties. The City seeks to invalidate Monterey County's filing, as well as injunctive relief to preserve the City's status as a GSA for the site. To protect its interest in the matter, Cal Am filed an application to intervene in this lawsuit, which was granted. Monterey County filed cross-claims against the City and SDWR. After a hearing, on August 24, 2021, the court denied the claims brought by the City and granted Monterey County's cross-claims, finding that the City's GSA notice was untimely, the Monterey County GSA was the exclusive GSA for the CEMEX site, and the SVBGSA's GSP was properly adopted for the entire 180/400 subbasin, including the CEMEX site. On November 15, 2021, the City appealed this decision, and on December 13, 2021, Monterey County appealed the court's decision as to the finding that the City's action creating a GSA was not void.

On September 14, 2020, Cal Am filed a separate but related complaint in Monterey County Superior Court challenging the validity of actions taken by the City and its GSA in adopting a groundwater sustainability plan for the CEMEX site, and the validity of the provisions of such plan. Due to the overlap of issues in the City's lawsuit with those in the validation action, the parties stipulated to a stay of the validation action pending determination of the claims in the City's action, which was approved by the court in December 2020.

On February 16, 2021, the City filed a separate but related *in rem* reverse validation complaint challenging the adoption by Monterey County of a GSP for the CEMEX site. This complaint remains pending. Currently, both validation actions remain stayed during the pendency of the City's appeals.

Challenge of Certification — Proposed Monterey System Acquisition Final Environmental Impact Report

In November 2018, voters in Monterey, California passed "Measure J," which decided that the MPWMD should conduct a feasibility study concerning the potential purchase of Cal Am's Monterey system assets, and, if feasible, to proceed with a purchase of those assets without an additional public vote. This service territory represents approximately 40,000 customers. See Item 1—Business—Regulated Businesses—Condemnation and Eminent Domain for more information on this matter. In August 2019, the MPWMD's General Manager issued a report that recommends that the MPWMD board, among other things, (1) evaluate whether the acquisition of the Monterey system assets by the MPWMD is in the public interest and sufficiently satisfies the criterion of "feasible" as provided in Measure J, (2) ensure there is significant potential for cost savings before agreeing to commence an acquisition, and (3) develop more fully alternate operating plans before deciding whether to consider a Resolution of Necessity.

On October 7, 2020, the MPWMD issued a FEIR for the potential acquisition of the Monterey system assets, and on November 4, 2020, the MPWMD certified the FEIR, which purports to analyze the environmental impacts of the MPWMD's project to (1) acquire the Monterey system assets through the power of eminent domain, if necessary, and (2) expand its geographic boundaries to include all parts of this system. On November 25, 2020, Cal Am filed a petition for writ of mandate in Monterey County Superior Court challenging certification of the FEIR, alleging that the MPWMD's analysis of environmental impacts was inadequate and that certification was improper. A hearing on the matter was held on August 30, 2021, and on November 19, 2021, the court denied Cal Am's petition.

West Virginia Elk River Freedom Industries Chemical Spill

See Note 17—Commitments and Contingencies—Contingencies—West Virginia Elk River Freedom Industries Chemical Spill in the Notes to Consolidated Financial Statements for information regarding the final court approval of the global settlement with respect to the January 2014 Freedom Industries, Inc. chemical spill.

Dunbar, West Virginia Water Main Break Class Action Litigation

On the evening of June 23, 2015, a 36-inch pre-stressed concrete transmission water main, installed in the early 1970s, failed. The water main is part of the West Relay pumping station located in the City of Dunbar, West Virginia and owned by West Virginia-American Water Company, the Company's West Virginia subsidiary ("WVAWC"). The failure of the main caused water outages and low pressure for up to approximately 25,000 WVAWC customers. In the early morning hours of June 25, 2015, crews completed a repair, but that same day, the repair developed a leak. On June 26, 2015, a second repair was completed and service was restored that day to approximately 80% of the impacted customers, and to the remaining approximately 20% by the next morning. The second repair showed signs of leaking but the water main was usable until June 29, 2015 to allow tanks to refill. The system was reconfigured to maintain service to all but approximately 3,000 customers while a final repair was being completed safely on June 30, 2015. Water service was fully restored on July 1, 2015 to all customers affected by this event.

On June 2, 2017, a complaint captioned *Jeffries, et al. v. West Virginia-American Water Company* was filed in West Virginia Circuit Court in Kanawha County on behalf of an alleged class of residents and business owners who lost water service or pressure as a result of the Dunbar main break. The complaint alleges breach of contract by WVAWC for failure to supply water, violation of West Virginia law regarding the sufficiency of WVAWC's facilities and negligence by WVAWC in the design, maintenance and operation of the water system. The *Jeffries* plaintiffs seek unspecified alleged damages on behalf of the class for lost profits, annoyance and inconvenience,

and loss of use, as well as punitive damages for willful, reckless and wanton behavior in not addressing the risk of pipe failure and a large outage.

In February 2020, the *Jeffries* plaintiffs filed a motion seeking class certification on the issues of breach of contract and negligence, and to determine the applicability of punitive damages and a multiplier for those damages if imposed. In July 2020, the Circuit Court entered an order granting the *Jeffries* plaintiffs' motion for certification of a class regarding certain liability issues but denying certification of a class to determine a punitive damages multiplier. In August 2020, WVAWC filed a Petition for Writ of Prohibition in the Supreme Court of Appeals of West Virginia seeking to vacate or remand the Circuit Court's order certifying the issues class. On January 28, 2021, the Supreme Court of Appeals remanded the case back to the Circuit Court for further consideration in light of a decision issued in another case relating to the class certification issues raised on appeal. On July 16, 2021, oral argument was heard by the Circuit Court on the issue of addressing the Supreme Court of Appeals' remand. This matter remains pending.

The Company and WVAWC believe that WVAWC has meritorious defenses to the claims raised in this class action complaint and WVAWC will continue to vigorously defend itself against these allegations.

Chattanooga, Tennessee Class Action Litigation

On September 12, 2019, Tennessee-American Water Company, the Company's Tennessee subsidiary ("TAWC"), experienced a leak in a 36-inch water transmission main, which caused service fluctuations or interruptions to TAWC customers and the issuance of a boil water notice. TAWC repaired the main by early morning on September 14, 2019, and restored full water service by the afternoon of September 15, 2019, with the boil water notice lifted for all customers on September 16, 2019.

On September 17, 2019, a complaint captioned *Bruce, et al. v. American Water Works Company, Inc., et al.* was filed in the Circuit Court of Hamilton County, Tennessee against TAWC, the Company and Service Company (collectively, the "Tennessee-American Water Defendants"), on behalf of a proposed class of individuals or entities who lost water service or suffered monetary losses as a result of the Chattanooga incident (the "Tennessee Plaintiffs"). The complaint alleged breach of contract and negligence against the Tennessee-American Water Defendants, as well as an equitable remedy of piercing the corporate veil. In the complaint as originally filed, the Tennessee Plaintiffs were seeking an award of unspecified alleged damages for wage losses, business and economic losses, out-of-pocket expenses, loss of use and enjoyment of property and annoyance and inconvenience, as well as punitive damages, attorneys' fees and pre- and post-judgment interest. In September 2020, the court dismissed all of the Tennessee Plaintiffs' claims in their complaint, except for the breach of contract claims against TAWC, which remain pending. In October 2020, TAWC answered the complaint, and the parties have been engaging in discovery. The court has entered an agreed scheduling order, which sets a hearing in October 2022 to address the question of class certification.

TAWC and the Company believe that TAWC has meritorious defenses to the claims raised in this class action complaint, and TAWC is vigorously defending itself against these allegations.

Other Matters

On April 2, 2021, American Water Resources, LLC ("AWR"), which, prior to the Closing Date was one of the indirect, wholly owned subsidiaries comprising the Company's former HOS operations, received a grand jury subpoena in connection with an investigation by the U.S. Attorney's Office for the Eastern District of New York (the "EDNY"). The subpoena seeks documents regarding AWR's operations and its contractor network in the New York City metropolitan area.

In connection with the sale of the HOS operations to the Buyer (including all of the Company's equity interests in AWR), the Company, AWR and the Buyer entered into a Common Interest and Cooperation

Agreement (the “Cooperation Agreement”), dated as of the Closing Date, which facilitates a common defense for, and the sharing of information concerning, the EDNY investigation and any legal or regulatory inquiries or proceedings related to or resulting from it or the subject matter in the subpoena (collectively, the “Covered Matters”). The Company, on behalf of AWR, is required to defend any Covered Matter, using commercially reasonable efforts to resolve it on a reasonably expedient basis. Further, the Company is required to consult with the Buyer in specified circumstances and obtain its prior written consent (which consent may not be unreasonably withheld, conditioned or delayed) before entering into any resolution of any Covered Matter that imposes non-monetary provisions or undertakings or any other terms for which there will be no indemnification under the Cooperation Agreement. In addition, for the period from the Closing Date to March 9, 2025, the Company is required to indemnify the Buyer for any monetary losses or out-of-pocket damages (as described in the Cooperation Agreement) incurred by the Buyer or certain of the HOS subsidiaries to the extent directly arising in connection with, or directly resulting from, any Covered Matter.

Based on the subpoena and discussions with the EDNY, the investigation does not appear to be focused on the Company, and the Company is cooperating fully with the investigation. While it is not possible at this time to predict the outcome of the investigation or determine the amount, if any, of fines, penalties or other liabilities that may be incurred in connection with it, the Company does not currently believe that the investigation will have a material adverse effect on the Company’s results of operations, financial condition or liquidity.

General

Periodically, the Company is involved in other proceedings or litigation arising in the ordinary course of business. Other than those proceedings described in this Item 3—Legal Proceedings, the Company does not believe that the ultimate resolution of these matters will materially affect its financial position or results of operations. However, litigation and other proceedings are subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. It is possible that some litigation and other proceedings could be decided unfavorably to the Company, and that any such unfavorable decisions could have a material adverse effect on its business, financial condition, results of operations and cash flows.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Since April 23, 2008, the Company's common stock has traded on the New York Stock Exchange ("NYSE") under the symbol "AWK." As of February 10, 2022, there were 181,724,991 shares of common stock outstanding held by approximately 2,333 record holders. Holders of the Company's common stock are entitled to receive dividends when they are declared by its Board of Directors. See Note 10—Shareholders' Equity in the Notes to Consolidated Financial Statements for additional information regarding the Company's dividends.

In February 2015, the Board of Directors authorized an anti-dilutive stock repurchase program to mitigate the dilutive effect of shares issued through the Company's dividend reinvestment, employee stock purchase and executive compensation activities. The program allows the Company to purchase up to 10 million shares of its outstanding common stock over an unrestricted period of time in the open market or through privately negotiated transactions. The program is conducted in accordance with Rule 10b-18 of the Exchange Act, and, to facilitate these repurchases, the Company enters into Rule 10b5-1 stock repurchase plans with a third-party broker, which allow the Company to repurchase shares of its common stock at times when it otherwise might be prevented from doing so under insider trading laws or because of self-imposed trading blackout periods. Subject to applicable regulations, the Company may elect to amend or cancel the program or the stock repurchase parameters at its discretion to manage dilution.

From April 1, 2015, the date repurchases under the anti-dilutive stock repurchase program commenced, through December 31, 2021, the Company repurchased an aggregate of 4,860,000 shares of its common stock under the program, leaving an aggregate of 5,140,000 shares available for repurchase under this program. There were no repurchases of common stock in 2021.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read together with the Consolidated Financial Statements and the Notes thereto included elsewhere in this Annual Report on Form 10-K. This discussion contains forward-looking statements that are based on management's current expectations, estimates and projections about the Company's business, operations and financial performance. The cautionary statements made in this Form 10-K should be read as applying to all related forward-looking statements whenever they appear in this Form 10-K. The Company's actual results may differ materially from those currently anticipated and expressed in such forward-looking statements as a result of a number of factors, including those that are discussed under "Forward-Looking Statements," Item 1A—Risk Factors and elsewhere in this Form 10-K. The Company has a disclosure committee consisting of members of senior management and other key employees involved in the preparation of the Company's SEC reports. The disclosure committee is actively involved in the review and discussion of the Company's SEC filings. For a discussion and analysis of the Company's financial statements for fiscal 2020 compared to fiscal 2019, please refer to Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations in the Company's Annual Report on Form 10-K for the year ended December 31, 2020, filed with the SEC on February 24, 2021.

Overview

American Water is the largest and most geographically diverse, publicly-traded water and wastewater utility company in the United States, as measured by both operating revenues and population served. The Company employs approximately 6,400 professionals who provide drinking water, wastewater and other related services to over 14 million people in 24 states. The Company's primary business involves the ownership of utilities that provide water and wastewater services to residential, commercial, industrial, public authority, fire service and sale for resale customers, collectively presented as the "Regulated Businesses." The Company's utilities operate in approximately

1,700 communities in 14 states in the United States, with 3.4 million active customers with services provided by its water and wastewater networks. Services provided by the Company’s utilities are subject to regulation by PUCs. The Company also operates other market-based businesses that provide water, wastewater and other services to residential and smaller commercial customers, the U.S. government on military installations, as well as municipalities and utility customers, collectively presented as the “Market-Based Businesses.” These Market-Based Businesses are not subject to economic regulation by state PUCs. See Item 1—Business for additional information.

COVID-19 Pandemic Update

American Water continues to monitor the COVID-19 pandemic and has taken steps since the beginning of the pandemic to mitigate adverse impacts to the Company. The Company has three main areas of focus as part of its response to COVID-19: the care and safety of its employees; the safety of its customers and the communities it serves; and the execution of its business continuity plan. American Water continues to work with its vendors to prevent disruptions in its supply chain, and, at this time, has not experienced, and does not anticipate, any material disruptions. The Company also continues to monitor the impacts of the COVID-19 pandemic on the capital markets, including impacts that could increase its cost of capital.

The Company has experienced financial impacts since the beginning of the pandemic resulting from lower revenues from the suspension of late fees and foregone reconnect fees in certain states, certain incremental O&M expenses, an increase in uncollectible accounts expense and additional debt costs. These impacts are collectively referred to as “financial impacts.” See Note 3—Impact of the COVID-19 Pandemic in the Notes to Consolidated Financial Statements for additional information. The extent to which the COVID-19 pandemic may further impact American Water, including without limitation, its liquidity, financial condition, and results of operations, will depend on future developments, which presently cannot be predicted.

As of February 16, 2022, American Water has commission orders authorizing deferred accounting or cost recovery for COVID-19 financial impacts in 11 of 13 jurisdictions. Other regulatory actions to date are presented in the table below:

Commission Actions	Description	States
Orders issued with deferred accounting	Allows the Company to establish regulatory assets to record certain financial impacts related to the COVID-19 pandemic.	HI, IN, MD, NJ, PA, VA, WV
Orders issued with cost recovery	California’s Catastrophic Event Memorandum Account allows the Company’s California subsidiary to track certain financial impacts related to the COVID-19 pandemic for future recovery requests. Iowa issued a base rate case order on June 28, 2021, authorizing recovery in rates of the COVID-19 financial impacts deferred within its annual non-recurring expense rider. Illinois has authorized cost recovery of the COVID-19 financial impacts through a special purpose rider over a 24-month period, which was implemented effective October 1, 2020. Additionally, Illinois approved a bad debt rider tariff on December 16, 2020, allowing collection of actual bad debt expense over last authorized beginning April 2021 through February 2023. Illinois approved a stipulation in March 2021 to allow the rider to be extended through the end of 2023. Missouri issued a base rate case order on April 7, 2021, authorizing recovery in rates of the COVID-19 financial impacts deferred through March 31, 2021 over a three-year period.	CA, IA, IL, MO

The Company’s Pennsylvania subsidiary filed for a request with the Pennsylvania Public Utility Commission (the “PaPUC”) to defer as a regulatory asset all identified COVID-19 financial impacts. On

September 15, 2021, the PaPUC issued an order approving the Company's request to defer, with carrying costs, incremental uncollectible expense and other incremental costs net of savings attributed to the COVID-19 pandemic. The PaPUC order denied the request to include lost revenues attributed to the waiver of late fees and reconnect fees and expenses associated with additional interest costs. Additionally, the PaPUC order approved the request to allow for the continuation of the deferral of financial impacts, rejecting proposals from the intervening parties to define an end date to the deferral in 2021. As a result of the order discussed above, the Company recorded a net \$7 million reduction to its regulatory assets and corresponding impacts to revenue, interest expense and uncollectible expense during the third quarter of 2021. The Company continues to evaluate options within its next base rate case to address these denied items and the resulting financial impact.

On July 28, 2021, the Company's Tennessee subsidiary filed a stipulation and settlement agreement with the Consumer Advocate Unit in the Financial Division of the Office of the Tennessee Attorney General, which reflected agreement on the deferral of COVID-19-related financial impacts through April 30, 2021. On August 9, 2021, the Tennessee Public Utility Commission denied the stipulation and settlement agreement and moved to address the Company's Tennessee subsidiary's petition to defer the COVID-19 financial impacts in a future hearing. On August 26, 2021, the Company's Tennessee subsidiary filed a motion to withdraw its pending petition, preserving its right to seek recovery of the COVID-19 financial impacts in a future proceeding.

In December 2020, the Kentucky Public Service Commission issued an order denying a request to defer to a regulatory asset the financial impacts related to the COVID-19 pandemic.

Consistent with these regulatory orders, the Company has recorded \$36 million in regulatory assets and \$6 million of regulatory liabilities for the financial impacts related to the COVID-19 pandemic on the Consolidated Balance Sheets as of December 31, 2021.

As of February 16, 2022, one state, New Jersey, continues moratoria until March 15, 2022, on the suspension of service disconnections due to non-payment. The moratoria on disconnects have expired in 12 states. The Company continues to monitor the COVID-19 pandemic and will continue to comply with the current ordered moratoria and any future moratoria implemented.

In 2019, the Company completed and submitted its project completion certification to the New Jersey Economic Development Authority ("NJEDA") in connection with its capital investment in its corporate headquarters in Camden, New Jersey. The NJEDA determined that the Company is qualified to receive \$164 million in tax credits over a ten-year period. The Company is required to meet various annual requirements in order to monetize one-tenth of the tax credits annually and is subject to a claw-back period if the Company does not meet certain NJEDA requirements of the tax credit program in years 11 through 15. The Company has made the necessary annual filings for the years ended December 31, 2019 and 2020 and expects to make the 2021 filing by April 30, 2022. As a result, the Company had receivables of \$49 million and \$115 million in other current assets and other long-term assets, respectively, on the Consolidated Balance Sheets as of December 31, 2021. The submitted filings are under review by the NJEDA and it is expected that the Company will receive final NJEDA approval and monetize the credits in the first half of 2022.

In March 2020, in connection with the COVID-19 pandemic, the NJEDA, pursuant to Executive Order 103—State of Emergency and a Public Health Emergency, temporarily waived the requirement that a full-time employee must spend at least 80% of his or her time at the qualified business facility ("QBF") to meet the definition of eligible position or full-time job. The waiver will continue for as long as New Jersey's Executive Order 281 is valid. On July 2, 2021, New Jersey's Governor approved a bill that revised provisions of the Economic Recovery Act of 2020 and other economic development programs, including amending the definition of an eligible position and full-time job in the Grow New Jersey Program and replacing the 80% requirement of time spent at the QBF. The bill states that an eligible position is one that is filled by a full-time employee who has their primary office at the QBF and spends at least 60% of their time at the QBF. The bill specifically states that it supersedes the existing regulations and existing incentive agreements that require an eligible employee spend at least 80% of their time at the QBF.

Sale of Homeowner Services Group

On the Closing Date, the Company sold all of the equity interests in subsidiaries that comprised HOS to the Buyer for total consideration of approximately \$1.275 billion, resulting in a pre-tax gain on sale of \$748 million. The consideration is comprised of \$480 million in cash, a seller promissory note issued by the Buyer in the principal amount of \$720 million, and a contingent cash payment of \$75 million payable upon satisfaction of certain conditions on or before December 31, 2023. The structure of the transaction enables the initial cash proceeds to be redeployed into the Regulated Businesses to fund near-term incremental capital investments, while interest on the seller note provides a stream of earnings during its term. Upon maturity, the proceeds from the repayment of the seller note are expected to be used to fund capital investment in the Regulated Businesses. This sale narrowed the focus of the Company's Market-Based Businesses primarily to MSG.

The seller note has a five-year term, is payable in cash, and bears interest at a rate of 7.00% per year during the term. The repayment obligations of the Buyer under the seller note have been secured by a first priority security interest in certain property of the Buyer and the former HOS subsidiaries, including their cash and securities accounts, as well as a pledge of the equity interests in each of those subsidiaries, subject to certain limitations and exceptions. The seller note requires compliance with affirmative and negative covenants (subject to certain conditions, limitations and exceptions), including a covenant limiting the incurrence by the Buyer and certain affiliates of additional indebtedness in excess of certain thresholds, but does not include any financial maintenance covenants.

Beginning December 9, 2024, the Company has a put right pursuant to which it may require the seller note to be repaid in full at par, plus accrued and unpaid interest, except that upon the occurrence of a disruption event in the broadly syndicated term loan "B" debt financing market, repayment by the Buyer pursuant to the Company's exercise of the put right will be delayed until the market disruption event ends.

The seller note may not be prepaid at the Buyer's election except in certain limited circumstances before the fourth anniversary of the Closing Date. If the Buyer seeks to repay the seller note in breach of this non-call provision, an event of default will occur under the seller note and the Company may, among other actions, demand repayment in full together with a premium ranging from 105.5% to 107.5% of the outstanding principal amount of the loan and a customary "make-whole" payment.

The Company and the Buyer also entered into a revenue share agreement, pursuant to which the Company is to receive 10% of the revenue generated from customers who are billed for home warranty services through an applicable Company subsidiary (an "on-bill" arrangement), and 15% of the revenue generated from any future on-bill arrangements entered into after the closing. Unless earlier terminated, this agreement has a term of up to 15 years, which may be renewed for up to two five-year periods.

Financing Activities

On May 10, 2021, American Water Capital Corp. ("AWCC") completed a \$1.1 billion debt offering, which included the sale of \$550 million aggregate principal amount of its 2.30% senior notes due 2031 and \$550 million aggregate principal amount of its 3.25% senior notes due 2051. Net proceeds of this offering were used to lend funds to parent company and its regulated subsidiaries, to prepay \$327 million in aggregate principal amount of AWCC's outstanding senior notes, to repay AWCC's commercial paper obligations and for general corporate purposes. See Note 12—Long-Term Debt in the Notes to Consolidated Financial Statements for additional information.

As a result of AWCC's prepayment of the various senior notes, a make-whole premium of \$15 million was paid to the holders thereof on June 14, 2021. Substantially all of the early debt extinguishment costs were allocable to the Company's utility subsidiaries and recorded as regulatory assets, as the Company believes they are probable of recovery in future rates.

Selected Financial Data

This selected financial data below should be read in conjunction with the Company's Consolidated Financial Statements and related Notes in this Annual Report on Form 10-K as well as the remainder of this Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations.

(In millions, except per share data)	For the Years Ended December 31,				
	2021	2020	2019	2018	2017
Statement of Operations data:					
Operating revenues	\$ 3,930	\$ 3,777	\$ 3,610	\$ 3,440	\$ 3,357
Net income attributable to common shareholders	1,263	709	621	567	426
Net income attributable to common shareholders per basic common share	\$ 6.96	\$ 3.91	\$ 3.44	\$ 3.16	\$ 2.39
Net income attributable to common shareholders per diluted common share	6.95	3.91	3.43	3.15	2.38
Balance Sheet data:					
Total assets	\$26,075	\$24,766	\$22,682	\$21,223	\$19,482
Long-term debt and redeemable preferred stock at redemption value	10,344	9,333	8,644	7,576	6,498
Other data:					
Cash dividends declared per common share	\$ 2.41	\$ 2.20	\$ 2.00	\$ 1.82	\$ 1.66
Net cash provided by operating activities	1,441	1,426	1,383	1,386	1,449
Net cash used in investing activities	(1,536)	(2,061)	(1,945)	(2,036)	(1,672)
Net cash (used in) provided by financing activities	(345)	1,120	494	726	207
Capital expenditures included in net cash used in investing activities	(1,764)	(1,822)	(1,654)	(1,586)	(1,434)

Financial Results

For the years ended December 31, 2021, 2020 and 2019, diluted earnings per share (GAAP) were \$6.95, \$3.91 and \$3.43, respectively. In 2021, as compared to 2020, diluted earnings per share increased \$3.04. This increase was primarily driven by a pre-tax gain on sale of \$748 million relating to the sale of HOS and continued growth in the Regulated Businesses from infrastructure investment, acquisitions and organic growth. These increases were offset by the \$45 million pre-tax contribution to the AWCF authorized by the Company in 2021, and the impacts from weather in both 2021 and 2020, which had an estimated net decrease of \$13 million in revenues in 2021, or \$0.05 per share. The consolidated net income impact of the gain on sale of HOS and the AWCF contribution is \$491 million, or \$2.70 per share, inclusive of a \$13 million net income benefit included in the Other segment, from the revaluation of state net operating losses that can now be utilized as a result of the sale.

Growth Through Capital Investment in Infrastructure and Regulated Acquisitions

The Company expects to continue to grow its businesses, with the majority of its growth to be achieved in the Regulated Businesses through (i) continued capital investment in the Company's infrastructure to provide safe, clean, reliable and affordable water and wastewater services to its customers, and (ii) regulated acquisitions to expand the Company's services to new customers. In 2021, the Company invested \$1.9 billion, primarily in the Regulated Businesses, as discussed below:

Regulated Businesses Growth and Optimization

- \$1.8 billion capital investment in the Regulated Businesses, the majority for infrastructure improvements and replacements; and

- \$135 million to fund acquisitions, including deposits discussed below, in the Regulated Businesses, which added approximately 20,000 water and wastewater customers during 2021, in addition to approximately 17,500 customers added through organic growth during 2021.

On April 6, 2021, the Company's Pennsylvania subsidiary entered into an agreement to acquire the wastewater assets of the York City Sewer Authority for \$235 million, plus an amount of average daily revenue calculated for the period between the final meter reading and the date of closing. This system, directly and indirectly through bulk contracts, serves more than 45,000 customers. In connection with the execution of the acquisition agreement, the Company's Pennsylvania subsidiary paid a \$20 million deposit to the seller on April 30, 2021, which is refundable in the event the agreement is terminated prior to closing of the acquisition. The Company expects to close this acquisition in the first half of 2022, pending regulatory approval.

On March 29, 2021, the Company's New Jersey subsidiary entered into an agreement to acquire the water and wastewater assets of Egg Harbor City for \$22 million. The water and wastewater systems currently serve approximately 1,500 customers each, or 3,000 combined, and are being sold through the New Jersey Water Infrastructure Protection Act process. The Company expects to close this acquisition in the second half of 2022, pending regulatory approval.

During 2022, the Company closed on the acquisition of two regulated water and wastewater systems adding approximately 700 customers, for a total aggregate purchase price of \$2 million. As of February 16, 2022, the Company has entered into agreements for pending acquisitions in the Regulated Businesses, including the York City Sewer Authority and Egg Harbor City agreements discussed above, to add approximately 77,000 additional customers.

Sale of New York American Water Company, Inc.

On January 1, 2022, the Company completed the previously disclosed sale of its regulated utility operations in New York to Liberty, an indirect, wholly owned subsidiary of Algonquin Power & Utilities Corp. Liberty purchased from the Company all of the capital stock of the Company's New York subsidiary for a purchase price of \$608 million in cash. The sale was approved by the New York State Department of Public Service on December 16, 2021. The Company's regulated New York operations represented approximately 127,000 customers in the State of New York. The assets and related liabilities of the New York subsidiary were classified as held for sale on the Consolidated Balance Sheets as of December 31, 2021. See Note 6—Acquisitions and Divestitures in the Notes to Consolidated Financial Statements for additional information.

Sale of Michigan American Water Company

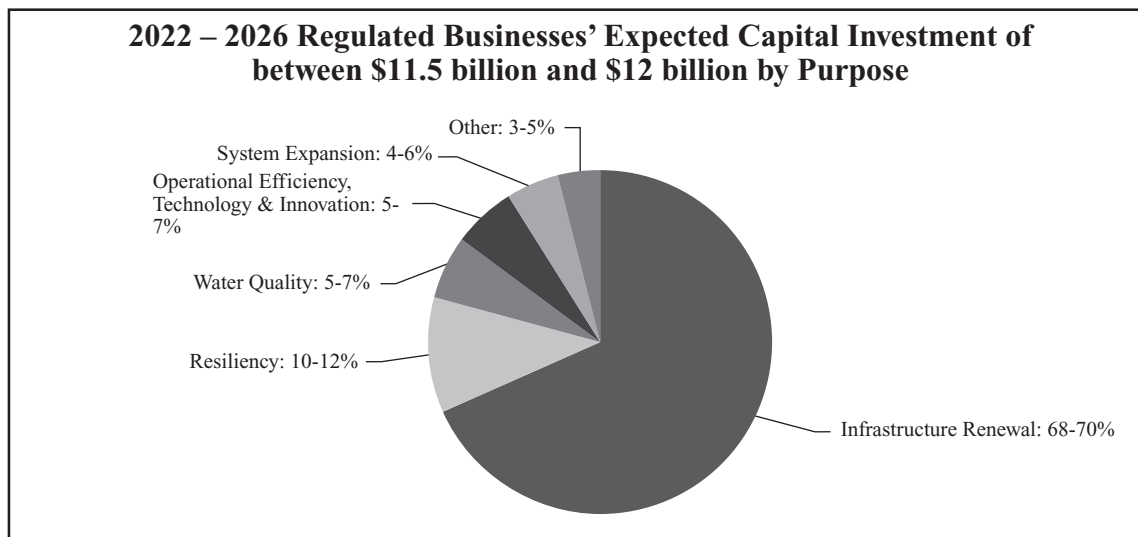
On February 4, 2022, the Company completed the sale of its operations in Michigan for approximately \$6 million.

Future Growth

The Company expects to invest between \$13 billion to \$14 billion over the next five years, and between \$28 billion to \$32 billion over the next 10 years, including \$2.5 billion in 2022. The Company's expected future investments include:

- capital investment for infrastructure improvements in the Regulated Businesses between \$11.5 billion to \$12 billion over the next five years, and between \$25 billion to \$28 billion over the next 10 years, including \$2 billion expected in 2022; and
- growth from acquisitions in the Regulated Businesses to expand the Company's water and wastewater customer base of between \$1.5 billion to \$2 billion over the next five years, and between \$3 billion to \$4 billion over the next 10 years, including \$500 million expected in 2022.

Presented in the following chart is the estimated allocation of the Company’s expected capital investment for infrastructure improvements in its Regulated Businesses over the next five years, by purpose:



Operational Excellence

The Company’s adjusted regulated O&M efficiency ratio, which is used as a measure of the operating performance of the Regulated Businesses, was 34.1% for the year ended December 31, 2021, compared to 34.3% for the year ended December 31, 2020. The improvement in this ratio reflects the continued focus on operating costs, as well as an increase in operating revenues for the Regulated Businesses after considering the adjustment for the amortization of the excess accumulated deferred income taxes (“EADIT”) shown in the table below.

The Company’s adjusted regulated O&M efficiency ratio is a non-GAAP measure and is defined by the Company as its operation and maintenance expenses from the Regulated Businesses, divided by the operating revenues from the Regulated Businesses, where both operation and maintenance expenses and operating revenues were adjusted to eliminate purchased water expense. Operating revenues were further adjusted to exclude reductions for the amortization of the EADIT. Also excluded from operation and maintenance expenses is the allocable portion of non-O&M support services costs, mainly depreciation and general taxes, which is reflected in the Regulated Businesses segment as operation and maintenance expenses, but for consolidated financial reporting purposes, is categorized within other line items in the accompanying Consolidated Statements of Operations. Additionally, the Company excluded the impact of certain Freedom Industries chemical spill settlement activities recognized in 2019 from operation and maintenance expenses. The items discussed above were excluded from the O&M efficiency ratio calculation as they are not reflective of management’s ability to increase the efficiency of the Regulated Businesses.

The Company evaluates its operating performance using this ratio, and believes it is useful to investors because it directly measures improvement in the operating performance and efficiency of the Regulated Businesses. This information is derived from the Company’s consolidated financial information but is not presented in its financial statements prepared in accordance with GAAP. This information supplements and should be read in conjunction with the Company’s GAAP disclosures, and should be considered as an addition to, and not a substitute for, any GAAP measure. The Company’s adjusted regulated O&M efficiency ratio (i) is not an accounting measure that is based on GAAP; (ii) is not based on a standard, objective industry definition or method of calculation; (iii) may not be comparable to other companies’ operating measures; and (iv) should not be used in place of the GAAP information provided elsewhere in this Annual Report on Form 10-K.

Presented in the table below is the calculation of the Company's adjusted regulated O&M efficiency ratio and a reconciliation that compares operation and maintenance expenses and operating revenues, each as determined in accordance with GAAP, to those amounts utilized in the calculation of its adjusted O&M efficiency ratio:

(Dollars in millions)	For the Years Ended December 31,		
	2021	2020	2019
Total operation and maintenance expenses	\$1,777	\$1,622	\$1,544
Less:			
Operation and maintenance expenses—Market-Based Businesses	482	389	393
Operation and maintenance expenses—Other	(30)	(25)	(31)
Total operation and maintenance expenses—Regulated Businesses	1,325	1,258	1,182
Less:			
Regulated purchased water expenses	153	149	135
Allocation of non-operation and maintenance expenses	34	41	31
Impact of Freedom Industries settlement activities (a)	—	—	(4)
Adjusted operation and maintenance expenses—Regulated Businesses (i)	<u>\$1,138</u>	<u>\$1,068</u>	<u>\$1,020</u>
Total operating revenues	\$3,930	\$3,777	\$3,610
Less:			
Operating revenues—Market-Based Businesses	563	540	539
Operating revenues—Other	(17)	(18)	(23)
Total operating revenues—Regulated Businesses	3,384	3,255	3,094
Less:			
Regulated purchased water revenues (b)	153	149	135
Revenue reductions from the amortization of EADIT	(104)	(7)	—
Adjusted operating revenues—Regulated Businesses (ii)	<u>\$3,335</u>	<u>\$3,113</u>	<u>\$2,959</u>
Adjusted O&M efficiency ratio—Regulated Businesses (i) / (ii)	34.1%	34.3%	34.5%

- (a) Includes the impact of a reduction of a liability in the first quarter of 2019 related to the Freedom Industries chemical spill.
(b) The calculation assumes regulated purchased water revenues approximate regulated purchased water expenses.

Regulatory Matters

General Rate Cases

Presented in the table below are annualized incremental revenues, excluding reductions for the amortization of EADIT that are generally offset in income tax expense, assuming a constant water sales volume, resulting from general rate cases authorizations that became effective during 2019 through 2021:

(In millions)	2021	2020	2019
General rate cases by state (a):			
Iowa (effective October 11, 2021)	\$ 1	\$ —	\$ —
Missouri (effective May 28, 2021)	22	—	—
Pennsylvania (effective January 28, 2021)	70	—	—
California (effective January 1, 2021, January 1, 2020 and May 11, 2019)	22	5	4
New Jersey (effective November 1, 2020)	—	54	—
Indiana (effective May 1, 2020 and July 1, 2019)	—	13	4
Kentucky (effective June 28, 2019)	—	—	13
West Virginia (effective February 25, 2019)	—	—	19
Maryland (effective February 5, 2019)	—	—	1
Total general rate case authorizations	<u>\$ 115</u>	<u>\$ 72</u>	<u>\$ 41</u>

- (a) Excludes authorized increases of \$7 million and \$4 million in 2021 and 2019, respectively, for the Company's New York subsidiary, which was sold on January 1, 2022. See Note 6—Acquisitions and Divestitures in the Notes to the Consolidated Financial Statements for additional information.

On November 18, 2021, the CPUC unanimously approved a final decision in the test year 2021 general rate case filed by the Company's California subsidiary, which is retroactive to January 1, 2021. The Company's California subsidiary received authorization for additional annualized water and wastewater revenues of \$22 million, excluding agreed to reductions for EADIT as a result of the Tax Cuts and Jobs Act of 2017 (the "TCJA"). The EADIT reduction in revenues is \$4 million and is offset by a like reduction in income tax expense. On January 18, 2022, the Company's California subsidiary filed for approval of \$13 million in 2022 escalation increases, excluding \$4 million of reductions related to the TCJA. This filing, which is retroactive to January 1, 2022, is subject to CPUC approval with a 45-day review period.

On June 28, 2021, an order was issued authorizing an increase of \$1 million in the general rate case filed by the Company's Iowa subsidiary in 2020. The Company's Iowa subsidiary filed tariffs consistent with the order on September 23, 2021. Effective October 11, 2021, the Iowa Utilities Board approved the tariffs and implemented the new rates.

On April 7, 2021, the Company's Missouri subsidiary was authorized additional annualized revenues of \$22 million, effective May 28, 2021, excluding agreed to reductions for EADIT as a result of the TCJA. The EADIT reduction in revenues is \$25 million and is offset by a like reduction in income tax expense. The protected EADIT balance of \$72 million is being returned to customers using the average rate assumption method ("ARAM"), and the unprotected EADIT balance of \$74 million is being returned to customers over 10 years. The \$25 million EADIT reduction includes both the protected and unprotected catch-up period EADIT of \$13 million. The catch-up period of January 1, 2018 through May 31, 2021 covers the period from when the lower federal corporate income tax rate went into effect until new base rates went into effect and will be amortized over 2.5 years.

On March 2, 2021, an administrative law judge ("ALJ") in the Office of Administrative Law of New Jersey filed an initial decision with the New Jersey Board of Public Utilities (the "NJBP") that recommended denial of a petition filed by the Company's New Jersey subsidiary, which sought approval of acquisition adjustments in rate base of \$29 million associated with the acquisitions of Shorelands Water Company, Inc. in 2017 and the Borough of Haddonfield's water and wastewater systems in 2015. On July 29, 2021, the NJBP issued an order adopting the ALJ's initial decision without modification. The Company's New Jersey subsidiary filed a Notice of Appeal with the New Jersey Appellate Division on September 10, 2021. A scheduling order was issued on October 18, 2021 establishing a briefing schedule through March 2022. There is no financial impact to the Company as a result of the NJBP's order, since the acquisition adjustments are currently recorded as goodwill on the Consolidated Balance Sheets.

On February 25, 2021, the Company's Pennsylvania subsidiary was authorized additional annualized revenues of \$90 million, effective January 28, 2021, excluding agreed to reductions for EADIT as a result of the TCJA, over two steps. The EADIT reduction in revenues is \$19 million. The overall increase, net of TCJA reductions, is \$71 million in revenues combined over two steps. The first step was effective January 28, 2021 in the amount of \$70 million (\$51 million including TCJA reductions) and the second step will be effective January 1, 2022 in the amount of \$20 million. The protected EADIT balance of \$200 million is being returned to customers using the ARAM, and the unprotected EADIT balance of \$116 million is being returned to customers over 20 years. The \$19 million annually includes both the protected and unprotected EADIT amortizations and a portion of catch-up period EADIT. A bill credit of \$11 million annually for two years returns to customers the remainder of the EADIT catch-up period amortization. The catch-up period of January 1, 2018 through December 31, 2020 covers the period from when the lower federal corporate income tax rate went into effect until new base rates went into effect and will be amortized over two years.

Pending General Rate Case Filings

On February 10, 2022, the Company's Illinois subsidiary filed a general rate case requesting \$71 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA and infrastructure surcharges.

On January 14, 2022, the Company's New Jersey subsidiary filed a general rate case requesting \$110 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA and infrastructure surcharges.

On December 1, 2021, the Company's Kentucky subsidiary filed a wastewater rate case requesting additional revenues of \$1 million, excluding proposed reductions for EADIT as a result of TCJA. The Company requested a four-step rate increase for their wastewater operations with effective dates of June 1, 2022, June 1, 2023, June 1, 2024 and June 1, 2025 for annual amounts of less than \$1 million each year. The Company filed their wastewater case under the alternative rate filing process for smaller utilities which calculates an operating ratio of 88% rather than a return on equity.

On November 15, 2021, the Company's Virginia subsidiary filed a general rate case requesting \$15 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA.

On August 18, 2021, the Company's Hawaii subsidiary filed a general rate case requesting \$2 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA.

On April 30, 2021, the Company's West Virginia subsidiary filed a general rate case requesting \$32 million in annualized incremental revenues excluding proposed reductions for EADIT as a result of TCJA and infrastructure surcharges. The proposed EADIT reduction in revenues is \$1 million and the exclusion for infrastructure surcharges is \$10 million. Intervenor testimony was received on September 20, 2021. The Company's rebuttal testimony was filed on October 5, 2021. Hearings were conducted on November 3 and 4, 2021. A final order is expected no later than February 24, 2022.

The Company's California subsidiary submitted its application on May 3, 2021 to set its cost of capital for 2022 through 2024. According to the CPUC's process, a decision is expected to be issued, setting the authorized cost of capital in the third quarter of 2022.

Infrastructure Surcharges

A number of states have authorized the use of regulatory mechanisms that permit rates to be adjusted outside of a general rate case for certain costs and investments, such as infrastructure surcharge mechanisms that permit recovery of capital investments to replace aging infrastructure. Presented in the table below are annualized incremental revenues, assuming a constant water sales volume, resulting from infrastructure surcharge authorizations that became effective during 2019 through 2021:

(In millions)	2021	2020	2019
Infrastructure surcharges by state (a):			
New Jersey (b)	\$ 26	\$ 20	\$ 15
Missouri (c)	7	12	14
Kentucky (effective July 1, 2021 and July 1, 2020)	1	1	—
Indiana (effective March 17, 2021)	8	—	—
Pennsylvania (d)	8	27	11
Illinois (effective January 1, 2021, January 1, 2020 and January 1, 2019)	7	7	8
West Virginia (effective January 1, 2021, January 1, 2020 and January 1, 2019)	5	3	2
Tennessee (effective January 1, 2021, January 1, 2020 and September 1, 2019)	3	2	1
Total infrastructure surcharge authorizations	<u>\$ 65</u>	<u>\$ 72</u>	<u>\$ 51</u>

- (a) Excludes authorized increases of \$2 million in 2019 for the Company's New York subsidiary, which was sold on January 1, 2022. See Note 6—Acquisitions and Divestitures in the Notes to the Consolidated Financial Statements for additional information.
- (b) In 2021, \$12 million was effective on December 30 and \$14 million was effective June 28. In 2020, \$10 million was effective June 29 and \$10 million was effective January 1. In 2019, the effective date was July 1.
- (c) In 2021, the effective date was October 7. In 2020, \$2 million was effective December 14 and \$10 million was effective June 27. In 2019, \$5 million was effective December 21 and \$9 million was effective June 24.
- (d) In 2021, the effective date was January 1. In 2020, \$8 million was effective October 1, \$4 million was effective July 1, \$5 million was effective April 1 and \$10 million was effective January 1. In 2019, \$6 million was effective October 1, \$3 million was effective July 1 and \$2 million was effective April 1.

Presented in the table below are annualized incremental revenues, assuming a constant water sales volume, resulting from infrastructure surcharge authorizations that became effective after January 1, 2022:

(In millions)	<u>Amount</u>
Infrastructure surcharge filings by state:	
Illinois (effective January 1, 2022)	\$ 6
Missouri (effective February 1, 2022)	<u>12</u>
Total infrastructure surcharge filings	<u>\$ 18</u>

Pending Infrastructure Surcharge Filings

On January 19, 2022, the Company’s Indiana subsidiary filed for infrastructure surcharges requesting \$8 million in additional annualized revenues.

On June 30, 2021, the Company’s West Virginia subsidiary filed for an infrastructure surcharge requesting \$3 million in additional annualized revenues.

Tax Matters

Federal Tax Legislation

On November 15, 2021, the IIJA was signed into law and was designed to provide significant investment in the nation’s infrastructure. The Company has analyzed the bill to assess legislative tax impacts, and determined that the most significant aspect impacting the Company is the provision for special rules for regulated water and wastewater utilities as it relates to the tax treatment of contributions in aid of construction (“CIAC”). The bill reinstates the pre-TCJA tax treatment of CIAC, which allows regulated water and wastewater utilities to generally exclude the receipt of CIAC from taxable income. This provision is effective for contributions made after December 31, 2020. For the year ended December 31, 2021, the Company has reflected the exemption retroactively to January 1, 2021.

On December 22, 2017, the TCJA was signed into law, which, among other things, enacted significant and complex changes to the Internal Revenue Code of 1986, as amended (the “Code”), including a reduction in the federal corporate income tax rate from 35% to 21% as of January 1, 2018. The enactment of the TCJA required a re-measurement of the Company’s deferred income taxes. The portion of this re-measurement related to the Regulated Businesses was substantially offset by a regulatory liability as EADIT will be used to benefit the Company’s regulated customers in future rates. Twelve of the Company’s regulated subsidiaries are amortizing EADIT and crediting customers. The Company expects the timing of the amortization of EADIT credits for the one remaining regulated subsidiary to be addressed in a pending rate case or other proceedings. When crediting EADIT to the customer, the Company records both a reduction to revenue and a reduction to income tax expense, having no material impact on net income.

Federal Net Operating Loss

The Company had no federal NOL carryover balance remaining as of December 31, 2021 due to the HOS sale, after which time the Company became a cash taxpayer for federal income tax purposes.

Legislative Updates

During 2021, the Company’s regulatory jurisdictions enacted the following legislation that has been approved and is effective as of February 16, 2022:

- California passed electronic payment legislation, Assembly Bill 1058, which permanently changes state law to allow investor-owned water and wastewater utilities to accept electronic payments, including credit and debit cards, without charging processing fees to customers.

- California passed CPUC consolidation timeline legislation, Assembly Bill 1250, which requires the CPUC to make timely decisions on applications to acquire systems. Consolidations of \$5 million or less are to be processed within 180 days and those more than \$5 million are required to be processed within 12 months.
- The Kentucky General Assembly adopted House Bill 465 relating to the acquisition of water and wastewater utilities. The legislation affirms a method in valuing water and wastewater systems above net book value and establishes a timeline of 60 days for Public Service Commission approval of an acquisition.
- Indiana House Enrolled Act 1287 creates a mechanism that reduces the required upfront cost to new customers for a water or wastewater utility to extend service to underserved areas.
- Indiana House Enrolled Act 349 establishes a tax rider for water and wastewater utilities based upon a change in state or federal income tax law. The legislation also requires the Indiana Finance Authority to prioritize loans that secure long-term benefits over shorter term projects.
- New Jersey passed Lead Service Line Replacement Bill, Senate Bill 3398/Assembly Bill 5343, which provides for the replacement of lead service lines within 10 years of the effective date of the bill and authorizes cost recovery of customer-owned lead service lines as an O&M expense plus interest through a semi-annual surcharge.
- Missouri passed the Water and Sewer Infrastructure Act, Senate Bill 44/House Bill 397, to establish a new statewide surcharge mechanism program which covers replacement of aging water distribution and sewer collection infrastructure. This legislation broadens the eligible projects covered by the current Infrastructure System Replacement Surcharge mechanism and expands its applicability to projects across the state.
- New Jersey passed Senate Bill 647/House Bill 4825 which strengthens the WQAA by requiring the Department of Environmental Protection to adopt regulations to implement the WQAA, enhancing asset management plans and reporting, upgrading cyber security standards and adding criminal penalties for falsifying reports.
- Illinois passed House Bill 414, Low Income Water & Sewer Financial Assistance Program, which authorizes the state's Department of Commerce and Economic Opportunity to institute a water and sewer assistance program for customers of privately and publicly owned systems. The program is modeled off the existing energy supplemental state Low Income Home Energy Assistance Program.

In September 2020, the CPUC released a decision under its Low-Income Rate Payer Assistance program rulemaking that will require the Company's California subsidiary to file a proposal to alter its water revenue adjustment mechanism in its next general rate case filing in 2022, which would become effective in January 2024. On October 5, 2020, the Company's California subsidiary filed an application for rehearing of the decision and following the CPUC's denial of its rehearing application in September 2021, the Company's California subsidiary filed a petition for writ of review with the California Supreme Court on October 27, 2021.

Consolidated Results of Operations

Presented in the table below are the Company's consolidated results of operations:

	<u>For the Years Ended December 31,</u>		
	<u>2021</u>	<u>2020</u>	<u>2019</u>
(In millions)			
Operating revenues	\$ 3,930	\$ 3,777	\$ 3,610
Operating expenses:			
Operation and maintenance	1,777	1,622	1,544
Depreciation and amortization	636	604	582
General taxes	321	303	280
Other	—	—	(10)
Total operating expenses, net	<u>2,734</u>	<u>2,529</u>	<u>2,396</u>
Operating income	1,196	1,248	1,214
Other income (expense):			
Interest expense	(403)	(397)	(386)
Interest income	4	2	4
Non-operating benefit costs, net	78	49	16
Gain or (loss) on sale of businesses	747	—	(44)
Other, net	18	22	29
Total other income (expense)	<u>444</u>	<u>(324)</u>	<u>(381)</u>
Income before income taxes	1,640	924	833
Provision for income taxes	<u>377</u>	<u>215</u>	<u>212</u>
Net income attributable to common shareholders	<u>\$ 1,263</u>	<u>\$ 709</u>	<u>\$ 621</u>

Segment Results of Operations

The Company's operating segments are comprised of the revenue-generating components of its business for which separate financial information is internally produced and regularly used by management to make operating decisions, assess performance and allocate resources. The Company operates its business primarily through one reportable segment, the Regulated Businesses segment. The Company also operates other businesses that, individually, do not meet the criteria of a reportable segment in accordance with GAAP, and are collectively presented as the Market-Based Businesses, which is consistent with how management assesses the results of these businesses. For a discussion and analysis of the Company's financial statements for fiscal 2020 compared to fiscal 2019, please refer to Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations in the Company's Annual Report on Form 10-K for the year ended December 31, 2020, filed with the SEC on February 24, 2021.

Regulated Businesses Segment

Presented in the table below is financial information for the Regulated Businesses:

	For the Years Ended December 31,		
	2021	2020	2019
(In millions)			
Operating revenues	\$ 3,384	\$ 3,255	\$ 3,094
Operation and maintenance	1,325	1,258	1,182
Depreciation and amortization	601	562	529
General taxes	301	285	262
Other operating expenses	1	(3)	(10)
Other income (expenses)	(195)	(221)	(262)
Income before income taxes	962	932	869
Provision for income taxes	172	217	215
Net income attributable to common shareholders	789	715	654

Operating Revenues

Presented in the tables below is information regarding the main components of the Regulated Businesses' operating revenues:

	For the Years Ended December 31,		
	2021	2020	2019
(In millions)			
Water services:			
Residential	\$ 1,935	\$ 1,895	\$ 1,735
Commercial	676	627	639
Fire service	151	147	142
Industrial	141	133	138
Public and other	239	226	230
Total water services	3,142	3,028	2,884
Wastewater services:			
Residential	151	134	119
Commercial	37	34	31
Industrial	4	3	3
Public and other	16	14	14
Total wastewater services	208	185	167
Other (a)	34	42	43
Total operating revenues	\$ 3,384	\$ 3,255	\$ 3,094

(a) Includes other operating revenues consisting primarily of miscellaneous utility charges, fees and rents.

	For the Years Ended December 31,		
	2021	2020	2019
(Gallons in millions)			
Billed water services volumes:			
Residential	173,644	178,753	167,470
Commercial	77,476	75,875	81,268
Industrial	35,738	34,875	37,242
Fire service, public and other	51,957	49,031	50,501
Total billed water services volumes	<u>338,815</u>	<u>338,534</u>	<u>336,481</u>

In 2021, as compared to 2020, operating revenues increased \$129 million primarily due to \$208 million increase from authorized rate increases, including infrastructure surcharges, principally to fund infrastructure investment in various states, and a \$26 million increase from water and wastewater acquisitions, as well as organic growth in existing systems. These increases were offset by an estimated net decrease of \$13 million from weather in both 2021 and 2020, a \$5 million decrease from lower water services demand and ongoing customer usage reductions from conservation, and a \$79 million decrease in revenues due to the amortization of EADIT, which is generally offset with a reduction in income tax expense. Additionally, there was an \$8 million decrease in revenue due to the denial of authorization to defer certain COVID-19 financial impacts based on the PaPUC order received by the Company's Pennsylvania subsidiary. See Note 3—Impact of the COVID-19 Pandemic in the Notes to Consolidated Financial Statements for additional information.

Operation and Maintenance

Presented in the table below is information regarding the main components of the Regulated Businesses' operating and maintenance expense:

	For the Years Ended December 31,		
	2021	2020	2019
(In millions)			
Employee-related costs	\$ 522	\$ 495	\$ 462
Production costs	353	335	317
Operating supplies and services	245	242	237
Maintenance materials and supplies	93	84	74
Customer billing and accounting	66	58	55
Other	46	44	37
Total	<u>\$ 1,325</u>	<u>\$ 1,258</u>	<u>\$ 1,182</u>

Employee-Related Costs

	For the Years Ended December 31,		
	2021	2020	2019
(In millions)			
Salaries and wages	\$ 402	\$ 382	\$ 363
Group insurance	66	65	60
Pensions	25	20	12
Other benefits	29	28	27
Total	<u>\$ 522</u>	<u>\$ 495</u>	<u>\$ 462</u>

In 2021, as compared to 2020, employee-related costs increased \$27 million primarily due to a \$20 million increase in salaries and wages from higher headcount and related compensation expense supporting growth in the businesses and a \$5 million increase in pension service costs.

Production Costs

	For the Years Ended December 31,		
	2021	2020	2019
(In millions)			
Purchased water	\$ 153	\$ 149	\$ 135
Fuel and power	97	88	90
Chemicals	59	57	54
Waste disposal	44	41	38
Total	\$ 353	\$ 335	\$ 317

In 2021, as compared to 2020, production costs increased \$18 million primarily due to a \$9 million increase in fuel and power due to higher rates and system delivery across several subsidiaries and a \$4 million increase in purchased water primarily due to usage in the Company’s California subsidiary.

Maintenance Materials and Supplies

In 2021, as compared to 2020, maintenance materials and supplies increased \$9 million primarily due to timing of maintenance and tank painting projects in the Company’s New Jersey subsidiary and increased paving costs from a higher volume of main breaks.

Customer Billing and Accounting

In 2021, as compared to 2020, customer billing and accounting increased \$8 million primarily due to higher call volumes experienced at our customer service centers, higher collections costs and higher uncollectible costs.

Depreciation and Amortization

In 2021, as compared to 2020, depreciation and amortization increased \$39 million primarily due to additional utility plant placed in service from capital infrastructure investments and acquisitions.

General Taxes

In 2021, as compared to 2020, general taxes increased \$16 million, primarily due to increased capital investments, including acquisitions, increased tax rates across several subsidiaries and an increase in the New Jersey Gross Receipts Tax.

Other Income (Expenses)

In 2021, as compared to 2020, other income (expenses) increased \$26 million primarily due to the reduction in the non-service cost components of pension and other postretirement benefits expense resulting from higher asset returns.

Provision for Income Taxes

In 2021, as compared to 2020, the Regulated Businesses’ provision for income taxes decreased \$45 million. The Regulated Businesses’ effective income tax rate was 17.9% and 23.3% for the years ended December 31, 2021 and 2020, respectively. The decrease was primarily due to an increase in the amortization of EADIT resulting from the TCJA, pursuant to regulatory orders. The amortization of EADIT is generally offset with reductions in revenue.

Market-Based Businesses

Presented in the table below is information for the Market-Based Businesses:

	For the Years Ended December 31,		
	2021	2020	2019
(In millions)			
Operating revenues	\$ 563	\$ 540	\$ 539
Operation and maintenance	482	389	393
Depreciation and amortization	22	26	37
Gain or (loss) on sale of businesses	748	(1)	(44)
Income before income taxes	798	120	66
Provision for income taxes	248	29	20
Net income attributable to common shareholders	550	91	46

Operating Revenues

In 2021, as compared to 2020, operating revenues increased \$23 million primarily due to a \$32 million increase in capital and O&M projects in the MSG, across several of the Company's military bases, primarily at the United States Military Academy at West Point, New York, Fort Belvoir and Joint Base Lewis-McChord and a \$7 million increase in the CSG related to the contract with the City of Camden, New Jersey. These increases were partially offset by a \$17 million year over year decrease at HOS due to the sale of the business in the fourth quarter of 2021.

Operation and Maintenance

Presented in the table below is information regarding the main components of the Market-Based Businesses' operating and maintenance expense:

	For the Years Ended December 31,		
	2021	2020	2019
(In millions)			
Operating supplies and services	\$ 221	\$ 148	\$ 128
Maintenance materials and supplies	123	114	109
Employee-related costs	96	90	109
Production costs	22	21	29
Other	20	16	18
Total	<u>\$ 482</u>	<u>\$ 389</u>	<u>\$ 393</u>

Operating Supplies and Services

In 2021, as compared to 2020, operating supplies and services increased \$73 million primarily due to the \$45 million pre-tax contribution to the AWCF authorized by the Company in 2021, costs associated with MSG from increased capital and O&M projects as discussed above and an increase in additional O&M costs related to CSG.

Maintenance Materials and Supplies

In 2021, as compared to 2020, maintenance materials and supplies increased \$9 million primarily due to an increase in CSG related to the contract with the City of Camden, New Jersey and an increase in HOS due to contract growth and an increase in claims. These increases were partially offset by a decrease in HOS due to the sale of its business in the fourth quarter of 2021.

Employee-Related Costs

In 2021, as compared to 2020, employee-related costs increased \$6 million primarily due to an increase in salaries and wages in MSG from the addition of new bases in the second half of 2020 and HOS for additional customer service costs to support the business.

Depreciation and Amortization

In 2021, as compared to 2020, depreciation and amortization decreased \$4 million primarily due to lower intangible asset amortization expenses in HOS.

Gain or (Loss) on Sale of Businesses

During the fourth quarter of 2021, the Company recognized a pre-tax gain on sale of \$748 million relating to the sale of HOS. See Note 6—Acquisitions and Divestitures in the Notes to Consolidated Financial Statements for additional information.

Provision for Income Taxes

In 2021, as compared to 2020, provision for income taxes increased \$219 million primarily due to the sale of HOS. See Note 6—Acquisitions and Divestitures in the Notes to Consolidated Financial Statements for additional information.

Liquidity and Capital Resources

The Company uses its capital resources, including cash, primarily to (i) fund operating and capital requirements, (ii) pay interest and meet debt maturities, (iii) pay dividends, (iv) fund acquisitions, (v) fund pension and postretirement benefit obligations, and (vi) to pay federal income taxes, which the Company began to pay as a result of fully utilizing its NOL carryforward in 2021. The Company invests a significant amount of cash on regulated capital projects where it expects to earn a long-term return on investment. Additionally, the Company operates in rate regulated environments in which the amount of new investment recovery may be limited, and where such recovery generally takes place over an extended period of time, and certain capital recovery is also subject to regulatory lag. See Item 1—Business—Regulated Businesses—*Regulation and Rate Making* for additional information. The Company expects to fund future maturities of long-term debt through a combination of external debt and, to the extent available, cash flows from operations. Since the Company expects its capital investments over the next few years to be greater than its cash flows from operating activities, the Company currently plans to fund the excess of its capital investments over its cash flows from operating activities for the next five years through a combination of long-term debt and equity in addition to the proceeds from the sales of HOS and the Company's New York subsidiary. If necessary, the Company may delay certain capital investments or other funding requirements, or pursue financing from other sources to preserve liquidity. In this event, the Company believes it can rely upon cash flows from operations to meet its obligations and fund its minimum required capital investments for an extended period of time.

The Company regularly evaluates and monitors its cash requirements for capital investments, acquisitions, operations, commitments, debt maturities, interest and dividends. The Company's business is capital intensive, with a majority of this capital funded by cash flows from operations. When necessary, the Company also obtains funds from external sources, primarily in the debt markets and through short-term commercial paper borrowings. In order to meet short-term liquidity needs, AWCC issues commercial paper that is supported by its revolving credit facility. The Company may also access the equity capital markets to support its capital funding requirements, as needed. The Company's access to external financing on reasonable terms depends on its credit ratings and current business conditions, including that of the utility and water utility industry in general, as well as conditions in the debt or equity capital markets, and the national and international economic and geopolitical

arenas. Disruptions in the credit markets may discourage lenders from extending the terms of such commitments or agreeing to new commitments. Market disruptions may also limit the Company's ability to issue debt and equity securities in the capital markets.

If these unfavorable business, market, financial and other conditions deteriorate to the extent that the Company is no longer able to access the commercial paper and/or capital markets on reasonable terms, AWCC has access to an unsecured revolving credit facility that expires in March 2025 with aggregate bank commitments of \$2.25 billion. The facility is used principally to fulfill the Company's short-term liquidity needs by supporting AWCC's \$2.10 billion commercial paper program and to provide a sublimit of up to \$150 million for letters of credit. Subject to satisfying certain conditions, the credit agreement permits AWCC to increase the maximum commitment under the facility by up to \$500 million. As of December 31, 2021, AWCC had no outstanding borrowings and \$76 million of outstanding letters of credit under its revolving credit facility, with \$1.59 billion available to fulfill its short-term liquidity needs and to issue letters of credit.

To ensure adequate liquidity given the impacts of the COVID-19 pandemic on debt and capital markets, on March 20, 2020, AWCC entered into a Term Loan Credit Agreement, by and among parent company, AWCC and the lenders party thereto (the "Term Loan Facility"). The net proceeds were used for general corporate purposes of AWCC and American Water and to provide additional liquidity. The Term Loan Facility commitments terminated at maturity on March 19, 2021, and the Term Loan Facility was repaid in full.

The Company believes that its ability to access the debt and equity capital markets, the revolving credit facility and cash flows from operations will generate sufficient cash to fund the Company's short-term requirements. The Company believes it has sufficient liquidity and the ability to manage its expenditures, should there be a disruption of the capital and credit markets. However, there can be no assurance that the lenders will be able to meet existing commitments to AWCC under the revolving credit facility, or that AWCC will be able to access the commercial paper or loan markets in the future on acceptable terms or at all. See Credit Facilities and Short-Term Debt below for additional information.

Cash Flows from Operating Activities

Cash flows from operating activities primarily result from the sale of water and wastewater services and, due to the seasonality of demand, are generally greater during the warmer months. The Company's future cash flows from operating activities will be affected by, among other things: customers' ability to pay for service in a timely manner, economic utility regulation, inflation, compliance with environmental, health and safety standards, production costs, maintenance costs, customer growth, declining customer usage of water, employee-related costs, including pension funding, weather and seasonality, taxes, and overall economic conditions.

Operating cash flows can be negatively affected by changes in the Company's rate regulated environments, changes in the Market-Based Businesses, changes in the economy, interest rates, the timing of tax payments, and the Company's customers' ability to pay for service in a timely manner, among other items. The Company can provide no assurance that its customers' historical payment pattern will continue in the future. The Company's current liabilities may exceed current assets mainly from debt maturities due within one year and the use of short-term debt as a funding source, primarily to meet scheduled maturities of long-term debt, fund acquisitions and construction projects, as well as cash needs, which can fluctuate significantly due to the seasonality of the business and other factors. The Company addresses cash timing differences primarily through its short-term liquidity funding mechanisms.

Presented in the table below is a summary of the major items affecting the Company's cash flows from operating activities:

(In millions)	For the Years Ended December 31,		
	2021	2020	2019
Net income	\$ 1,263	\$ 709	\$ 621
Add (less):			
Depreciation and amortization	636	604	582
Deferred income taxes and amortization of investment tax credits	230	207	208
Other non-cash activities (a)	(27)	—	4
Changes in working capital (b)	126	(49)	(5)
Settlement of cash flow hedges	—	(6)	(30)
Pension and non-pension postretirement benefit contributions	(40)	(39)	(31)
(Gain) or loss on sale of businesses	(747)	—	34
Net cash provided by operating activities	<u>\$ 1,441</u>	<u>\$ 1,426</u>	<u>\$ 1,383</u>

- (a) Includes provision for losses on accounts receivable, pension and non-pension postretirement benefits and other non-cash, net. Details of each component can be found on the Consolidated Statements of Cash Flows.
- (b) Changes in working capital include changes to receivables and unbilled revenues, accounts payable and accrued liabilities, and other current assets and liabilities, net, less the settlement of cash flow hedges.

In 2021, cash flows provided by operating activities increased \$15 million, primarily due to an increase in net income, changes in working capital, primarily from an increase in accrued taxes, and an increase in depreciation and amortization due to additional utility plant placed in service from capital infrastructure investments. Partially offsetting these increases was the gain on sale of businesses, due to the gain on the sale of HOS.

The Company expects to make pension contributions to the plan trusts of \$37 million in 2022. In addition, the Company estimates that contributions will amount to \$35 million, \$33 million, \$30 million and \$27 million in 2023, 2024, 2025 and 2026, respectively. Actual amounts contributed could change materially from these estimates as a result of changes in assumptions and actual investment returns, among other factors.

Cash Flows from Investing Activities

Presented in the table below is a summary of the major items affecting the Company's cash flows from investing activities:

(In millions)	For the Years Ended December 31,		
	2021	2020	2019
Capital expenditures	\$ (1,764)	\$ (1,822)	\$ (1,654)
Acquisitions, net of cash acquired	(135)	(135)	(235)
Proceeds from sale of assets, net of cash on hand	472	2	48
Removal costs from property, plant and equipment retirements, net	(109)	(106)	(104)
Net cash used in investing activities	<u>\$ (1,536)</u>	<u>\$ (2,061)</u>	<u>\$ (1,945)</u>

In 2021, cash flows used in investing activities decreased \$525 million primarily due to proceeds received from the sale of HOS and timing of payments for capital expenditures. The Company continues to invest across all infrastructure categories, mainly replacement and renewal of transmission and distribution and services, meter and fire hydrants infrastructure in the Company's Regulated Businesses, as discussed below.

The Company's infrastructure investment plan consists of both infrastructure renewal programs, where the Company replaces infrastructure, as needed, and major capital investment projects, where the Company

constructs new water and wastewater treatment and delivery facilities to meet new customer growth and water quality regulations. The Company's projected capital expenditures and other investments are subject to periodic review and revision to reflect changes in economic conditions and other factors.

Presented in the table below is a summary of the Company's capital expenditures by category:

(In millions)	For the Years Ended December 31,		
	2021	2020	2019
Transmission and distribution	\$ 749	\$ 704	\$ 661
Treatment and pumping	197	306	190
Services, meter and fire hydrants	366	333	346
General structure and equipment	251	299	234
Sources of supply	64	54	83
Wastewater	137	126	140
Total capital expenditures	<u>\$ 1,764</u>	<u>\$ 1,822</u>	<u>\$ 1,654</u>

In 2021, the Company's capital expenditures decreased \$58 million primarily due to a decrease in treatment and pumping and general structure and equipment infrastructure investment partially offset by increases in transmission and distribution and services, meter and fire hydrants infrastructure investment.

The Company also grows its business primarily through acquisitions of water and wastewater systems. These acquisitions are generally located in geographic proximity to the Company's existing Regulated Businesses and support continued geographical diversification and growth of its operations. Generally, acquisitions are funded initially with short-term debt, and later refinanced with long-term financing. During 2021, the Company paid \$112 million for the acquisition of 23 water and wastewater systems, representing in the aggregate approximately 20,000 customers and paid \$23 million in deposits for future acquisitions.

As previously noted, over the next five years the Company expects to invest between \$13 billion to \$14 billion, with \$11.5 billion to \$12 billion for infrastructure improvements in the Regulated Businesses, and the Company expects to invest between \$28 billion to \$32 billion over the next 10 years. In 2022, the Company expects to invest \$2.5 billion, consisting of \$2 billion for infrastructure improvements and \$500 million for acquisitions in the Regulated Businesses.

Cash Flows from Financing Activities

Presented in the table below is a summary of the major items affecting the Company's cash flows from financing activities:

(In millions)	For the Years Ended December 31,		
	2021	2020	2019
Proceeds from long-term debt	\$ 1,118	\$ 1,334	\$ 1,530
Repayments of long-term debt	(372)	(342)	(495)
(Repayments of) proceeds from term loan	(500)	500	—
Net short-term borrowings with maturities less than three months	(198)	(5)	(178)
Dividends paid	(428)	(389)	(353)
Anti-dilutive share repurchases	—	—	(36)
Other financing activities, net (a)	35	22	26
Net cash (used in) provided by financing activities	<u>\$ (345)</u>	<u>\$ 1,120</u>	<u>\$ 494</u>

- (a) Includes proceeds from issuances of common stock under various employee stock plans and the Company's dividend reinvestment plan, net of taxes paid, advances and contributions in aid of construction, net of refunds, and debt issuance costs and make-whole premiums on early debt redemption.

In 2021, cash flows provided by financing activities decreased \$1,465 million, primarily due to the repayment in full at maturity of the \$500 million Term Loan Facility during the first quarter of 2021, an increase in net repayments of commercial paper borrowings, higher dividends paid in 2021 and an increase in repayments of long-term debt due to the prepayment of \$327 million in aggregate principal amount of AWCC's outstanding senior notes during the second quarter of 2021.

The Company's financing activities are primarily focused on funding regulated infrastructure expenditures, regulated acquisitions and payment of dividends. These activities included the issuance of long-term and short-term debt, primarily through AWCC. Based on the needs of the Regulated Businesses and the Company, AWCC may borrow funds or issue its debt in the capital markets and then, through intercompany loans, provide those borrowings to the Regulated Businesses and parent company. The Regulated Businesses and parent company are obligated to pay their portion of the respective principal and interest to AWCC, in the amount necessary to enable AWCC to meet its debt service obligations. Parent company's borrowings are not a source of capital for the Regulated Businesses, therefore, parent company is not able to recover the interest charges on its debt through regulated water and wastewater rates. As of December 31, 2021, AWCC has made long-term fixed rate loans and commercial paper loans to the Regulated Businesses amounting to \$6.7 billion. Additionally, as of December 31, 2021, AWCC has made long-term fixed rate loans and commercial paper loans to parent company amounting to \$3.1 billion.

On May 10, 2021, AWCC completed a \$1.1 billion debt offering, which included the sale of \$550 million aggregate principal amount of its 2.30% Senior Notes due 2031 and \$550 million aggregate principal amount of its 3.25% Senior Notes due 2051. At the closing of the offering, AWCC received, after deduction of underwriting discounts and before deduction of offering expenses, net proceeds of \$1,086 million. AWCC used the net proceeds of this offering: (i) to lend funds to parent company and its regulated subsidiaries; (ii) to prepay \$251 million aggregate principal amount of AWCC's outstanding 5.77% Series D Senior Notes due December 21, 2021 (the "Series D Notes") and \$76 million aggregate principal amount of AWCC's outstanding 6.55% Series H Senior Notes due May 15, 2023 (the "Series H Notes," and together with the Series D Notes, the "Series Notes"); (iii) to repay AWCC's commercial paper obligations; and (iv) for general corporate purposes. After the prepayments described above, none of the Series D Notes, and approximately \$14 million aggregate principal amount of the Series H Notes, remain outstanding. As a result of AWCC's prepayment of the Series Notes, a make-whole premium of \$15 million was paid to the holders thereof on June 14, 2021. Substantially all of the early debt extinguishment costs were allocable to the Company's utility subsidiaries and recorded as regulatory assets, as the Company believes they are probable of recovery in future rates.

One of the principal market risks to which the Company is exposed is changes in interest rates. In order to manage the exposure, the Company follows risk management policies and procedures, including the use of derivative contracts such as swaps. The Company also reduces exposure to interest rates by managing commercial paper and debt maturities. The Company does not enter into derivative contracts (through AWCC) for speculative purposes and does not use leveraged instruments. The derivative contracts entered into are for periods consistent with the related underlying exposures. The Company is exposed to the risk that counterparties to derivative contracts will fail to meet their contractual obligations. The Company minimizes the counterparty credit risk on these transactions by dealing only with leading, creditworthy financial institutions, having long-term credit ratings of "A" or better.

On May 10, 2021, the Company terminated two treasury lock agreements with an aggregate notional amount of \$275 million, realizing a net gain of less than \$1 million, to be amortized through interest, net over a ten-year period, in accordance with the terms of the new debt issued on May 10, 2021. No ineffectiveness was recognized on hedging instruments for the years ended December 31, 2021 and 2020.

In February 2021, parent company and AWCC filed with the SEC a universal shelf registration statement that enables the Company to meet its capital needs through the offer and sale to the public from time to time of an unlimited amount of various types of securities, including American Water common stock, preferred stock, and other equity and hybrid securities, and AWCC debt securities, all subject to market conditions and demand,

general economic conditions, and as applicable, rating status. The shelf registration statement will expire in February 2024. During 2021, 2020 and 2019, \$1.10 billion, \$1.00 billion, and \$1.10 billion, respectively, of debt securities were issued under this and predecessor registration statements.

Presented in the table below are the issuances of long-term debt in 2021:

<u>Company</u>	<u>Type</u>	<u>Rate</u>	<u>Weighted Average Rate</u>	<u>Maturity</u>	<u>Amount (in millions)</u>
AWCC (a)	Senior notes—fixed rate	2.30%-3.25%	2.78%	2031-2051	\$ 1,100
Other American Water subsidiaries	Private activity bonds and government funded debt— fixed rate	0.00%-5.00%	0.04%	2022-2047	18
Total issuances					<u>\$ 1,118</u>

(a) This indebtedness is considered “debt” for purposes of a support agreement between parent company and AWCC, which serves as a functional equivalent of a full and unconditional guarantee by parent company of AWCC’s payment obligations under such indebtedness. See “—Issuer and Guarantor of Senior Notes” below.

Presented in the table below are the retirements and redemptions of long-term debt in 2021 through sinking fund provisions, optional redemption or payment at maturity:

<u>Company</u>	<u>Type</u>	<u>Rate</u>	<u>Weighted Average Rate</u>	<u>Maturity</u>	<u>Amount (in millions)</u>
AWCC	Private activity bonds and government funded debt— fixed rate	1.79%-6.55%	5.94%	2021-2031	\$ 327
Other American Water subsidiaries	Private activity mortgage bonds	9.13%-9.69%	9.52%	2021	31
Other American Water subsidiaries	Private activity bonds and government funded debt— fixed rate	0.00%-5.50%	1.38%	2021-2048	13
Other American Water subsidiaries	Mandatory redeemable preferred stock	8.49%-8.49%	8.49%	2022-2022	1
Total retirements and redemptions					<u>\$ 372</u>

From time to time and as market conditions warrant, the Company may engage in long-term debt retirements through make-whole redemptions, tender offers, open market repurchases or other viable alternatives.

Issuer and Guarantor of Senior Notes

The outstanding senior notes issued by AWCC, the wholly owned finance subsidiary of parent company, have been issued under two indentures, each by and between AWCC and Wells Fargo Bank, National Association, as trustee, providing for the rights and obligations of the parties thereto and the holders of the notes issued thereunder. The senior notes also have been issued with the benefit of a support agreement, as amended, between parent company and AWCC, which serves as the functional equivalent of a full and unconditional guarantee by parent company of AWCC’s payment obligations under the senior notes. No other subsidiary of parent company provides guarantees for any of the outstanding senior notes. If AWCC is unable to make timely payment of any interest, principal or premium, if any, on such senior notes, parent company will provide to AWCC, at its request or the request of any holder of such senior notes, funds to make such payment in full. If AWCC fails or refuses to take timely action to enforce certain rights under the support agreement or if AWCC defaults in the timely payment of any amounts owed to any holder of such senior notes, when due, the support agreement provides that the holder may proceed directly against parent company to enforce such rights or to obtain payment of the defaulted amounts owed to that holder.

As a wholly owned finance subsidiary of parent company, AWCC has no significant assets other than obligations of parent company and certain of its subsidiaries in its Regulated Businesses segment to repay certain intercompany loans made to them by AWCC. AWCC's ability to make payments of amounts owed to holders of the senior notes will be dependent upon AWCC's receipt of sufficient payments of amounts owed pursuant to the terms of such intercompany loans and from its ability to issue indebtedness or otherwise obtain loans in the future, the proceeds of which would be used to fund the repayment of the senior notes.

Because parent company is a holding company and substantially all of its operations are conducted through its subsidiaries other than AWCC, parent company's ability to fulfill its obligations under the support agreement will be dependent upon its receipt of sufficient cash dividends or distributions from its operating subsidiaries. See Note 10—Shareholders' Equity—Dividends and Distributions, in the Notes to the Consolidated Financial Statements for a summary of the limitations on parent company and its subsidiaries to pay dividends or make distributions. Furthermore, parent company's operating subsidiaries are separate and distinct legal entities and, other than AWCC, have no obligation to make any payments on the senior notes or to make available or provide any funds for such payment, other than through their repayment obligations under intercompany loans, if any, with AWCC. Based on the foregoing, parent company's obligations under the support agreement will be effectively subordinated to all indebtedness and other liabilities, including trade payables, lease commitments and moneys borrowed or other indebtedness incurred or issued by parent company's subsidiaries other than AWCC.

Credit Facilities and Short-Term Debt

Interest rates on advances under the Company's revolving credit facility are based on a credit spread to the LIBOR rate (or applicable market replacement rate) or base rate in accordance with Moody Investors Service's and Standard & Poor's Financial Services' then applicable credit rating on AWCC's senior unsecured, non-credit enhanced debt. The facility is used principally to support AWCC's commercial paper program and to provide up to \$150 million in letters of credit. Indebtedness under the facility and AWCC's commercial paper are considered "debt" for purposes of a support agreement between parent company and AWCC, which serves as a functional equivalent of a full and unconditional guarantee by parent company of AWCC's payment obligations thereunder.

Presented in the tables below are the aggregate credit facility commitments, commercial paper limit and letter of credit availability under the revolving credit facility, as well as the available capacity for each, as of December 31:

	2021		
	Commercial Paper Limit	Letters of Credit	Total (a)
(In millions)			
Total availability	\$ 2,100	\$ 150	\$ 2,250
Outstanding debt	(584)	(76)	(660)
Remaining availability as of December 31, 2021	<u>\$ 1,516</u>	<u>\$ 74</u>	<u>\$ 1,590</u>

(a) Total remaining availability of \$1.59 billion as of December 31, 2021 may be accessed through revolver draws.

	2020		
	Commercial Paper Limit	Letters of Credit	Total (a)
(In millions)			
Total availability	\$ 2,100	\$ 150	\$ 2,250
Outstanding debt	(786)	(76)	(862)
Remaining availability as of December 31, 2020	<u>\$ 1,314</u>	<u>\$ 74</u>	<u>\$ 1,388</u>

(a) Total remaining availability may be accessed through revolver draws.

Presented in the table below is the Company's total available liquidity as of December 31, 2021 and 2020:

(In millions)	Cash and Cash Equivalents	Availability on Revolving Credit Facility	Total Available Liquidity
Available liquidity as of December 31, 2021	\$ 116	\$ 1,590	\$ 1,706
Available liquidity as of December 31, 2020	547	1,388	1,935

The weighted average interest rate on AWCC short-term borrowings, including as of December 31, 2020, \$500 million of outstanding principal on the Term Loan Facility, was approximately 0.25% and 1.16%, for the years ended December 31, 2021 and 2020, respectively.

Capital Structure

Presented in the table below is the percentage of the Company's capitalization represented by the components of its capital structure as of December 31:

	2021	2020	2019
Total common shareholders' equity	39.9%	37.1%	39.2%
Long-term debt and redeemable preferred stock at redemption value	56.6%	53.6%	55.6%
Short-term debt and current portion of long-term debt	3.5%	9.3%	5.2%
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>

The changes in the capital structure mix between periods were mainly attributable to the impacts of the HOS sale, repayment of the Term Loan Facility at maturity on March 19, 2021, and the Company's long-term debt offering that was completed on May 10, 2021.

Debt Covenants

The Company's debt agreements contain financial and non-financial covenants. To the extent that the Company is not in compliance with these covenants, an event of default may occur under one or more debt agreements and the Company, or its subsidiaries, may be restricted in its ability to pay dividends, issue new debt or access the revolving credit facility. The long-term debt indentures contain a number of covenants that, among other things, prohibit or restrict the Company from issuing debt secured by the Company's assets, subject to certain exceptions. Failure to comply with any of these covenants could accelerate repayment obligations.

Covenants in certain long-term notes and the revolving credit facility require the Company to maintain a ratio of consolidated debt to consolidated capitalization (as defined in the relevant documents) of not more than 0.70 to 1.00. On December 31, 2021, the Company's ratio was 0.60 to 1.00 and therefore the Company was in compliance with the covenants.

Security Ratings

Presented in the table below are long-term and short-term credit ratings and rating outlooks as of February 16, 2022 as issued by the following rating agencies:

Securities	Moody's Investors Service	Standard & Poor's Ratings Service
Rating outlook	Stable	Stable
Senior unsecured debt	Baa1	A
Commercial paper	P-2	A-1

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

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

Access to the capital markets, including the commercial paper market, and respective financing costs in those markets, may be directly affected by the Company's securities ratings. The Company primarily accesses the debt capital markets, including the commercial paper market, through AWCC. However, the Company has also issued debt through its regulated subsidiaries, primarily in the form of mortgage bonds and tax exempt securities or borrowings under state revolving funds, to lower the overall cost of debt.

Dividends and Regulatory Restrictions

For discussion of the Company's dividends, dividend restrictions and dividend policy, see Note 10—Shareholders' Equity in the Notes to Consolidated Financial Statements for additional information.

Insurance Coverage

The Company carries various property, casualty, cyber and financial insurance policies with limits, deductibles and exclusions that it believes are consistent with industry standards. However, insurance coverage may not be adequate or available to cover unanticipated losses or claims. Additionally, annual policy renewals can be impacted by claims experience which in turn can impact coverage terms and conditions on a going-forward basis. The Company is self-insured to the extent that losses are within the policy deductible or exceed the amount of insurance maintained. Such losses could have a material adverse effect on the Company's short-term and long-term financial condition and its results of operations and cash flows.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with GAAP requires that management apply accounting policies and make estimates, assumptions and judgments that could affect the Company's financial condition, results of operations and cash flows. Actual results could differ from these estimates, assumptions and judgments. Management believes that the areas described below require significant judgment in the application of accounting policy or in making estimates and assumptions in matters that are inherently uncertain and that may change in subsequent periods. Accordingly, changes in the estimates, assumptions and judgments applied to these accounting policies could have a significant impact on the Company's financial condition, results of operations and cash flows, as reflected in the Company's Consolidated Financial Statements. Management has reviewed the critical accounting policies described below with the Company's Audit, Finance and Risk Committee, including the estimates, assumptions and judgments used in their application. Additional discussion regarding these critical accounting policies and their application can be found in Note 2—Significant Accounting Policies in the Notes to Consolidated Financial Statements.

Regulation and Regulatory Accounting

The Company's regulated utilities are subject to regulation by PUCs and, as such, the Company follows the authoritative accounting principles required for rate regulated utilities, which requires the Company to reflect the effects of rate regulation in its Consolidated Financial Statements. Use of this authoritative guidance is applicable to utility operations that meet the following criteria: (i) third-party regulation of rates; (ii) cost-based rates; and (iii) a reasonable assumption that rates will be set to recover the estimated costs of providing service, plus a return on net investment, or rate base. As of December 31, 2021, the Company concluded that the operations of its utilities met the criteria.

Application of this authoritative guidance has a further effect on the Company's financial statements as it pertains to allowable costs used in the ratemaking process. The Company makes significant assumptions and estimates to quantify amounts recorded as regulatory assets and liabilities. Such judgments include, but are not limited to, assets and liabilities related to regulated acquisitions, pension and postretirement benefits, depreciation rates and taxes. Due to timing and other differences in the collection of revenues, these authoritative accounting principles allow a cost that would otherwise be charged as an expense by a non-regulated entity, to be deferred as a regulatory asset if it is probable that such cost is recoverable through future rates. Conversely, the principles require the creation of a regulatory liability for amounts collected in rates to recover costs expected to be incurred in the future, or amounts collected in excess of costs incurred and are refundable to customers.

For each regulatory jurisdiction where the Company conducts business, the Company assesses, at the end of each reporting period, whether the regulatory assets continue to meet the criteria for probable future recovery and regulatory liabilities continue to meet the criteria for probable future settlement. This assessment includes consideration of factors such as changes in regulatory environments, recent rate orders (including recent rate orders on recovery of a specific or similar incurred cost to other regulated entities in the same jurisdiction) and the status of any pending or potential legislation. If subsequent events indicate that the regulatory assets or liabilities no longer meet the criteria for probable future recovery or probable future settlement, the Company's Consolidated Statements of Operations and financial position could be materially affected. In addition, if the Company concludes in a future period that a separable portion of the business no longer meets the criteria, the Company is required to eliminate the financial statement effects of regulation for that part of the business, which would include the elimination of any or all regulatory assets and liabilities that had been recorded in the Consolidated Financial Statements. Failure to meet the criteria of this authoritative guidance could materially impact the Company's Consolidated Financial Statements.

As of December 31, 2021 and 2020, the Company's regulatory asset balance was \$1.1 billion and its regulatory liability balance was \$1.6 billion and \$1.8 billion, respectively. See Note 4—Regulatory Matters in the Notes to Consolidated Financial Statements for further information regarding the Company's significant regulatory assets and liabilities.

Accounting for Income Taxes

Significant management judgment is required in determining the provision for income taxes, primarily due to the uncertainty related to tax positions taken, as well as deferred tax assets and liabilities, valuation allowances and the utilization of NOL carryforwards.

In accordance with applicable authoritative guidance, the Company accounts for uncertain income tax positions using a benefit recognition model with a two-step approach, including a more-likely-than-not recognition threshold and a measurement approach based on the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement. If it is not more-likely-than-not that the benefit of the tax position will be sustained on its technical merits, no benefit is recorded. Uncertain tax positions that relate only to timing of when an item is included on a tax return are considered to have met the recognition threshold. Management evaluates each position based solely on the technical merits and facts and circumstances of the

position, assuming the position will be examined by a taxing authority having full knowledge of all relevant information. Significant judgment is required to determine whether the recognition threshold has been met and, if so, the appropriate amount of unrecognized tax benefit to be recorded in the Consolidated Financial Statements.

The Company evaluates the probability of realizing deferred tax assets quarterly by reviewing a forecast of future taxable income and its intent and ability to implement tax planning strategies, if necessary, to realize deferred tax assets. The Company also assesses its ability to utilize tax attributes, including those in the form of carryforwards, for which the benefits have already been reflected in the financial statements. The Company records valuation allowances for deferred tax assets when it concludes that it is more-likely-than-not such benefit will not be realized in future periods.

Under GAAP, specifically Accounting Standards Codification Topic 740, *Income Taxes* (“ASC 740”), the tax effects of changes in tax laws must be recognized in the period in which the law is enacted. ASC 740 also requires deferred tax assets and liabilities to be measured at the enacted tax rate expected to apply when temporary differences are to be realized or settled. Thus, at the date of enactment of the TCJA, the Company’s deferred taxes were re-measured based upon the new tax rate. For the Company’s regulated entities, the change in deferred taxes are recorded as either an offset to a regulatory asset or a regulatory liability and may be subject to refund to customers. For the Company’s unregulated operations, the change in deferred taxes are recorded as a non-cash re-measurement adjustment to earnings.

Actual income taxes could vary from estimated amounts due to the future impacts of various items, including changes in income tax laws, the Company’s forecasted financial condition and results of operations, failure to successfully implement tax planning strategies and recovery of taxes through the regulatory process for the Regulated Businesses, as well as results of audits and examinations of filed tax returns by taxing authorities. The resulting tax balances as of December 31, 2021 and 2020 are appropriately accounted for in accordance with the applicable authoritative guidance; however, the ultimate outcome of tax matters could result in favorable or unfavorable adjustments to the Consolidated Financial Statements and such adjustments could be material. See Note 15—Income Taxes in the Notes to Consolidated Financial Statements for additional information regarding income taxes.

Accounting for Pension and Postretirement Benefits

The Company maintains noncontributory defined benefit pension plans covering eligible employees of its regulated utility and shared service operations. See Note 16—Employee Benefits in the Notes to Consolidated Financial Statements for additional information regarding the description of and accounting for the defined benefit pension plans and postretirement benefit plans.

The Company’s pension and postretirement benefit costs are developed from actuarial valuations. Inherent in these valuations are key assumptions provided by the Company to its actuaries, including the discount rate and expected long-term rate of return on plan assets. Material changes in the Company’s pension and postretirement benefit costs may occur in the future due to changes in these assumptions as well as fluctuations in plan assets. The assumptions are selected to represent the average expected experience over time and may differ in any one year from actual experience due to changes in capital markets and the overall economy. These differences will impact the amount of pension and other postretirement benefit expense that the Company recognizes. The primary assumptions are:

- **Discount Rate**—The discount rate is used in calculating the present value of benefits, which are based on projections of benefit payments to be made in the future. The objective in selecting the discount rate is to measure the single amount that, if invested at the measurement date in a portfolio of high-quality debt instruments, would provide the necessary future cash flows to pay the accumulated benefits when due.
- **Expected Return on Plan Assets (“EROA”)**—Management projects the future return on plan assets considering prior performance, but primarily based upon the plans’ mix of assets and expectations for

the long-term returns on those asset classes. These projected returns reduce the net benefit costs the Company records currently.

- Rate of Compensation Increase—Management projects employees’ pay increases, which are used to project employees’ pension benefits at retirement.
- Health Care Cost Trend Rate—Management projects the expected increases in the cost of health care.
- Mortality— Management adopted the Society of Actuaries Pri-2012 mortality base table, the most recent table developed from private pension plan experience, which provides rates of mortality in 2012 and adopted the new MP-2021 mortality improvement scale to gradually adjust future mortality rates downward due to increased longevity in each year after 2012.

The discount rate assumption, which is determined for the pension and postretirement benefit plans independently, is subject to change each year, consistent with changes in applicable high-quality, long-term corporate bond indices. The Company uses an approach that approximates the process of settlement of obligations tailored to the plans’ expected cash flows by matching the plans’ cash flows to the coupons and expected maturity values of individually selected bonds. For each plan, the discount rate was developed as the level equivalent rate that would yield the same present value as using spot rates aligned with the projected benefit payments. The discount rate for determining pension benefit obligations was 2.94%, 2.74% and 3.44% at December 31, 2021, 2020 and 2019, respectively. The discount rate for determining other postretirement benefit obligations was 2.90%, 2.56% and 3.36% at December 31, 2021, 2020 and 2019, respectively.

In selecting an EROA, the Company considered tax implications, past performance and economic forecasts for the types of investments held by the plans. The long-term EROA assumption used in calculating pension cost was 6.50% for 2021, 6.50% for 2020, and 6.20% for 2019. The weighted average EROA assumption used in calculating other postretirement benefit costs was 3.67% for 2021, 3.68% for 2020 and 3.56% for 2019.

Presented in the table below are the allocations of the pension plan assets by asset category:

Asset Category	2022 Target Allocation	Percentage of Plan Assets as of December 31,	
		2021	2020
Equity securities	43%	46%	49%
Fixed income	50%	47%	45%
Real Estate	5%	7%	6%
Real estate investment trusts (“REITs”)	2%	—%	—%
Total	100%	100%	100%

Postretirement Medical Bargaining Plan Changes

On August 31, 2018, the Postretirement Medical Benefit Plan was remeasured as a result of an announced plan amendment which changed benefits for certain union and non-union plan participants. The plan change resulted in a \$175 million reduction in future benefits payable to plan participants, and, in combination with other experience reflected as of the remeasurement date, resulted in a \$227 million reduction to the net accumulated postretirement benefit obligation. As of December 31, 2021, the remaining amortization period of the impact of the plan amendment is 6.9 years. As a result of the remeasurement and change in funded status, the Company decreased the investment risk in the plan and reduced its exposure to changes in interest rates by matching the assets of the plan to the projected cash flows for future benefit payments of the liability. Plan assets in excess of those securities designed to match the long-term liabilities are invested in shorter duration fixed income securities and equities.

Presented in the table below are the allocations of the other postretirement benefit plan assets by asset category:

Asset Category	2022 Target Allocation (a)	Percentage of Plan Assets as of December 31,	
		2021	2020
Equity securities	18%	22%	18%
Fixed income	82%	78%	82%
Total	100%	100%	100%

(a) Includes the American Water Postretirement Medical Benefits Bargaining Plan, the American Water Postretirement Medical Benefits Non-Bargaining Plan, and the American Water Life Insurance Trust.

The investments of the pension and postretirement welfare plan trusts include debt and equity securities held either directly or through mutual funds, commingled funds and limited partnerships. The trustee for the Company's defined benefit pension and postretirement welfare plans uses an independent valuation firm to calculate the fair value of plan assets.

In selecting a rate of compensation increase, the Company considers past experience in light of movements in inflation rates. The Company's rate of compensation increase was 3.51% for 2021, 3.51% for 2020 and 2.97% for 2019.

In selecting health care cost trend rates, the Company considers past performance and forecasts of increases in health care costs. As of January 1, 2021, the Company's health care cost trend rate assumption used to calculate the periodic cost was 6.25% in 2021 gradually declining to 5.00% in 2026 and thereafter. As of December 31, 2021, the Company projects that medical inflation will be 6.00% in 2022 gradually declining to 5.00% in 2026 and thereafter.

The Company will use a discount rate and EROA of 2.94% and 6.50%, respectively, for estimating its 2022 pension costs. Additionally, the Company will use a discount rate and expected blended return based on weighted assets of 2.90% and 3.60%, respectively, for estimating its 2022 other postretirement benefit costs. A decrease in the discount rate or the EROA would increase the Company's pension expense. The Company's 2021 pension and postretirement benefit credit was \$41 million and the 2020 pension and postretirement benefit credit was \$14 million. The Company expects to make pension contributions to the plan trusts of \$37 million in 2022, and \$35 million, \$33 million, \$30 million and \$27 million in 2023, 2024, 2025 and 2026, respectively. Actual amounts contributed could change significantly from these estimates. The assumptions are reviewed annually and at any interim re-measurement of the plan obligations. The impact of assumption changes is reflected in the recorded pension and postretirement benefit amounts as they occur, or over a period of time if allowed under applicable accounting standards.

Revenue Recognition

Revenue from the Company's Regulated Businesses is generated primarily from water and wastewater services delivered to customers. These contracts contain a single performance obligation, the delivery of water or wastewater services, as the promise to transfer the individual good or service is not separately identifiable from other promises within the contracts and, therefore, is not distinct. Revenues are recognized over time, as services are provided. There are generally no significant financing components or variable consideration. Revenues include amounts billed to customers on a cycle basis, and unbilled amounts calculated based on estimated usage from the date of the meter reading associated with the latest customer bill, to the end of the accounting period. The amounts that the Company has a right to invoice are determined by each customer's actual usage, an indicator that the invoice amount corresponds directly to the value transferred to the customer.

Increases or decreases in the volumes delivered to customers and rate mix due to changes in usage patterns in customer classes in the period could be significant to the calculation of unbilled revenue. In addition, changes in the timing of meter reading schedules and the number and type of customers scheduled for each meter reading date would also have an effect on the unbilled revenue calculation. Unbilled revenue for the Company's regulated utilities as of December 31, 2021 and 2020 was \$162 million and \$150 million, respectively.

The Company also recognizes revenue when it is probable that future recovery of previously incurred costs or future refunds that are to be credited to customers will occur through the ratemaking process.

Revenue from the Company's former HOS business was generated through various protection programs in which the Company provided fixed fee services to domestic homeowners and smaller commercial customers for interior and exterior water and sewer lines, interior electric and gas lines, heating and cooling systems, water heaters, power surge protection and other related services. Most of the contracts had a one-year term and each service was a separate performance obligation, satisfied over time, as the customers simultaneously received and consumed the benefits provided from the service. Customers were obligated to pay for the protection programs ratably over 12 months or via a one-time, annual fee, with revenues recognized ratably over time for those services. Advances from customers were deferred until the performance obligation was satisfied.

The Company also has long-term, fixed fee contracts to operate and maintain water and wastewater systems for the U.S. government on various military installations and facilities owned by municipal customers. Billing and revenue recognition for the fixed fee revenues occurs ratably over the term of the contract, as customers simultaneously receive and consume the benefits provided by the Company. Additionally, these contracts allow the Company to make capital improvements to underlying infrastructure, which are initiated through separate modifications or amendments to the original contract, whereby stand-alone, fixed pricing is separately stated for each improvement. The Company has determined that these capital improvements are separate performance obligations, with revenue recognized over time based on performance completed at the end of each reporting period. Losses on contracts are recognized during the period in which the losses first become probable and estimable. Revenues recognized during the period in excess of billings on construction contracts are recorded as unbilled revenues, with billings in excess of revenues recorded as other current liabilities until the recognition criteria are met. Changes in contract performance and related estimated contract profitability may result in revisions to costs and revenues and are recognized in the period in which revisions are determined. Unbilled revenue for the Market-Based Businesses as of December 31, 2021 and 2020 was \$86 million and \$56 million, respectively.

Accounting for Contingencies

The Company records loss contingencies when management determines that the outcome of future events is probable of occurring and when the amount of the loss or a range of losses can be reasonably estimated. The determination of a loss contingency is based on management's judgment and estimates about the likely outcome of the matter, which may include an analysis of different scenarios. Liabilities are recorded or adjusted when events or circumstances cause these judgments or estimates to change. In assessing whether a loss is reasonably possible, management considers many factors, which include, but are not limited to: the nature of the litigation, claim or assessment, review of applicable law, opinions or views of legal counsel and other advisors, and the experience gained from similar cases or situations. The Company provides disclosures for material contingencies when management deems there is a reasonable possibility that a loss or an additional loss may be incurred. The Company provides estimates of reasonably possible losses when such estimates may be reasonably determined, either as a single amount or within a reasonable range.

Actual amounts realized upon settlement or other resolution of loss contingencies may be different than amounts recorded and disclosed and could have a significant impact on the liabilities, revenue and expenses recorded on the Consolidated Financial Statements. See Note 17—Commitments and Contingencies in the Notes to Consolidated Financial Statements for additional information regarding contingencies.

Recent Accounting Standards

See Note 2—Significant Accounting Policies in the Notes to Consolidated Financial Statements for a description of recent accounting standards.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risk associated with changes in commodity prices, equity prices and interest rates. The Company is exposed to risks from changes in interest rates as a result of its issuance of variable and fixed rate debt and commercial paper. The Company manages its interest rate exposure by limiting its variable rate exposure and by monitoring the effects of market changes in interest rates. The Company also has the ability to enter into financial derivative instruments, which could include instruments such as, but not limited to, interest rate swaps, forward starting swaps and U.S. Treasury lock agreements to manage and mitigate interest rate risk exposure. As of December 31, 2021, a hypothetical increase of interest rates by 1% associated with the Company's short-term borrowings would result in a \$8 million increase in short-term interest expense.

The Company's risks associated with price increases for chemicals, electricity and other commodities are reduced through contractual arrangements and the expected ability to recover price increases through rates, in the next general rate case proceeding or other regulatory mechanism, as authorized by each regulatory jurisdiction. Non-performance by these commodity suppliers could have a material adverse impact on the Company's results of operations, financial position and cash flows.

The market price of the Company's common stock may experience fluctuations, which may be unrelated to its operating performance. In particular, the Company's stock price may be affected by general market movements as well as developments specifically related to the water and wastewater industry. These could include, among other things, interest rate movements, quarterly variations or changes in financial estimates by securities analysts and governmental or regulatory actions. This volatility may make it difficult for the Company to access the capital markets in the future through additional offerings of its common stock or other equity securities, regardless of its financial performance, and such difficulty may preclude the Company from being able to take advantage of certain business opportunities or meet business obligations.

The Company is exposed to credit risk through its water, wastewater and other water-related services provided by the Regulated Businesses and Market-Based Businesses. The Company's Regulated Businesses serve residential, commercial, industrial and other customers, while the Market-Based Businesses engage in business activities with developers, government entities and other customers. The Company's primary credit risk is exposure to customer default on contractual obligations and the associated loss that may be incurred due to the non-payment of customer accounts receivable balances. The Company's credit risk is managed through established credit and collection policies which are in compliance with applicable regulatory requirements and involve monitoring of customer exposure and the use of credit risk mitigation measures such as letters of credit or prepayment arrangements. The Company's credit portfolio is diversified with no significant customer or industry concentrations. In addition, the Regulated Businesses are generally able to recover all prudently incurred costs including uncollectible customer accounts receivable expenses and collection costs through rates.

The Company's retirement trust assets are exposed to the market prices of debt and equity securities. Changes to the retirement trust asset values can impact the Company's pension and other benefits expense, funded status and future minimum funding requirements. Changes in interest rates can impact retirement liabilities. The Company aims to reduce risk through asset diversification and by investing in long duration fixed-income securities that have a duration similar to that of its pension liabilities, seeking to hedge some of the interest rate sensitivity of its liabilities. That way, if interest rates fall and liabilities increase, the Company expects that the fixed-income assets in its retirement trust will also increase in value. The Company also expects its risk to be reduced through its ability to recover pension and other benefit costs through rates.

The Company is also exposed to a potential national economic recession or deterioration in local economic conditions in the markets in which it operates. The credit quality of the Company's customer accounts receivable

is dependent on the economy and the ability of its customers to manage through unfavorable economic cycles and other market changes. In addition, there can be no assurances that regulators will grant sufficient rate authorizations. Therefore, the Company's ability to fully recover operating expense, recover its investment and provide an appropriate return on invested capital made in the Regulated Businesses may be adversely impacted.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
American Water Works Company, Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of American Water Works Company, Inc. and its subsidiaries (the “Company”) as of December 31, 2021 and 2020, and the related consolidated statements of operations, comprehensive income, changes in shareholders’ equity and cash flows for each of the three years in the period ended December 31, 2021, including the related notes (collectively referred to as the “consolidated financial statements”). We also have audited the Company’s internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company’s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management’s Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company’s consolidated financial statements and on the Company’s internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in

accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Accounting for the Effects of Rate Regulation

As described in Notes 2 and 4 to the consolidated financial statements, the Company's consolidated regulatory assets and liabilities balances were \$1,067 million and \$1,608 million, respectively, as of December 31, 2021. The Company's regulated utilities are subject to regulation by multiple state utility commissions and the Company follows authoritative accounting principles required for rate regulated utilities, which requires the effects of rate regulation to be reflected in the Company's consolidated financial statements. As disclosed by management, for each regulatory jurisdiction where the Company conducts business, the Company assesses, at the end of each reporting period, whether the regulatory assets continue to meet the criteria for probable future recovery and regulatory liabilities continue to meet the criteria for probable future settlement. This assessment includes consideration of factors such as changes in regulatory environments, recent rate orders (including recent rate orders on recovery of a specific or similar incurred cost to other regulated entities in the same jurisdiction) and the status of any pending or potential legislation.

The principal considerations for our determination that performing procedures relating to accounting for the effects of rate regulation is a critical audit matter are the significant judgment by management in accounting for regulatory assets and liabilities relative to whether regulatory assets continue to meet the criteria for probable future recovery and regulatory liabilities continue to meet the criteria for probable future settlement as a result of changes in regulatory environments, recent rate orders, and the status of any pending or potential legislation. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing audit procedures and evaluating audit evidence obtained relating to management's judgments.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the Company's regulatory accounting process, including controls over management's assessment and consideration of factors related to the probability of future recovery or settlement. These procedures also included, among others, evaluating the reasonableness of management's judgments regarding the probability of recovery and settlement based on the Company's correspondence with regulators,

status of regulatory proceedings, past practices, and other relevant information; evaluating the related accounting and disclosure implications; and evaluating regulatory assets and liabilities balances based on provisions and formulas outlined in rate orders and other correspondence with the Company's regulators.

/s/ PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
February 16, 2022

We have served as the Company's auditor since 1948.

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Balance Sheets

(In millions, except share and per share data)

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
ASSETS		
Property, plant and equipment	\$ 27,413	\$ 25,614
Accumulated depreciation	(6,329)	(5,904)
Property, plant and equipment, net	<u>21,084</u>	<u>19,710</u>
Current assets:		
Cash and cash equivalents	116	547
Restricted funds	20	29
Accounts receivable, net of allowance for uncollectible accounts of \$75 and \$60, respectively	271	321
Unbilled revenues	248	206
Materials and supplies	57	47
Assets held for sale	683	629
Other	<u>159</u>	<u>127</u>
Total current assets	<u>1,554</u>	<u>1,906</u>
Regulatory and other long-term assets:		
Regulatory assets	1,051	1,127
Seller promissory note from the sale of the Homeowner Services Group	720	—
Operating lease right-of-use assets	92	95
Goodwill	1,139	1,504
Postretirement benefit assets	193	173
Intangible assets	—	55
Other	<u>242</u>	<u>196</u>
Total regulatory and other long-term assets	<u>3,437</u>	<u>3,150</u>
Total assets	<u>\$ 26,075</u>	<u>\$ 24,766</u>

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Balance Sheets

(In millions, except share and per share data)

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock (\$0.01 par value; 500,000,000 shares authorized; 186,880,413 and 186,466,707 shares issued, respectively)	\$ 2	\$ 2
Paid-in-capital	6,781	6,747
Retained earnings	925	102
Accumulated other comprehensive loss	(45)	(49)
Treasury stock, at cost (5,269,324 and 5,168,215 shares, respectively)	<u>(365)</u>	<u>(348)</u>
Total common shareholders' equity	<u>7,298</u>	<u>6,454</u>
Long-term debt	10,341	9,329
Redeemable preferred stock at redemption value	<u>3</u>	<u>4</u>
Total long-term debt	<u>10,344</u>	<u>9,333</u>
Total capitalization	<u>17,642</u>	<u>15,787</u>
Current liabilities:		
Short-term debt	584	1,282
Current portion of long-term debt	57	329
Accounts payable	235	189
Accrued liabilities	701	591
Accrued taxes	176	50
Accrued interest	88	88
Liabilities related to assets held for sale	83	137
Other	<u>217</u>	<u>215</u>
Total current liabilities	<u>2,141</u>	<u>2,881</u>
Regulatory and other long-term liabilities:		
Advances for construction	284	270
Deferred income taxes and investment tax credits	2,421	2,113
Regulatory liabilities	1,600	1,770
Operating lease liabilities	80	81
Accrued pension expense	285	388
Other	<u>180</u>	<u>83</u>
Total regulatory and other long-term liabilities	<u>4,850</u>	<u>4,705</u>
Contributions in aid of construction	1,442	1,393
Commitments and contingencies (See Note 17)		
Total capitalization and liabilities	<u>\$ 26,075</u>	<u>\$ 24,766</u>

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Statements of Operations

(In millions, except per share data)

	For the Years Ended December 31,		
	2021	2020	2019
Operating revenues	\$3,930	\$3,777	\$3,610
Operating expenses:			
Operation and maintenance	1,777	1,622	1,544
Depreciation and amortization	636	604	582
General taxes	321	303	280
Other	—	—	(10)
Total operating expenses, net	<u>2,734</u>	<u>2,529</u>	<u>2,396</u>
Operating income	1,196	1,248	1,214
Other income (expense):			
Interest expense	(403)	(397)	(386)
Interest income	4	2	4
Non-operating benefit costs, net	78	49	16
Gain or (loss) on sale of businesses	747	—	(44)
Other, net	18	22	29
Total other income (expense)	<u>444</u>	<u>(324)</u>	<u>(381)</u>
Income before income taxes	1,640	924	833
Provision for income taxes	377	215	212
Net income attributable to common shareholders	<u>\$1,263</u>	<u>\$ 709</u>	<u>\$ 621</u>
Basic earnings per share: (a)			
Net income attributable to common shareholders	<u>\$ 6.96</u>	<u>\$ 3.91</u>	<u>\$ 3.44</u>
Diluted earnings per share: (a)			
Net income attributable to common shareholders	<u>\$ 6.95</u>	<u>\$ 3.91</u>	<u>\$ 3.43</u>
Weighted average common shares outstanding:			
Basic	<u>182</u>	<u>181</u>	<u>181</u>
Diluted	<u>182</u>	<u>182</u>	<u>181</u>

(a) Amounts may not calculate due to rounding.

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Comprehensive Income
(In millions)

	For the Years Ended December 31,		
	2021	2020	2019
Net income attributable to common shareholders	\$ 1,263	\$ 709	\$ 621
Other comprehensive income (loss), net of tax:			
Change in employee benefit plan funded status, net of tax of \$0, \$(4) and \$3 in 2021, 2020 and 2019, respectively	(1)	(12)	8
Defined benefit pension plan actuarial loss, net of tax of \$1, \$1 and \$1 in 2021, 2020 and 2019, respectively	4	3	4
Foreign currency translation adjustment	—	—	(1)
Unrealized gain (loss) on cash flow hedges, net of tax of \$1, \$(1) and \$(5) in 2021, 2020 and 2019, respectively	1	(4)	(13)
Net other comprehensive income (loss)	4	(13)	(2)
Comprehensive income attributable to common shareholders	\$ 1,267	\$ 696	\$ 619

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Statements of Cash Flows
(In millions)

	For the Years Ended December 31,		
	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 1,263	\$ 709	\$ 621
Adjustments to reconcile to net cash flows provided by operating activities:			
Depreciation and amortization	636	604	582
Deferred income taxes and amortization of investment tax credits	230	207	208
Provision for losses on accounts receivable	37	34	28
(Gain) or loss on sale of businesses	(747)	—	34
Pension and non-pension postretirement benefits	(41)	(14)	17
Other non-cash, net	(23)	(20)	(41)
Changes in assets and liabilities:			
Receivables and unbilled revenues	(74)	(97)	(25)
Pension and non-pension postretirement benefit contributions	(40)	(39)	(31)
Accounts payable and accrued liabilities	66	(2)	66
Other assets and liabilities, net	134	44	(76)
Net cash provided by operating activities	<u>1,441</u>	<u>1,426</u>	<u>1,383</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(1,764)	(1,822)	(1,654)
Acquisitions, net of cash acquired	(135)	(135)	(235)
Proceeds from sale of assets, net of cash on hand	472	2	48
Removal costs from property, plant and equipment retirements, net	(109)	(106)	(104)
Net cash used in investing activities	<u>(1,536)</u>	<u>(2,061)</u>	<u>(1,945)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term debt	1,118	1,334	1,530
Repayments of long-term debt	(372)	(342)	(495)
(Repayments of) proceeds from term loan	(500)	500	—
Net short-term borrowings with maturities less than three months	(198)	(5)	(178)
(Remittances) proceeds from issuances of employee stock plans and direct stock purchase plan, net of taxes paid of \$18, \$17 and \$11 in 2021, 2020 and 2019, respectively	(1)	9	15
Advances and contributions in aid of construction, net of refunds of \$25, \$24 and \$30 in 2021, 2020 and 2019, respectively	62	28	26
Debt issuance costs and make-whole premium on early debt redemption	(26)	(15)	(15)
Dividends paid	(428)	(389)	(353)
Anti-dilutive share repurchases	—	—	(36)
Net cash (used in) provided by financing activities	<u>(345)</u>	<u>1,120</u>	<u>494</u>
Net (decrease) increase in cash, cash equivalents and restricted funds	(440)	485	(68)
Cash, cash equivalents and restricted funds at beginning of period	576	91	159
Cash, cash equivalents and restricted funds at end of period	<u>\$ 136</u>	<u>\$ 576</u>	<u>\$ 91</u>
Cash paid during the year for:			
Interest, net of capitalized amount	\$ 389	\$ 382	\$ 383
Income taxes, net of refunds of \$6, \$2 and \$4 in 2021, 2020 and 2019, respectively	\$ 1	\$ 7	\$ 12
Non-cash investing activity:			
Capital expenditures acquired on account but unpaid as of year end	\$ 292	\$ 221	\$ 235
Seller promissory note from the sale of the Homeowner Services Group	\$ 720	\$ —	\$ —
Contingent cash payment from the sale of the Homeowner Services Group	\$ 75	\$ —	\$ —

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Statements of Changes in Shareholders' Equity

(In millions, except per share data)

	Common Stock		Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Treasury Stock		Total Shareholders' Equity
	Shares	Par Value				Shares	At Cost	
Balance as of December 31, 2018 ..	185.4	\$ 2	\$ 6,657	\$ (464)	\$ (34)	(4.7)	\$ (297)	\$ 5,864
Cumulative effect of change in accounting principle	—	—	—	(2)	—	—	—	(2)
Net income attributable to common shareholders	—	—	—	621	—	—	—	621
Common stock issuances (a) ...	0.5	—	43	—	—	(0.1)	(5)	38
Repurchases of common stock	—	—	—	—	—	(0.3)	(36)	(36)
Net other comprehensive income	—	—	—	—	(2)	—	—	(2)
Dividends (\$2.00 declared per common share)	—	—	—	(362)	—	—	—	(362)
Balance as of December 31, 2019 ..	185.9	\$ 2	\$ 6,700	\$ (207)	\$ (36)	(5.1)	\$ (338)	\$ 6,121
Net income attributable to common shareholders	—	—	—	709	—	—	—	709
Common stock issuances (a) ...	0.6	—	47	—	—	(0.1)	(10)	37
Net other comprehensive income	—	—	—	—	(13)	—	—	(13)
Dividends (\$2.20 declared per common share)	—	—	—	(400)	—	—	—	(400)
Balance as of December 31, 2020 ..	186.5	\$ 2	\$ 6,747	\$ 102	\$ (49)	(5.2)	\$ (348)	\$ 6,454
Net income attributable to common shareholders	—	—	—	1,263	—	—	—	1,263
Common stock issuances (a) ...	0.4	—	34	—	—	(0.1)	(17)	17
Net other comprehensive income	—	—	—	—	4	—	—	4
Dividends (\$2.41 declared per common share)	—	—	—	(440)	—	—	—	(440)
Balance as of December 31, 2021 ..	186.9	\$ 2	\$ 6,781	\$ 925	\$ (45)	(5.3)	\$ (365)	\$ 7,298

(a) Includes stock-based compensation, employee stock purchase plan and direct stock reinvestment and purchase plan activity.

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies

Notes to Consolidated Financial Statements

(Unless otherwise noted, in millions, except per share data)

Note 1: Organization and Operation

American Water Works Company, Inc. (the “Company” or “American Water”) is a holding company for regulated and market-based subsidiaries that provide water and wastewater services throughout the United States. References to “parent company” mean American Water Works Company, Inc., without its subsidiaries. The Company’s primary business involves the ownership of regulated utilities that provide water and wastewater services in 14 states in the United States, collectively referred to as the “Regulated Businesses.” The Company also operates other businesses that provide water and wastewater services within non-reportable operating segments, collectively referred to as the “Market-Based Businesses.” The Company’s primary Market-Based Businesses include the Military Services Group (“MSG”), which enters into long-term contracts with the U.S. government to provide water and wastewater services on various military installations; and the former Homeowner Services Group (“HOS”), which provided various warranty protection programs and other home services to residential customers.

Note 2: Significant Accounting Policies

Regulation

The Company’s regulated utilities are subject to regulation by multiple state utility commissions or other entities engaged in utility regulation, collectively referred to as Public Utility Commissions (“PUCs”). As such, the Company follows authoritative accounting principles required for rate regulated utilities, which requires the effects of rate regulation to be reflected in the Company’s Consolidated Financial Statements. PUCs generally authorize revenue at levels intended to recover the estimated costs of providing service, plus a return on net investments, or rate base. Regulators may also approve accounting treatments, long-term financing programs and cost of capital, operation and maintenance (“O&M”) expenses, capital expenditures, taxes, affiliated transactions and relationships, reorganizations, mergers, acquisitions and dispositions, along with imposing certain penalties or granting certain incentives. Due to timing and other differences in the collection of a regulated utility’s revenues, these authoritative accounting principles allow a cost that would otherwise be charged as an expense by a non-regulated entity, to be deferred as a regulatory asset if it is probable that such cost is recoverable through future rates. Conversely, these principles also require the creation of a regulatory liability for amounts collected in rates to recover costs expected to be incurred in the future, or amounts collected in excess of costs incurred and are refundable to customers. See Note 4—Regulatory Matters for additional information.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States (“GAAP”) requires that management make estimates, assumptions and judgments that could affect the Company’s financial condition, results of operations and cash flows. Actual results could differ from these estimates, assumptions and judgments. The Company considers its critical accounting estimates to include (i) the application of regulatory accounting principles and the related determination and estimation of regulatory assets and liabilities, (ii) revenue recognition and the estimates used in the calculation of unbilled revenue, (iii) accounting for income taxes, (iv) benefit plan assumptions and (v) the estimates and judgments used in determining loss contingencies. The Company’s critical accounting estimates that are particularly sensitive to change in the near term are amounts reported for regulatory assets and liabilities, income taxes, benefit plan assumptions and contingency-related obligations.

Principles of Consolidation

The accompanying Consolidated Financial Statements include the accounts of American Water and all of its subsidiaries in which a controlling interest is maintained after the elimination of intercompany balances and transactions.

Property, Plant and Equipment

Property, plant and equipment consists primarily of utility plant utilized by the Company's regulated utilities. Additions to utility plant and replacement of retirement units of utility plant are capitalized and include costs such as materials, direct labor, payroll taxes and benefits, indirect items such as engineering and supervision, transportation and an allowance for funds used during construction ("AFUDC"). Costs for repair, maintenance and minor replacements are charged to O&M expense as incurred.

The cost of utility plant is depreciated using the straight-line average remaining life, group method. The Company's regulated utilities record depreciation in conformity with amounts approved by PUCs, after regulatory review of the information the Company submits to support its estimates of the assets' remaining useful lives.

Nonutility property consists primarily of buildings and equipment utilized by the Company's Market-Based Businesses and for internal operations. This property is stated at cost, net of accumulated depreciation, which is calculated using the straight-line method over the useful lives of the assets.

When units of property, plant and equipment are replaced, retired or abandoned, the carrying value is credited against the asset and charged to accumulated depreciation. To the extent the Company recovers cost of removal or other retirement costs through rates after the retirement costs are incurred, a regulatory asset is recorded. In some cases, the Company recovers retirement costs through rates during the life of the associated asset and before the costs are incurred. These amounts result in a regulatory liability being reported based on the amounts previously recovered through customer rates, until the costs to retire those assets are incurred.

The costs incurred to acquire and internally develop computer software for internal use are capitalized as a unit of property. The carrying value of these costs amounted to \$374 million and \$360 million as of December 31, 2021 and 2020, respectively.

Cash and Cash Equivalents, and Restricted Funds

Substantially all cash is invested in interest-bearing accounts. All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

Restricted funds consist primarily of proceeds from financings for the construction and capital improvement of facilities, and deposits for future services under O&M projects. Proceeds are held in escrow or interest-bearing accounts until the designated expenditures are incurred. Restricted funds are classified on the Consolidated Balance Sheets as either current or long-term based upon the intended use of the funds.

Accounts Receivable and Unbilled Revenues

Accounts receivable include regulated utility customer accounts receivable, which represent amounts billed to water and wastewater customers generally on a monthly basis. Credit is extended based on the guidelines of the applicable PUCs and collateral is generally not required. Also included are market-based trade accounts receivable and nonutility customer receivables of the regulated subsidiaries. Unbilled revenues are accrued when service has been provided but has not been billed to customers and when costs exceed billings on market-based construction contracts.

Allowance for Uncollectible Accounts

Allowances for uncollectible accounts are maintained for estimated probable losses resulting from the Company's inability to collect receivables from customers. Accounts that are outstanding longer than the payment terms are considered past due. A number of factors are considered in determining the allowance for uncollectible accounts, including the length of time receivables are past due, previous loss history, current economic and societal conditions and reasonable and supportable forecasts that affect the collectability of receivables from customers. The Company generally writes off accounts when they become uncollectible or are over a certain number of days outstanding. An increase in the allowance for uncollectible accounts for the periods ending December 31, 2021 and 2020 reflects the impacts from the COVID-19 pandemic, including an increase in uncollectible accounts expense and a reduction in amounts written off due to shutoff moratoria in place across the Company's subsidiaries. See Note 8—Allowance for Uncollectible Accounts for additional information.

Materials and Supplies

Materials and supplies are stated at the lower of cost or net realizable value. Cost is determined using the average cost method.

Seller Promissory Note

The Company's seller promissory note is accounted for under ASC 310, Receivables, and is classified as held for investment and accounted for at amortized cost at the present value of consideration received for the sale of its HOS business. Interest income from the seller promissory note is accrued based on the principal amount outstanding and earned over the contractual life of the loan.

Leases

The Company has operating and finance leases involving real property, including facilities, utility assets, vehicles, and equipment. The Company determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use ("ROU") assets, accrued liabilities and operating lease liabilities on the Consolidated Balance Sheets. Finance leases are included in property, plant and equipment, accrued liabilities and other long-term liabilities on the Consolidated Balance Sheets. The Company has made an accounting policy election not to include operating leases with a lease term of twelve months or less.

ROU assets represent the right to use an underlying asset for the lease term and the lease liabilities represent the obligation to make lease payments arising from the lease. ROU assets and lease liabilities are generally recognized at the commencement date based on the present value of discounted lease payments over the lease term. As most of the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of discounted lease payments. The implicit rate is used when readily determinable. ROU assets also include any upfront lease payments and excludes lease incentives. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. Lease expense is recognized on a straight-line basis over the lease term.

The Company has lease agreements with lease components (e.g., fixed payments including rent, real estate taxes and insurance costs) and non-lease components (e.g., common-area maintenance costs), which are generally accounted for separately; however, the Company accounts for the lease and non-lease components as a single lease component for certain leases. Certain lease agreements include variable rental payments adjusted periodically for inflation. Additionally, the Company applies a portfolio approach to effectively account for the ROU assets and lease liabilities. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Goodwill

Goodwill represents the excess of the purchase price paid over the estimated fair value of the assets acquired and liabilities assumed in the acquisition of a business. Goodwill is not amortized and must be allocated at the reporting unit level, which is defined as an operating segment or one level below, and tested for impairment at least annually, or more frequently if an event occurs or circumstances change that would more likely than not, reduce the fair value of a reporting unit below its carrying value.

The Company's goodwill is primarily associated with the acquisition of American Water by an affiliate of the Company's previous owner in 2003 and has been allocated to reporting units based on the fair values at the date of the acquisitions. For purposes of testing goodwill for impairment, the reporting units in the Regulated Businesses segment are aggregated into a single reporting unit. The goodwill of the Market-Based Businesses is comprised of the MSG reporting unit.

The Company's annual impairment testing is performed as of November 30 of each year, in conjunction with the completion of the Company's annual business plan. The Company assesses qualitative factors to determine whether quantitative testing is necessary. If it is determined, based upon qualitative factors, that the estimated fair value of a reporting unit is more likely than not, greater than its carrying value, no further testing is required. If the Company bypasses the qualitative assessment or performs the qualitative assessment and determines that the estimated fair value of a reporting unit is more likely than not, less than its carrying value, a quantitative, fair value-based assessment is performed. This quantitative testing compares the estimated fair value of the reporting unit to its respective net carrying value, including goodwill, on the measurement date. An impairment loss will be recognized in the amount equal to the excess of the reporting unit's carrying value compared to its estimated fair value, limited to the total amount of goodwill allocated to that reporting unit.

Application of goodwill impairment testing requires management judgment, including the identification of reporting units and determining the fair value of reporting units. Management estimates fair value using a discounted cash flow analysis. Significant assumptions used in these fair value estimations include, but are not limited to, forecasts of future operating results, discount and growth rates.

The Company believes the assumptions and other considerations used to value goodwill to be appropriate, however, if actual experience differs from the assumptions and considerations used in its analysis, the resulting change could have a material adverse impact on the Consolidated Financial Statements. See Note 9—Goodwill and Other Intangible Assets for additional information.

Intangible Assets

Intangible assets consisted primarily of finite-lived customer relationships associated with the acquisition of Pivotal Home Solutions in June 2018. Finite-lived intangible assets were initially measured at their estimated fair values and were amortized over their estimated useful lives based on the pattern in which the economic benefits of the intangible assets were consumed or otherwise used. See Note 9—Goodwill and Other Intangible Assets for additional information. All of the Company's finite-lived intangible assets were sold as part of the HOS sale transaction.

Impairment of Long-Lived Assets

Long-lived assets include property, plant and equipment, goodwill, intangible assets and long-term investments. The Company evaluates long-lived assets for impairment when circumstances indicate the carrying value of those assets may not be recoverable. When such indicators arise, the Company estimates the fair value of the long-lived asset from future cash flows expected to result from its use and, if applicable, the eventual disposition of the asset, comparing the estimated fair value to the carrying value of the asset. An impairment loss will be recognized in the amount equal to the excess of the long-lived asset's carrying value compared to its estimated fair value.

The long-lived assets of the Company's regulated utilities are grouped on a separate entity basis for impairment testing, as they are integrated state-wide operations that do not have the option to curtail service and generally have uniform tariffs. A regulatory asset is charged to earnings if and when future recovery in rates of that asset is no longer probable.

The Company believes the assumptions and other considerations used to value long-lived assets to be appropriate, however, if actual experience differs from the assumptions and considerations used in its estimates, the resulting change could have a material adverse impact on the Consolidated Financial Statements.

Advances for Construction and Contributions in Aid of Construction

Regulated utility subsidiaries may receive advances for construction and contributions in aid of construction from customers, home builders and real estate developers to fund construction necessary to extend service to new areas.

Advances are refundable for limited periods of time as new customers begin to receive service or other contractual obligations are fulfilled. Included in other current liabilities as of December 31, 2021 and 2020 on the Consolidated Balance Sheets are estimated refunds of \$23 million and \$23 million, respectively. Those amounts represent expected refunds during the next 12-month period.

Advances that are no longer refundable are reclassified to contributions. Contributions are permanent collections of plant assets or cash for a particular construction project. For ratemaking purposes, the amount of such contributions generally serves as a rate base reduction since the contributions represent non-investor supplied funds.

Generally, the Company depreciates utility plant funded by contributions and amortizes its contributions balance as a reduction to depreciation expense, producing a result which is functionally equivalent to reducing the original cost of the utility plant for the contributions. In accordance with applicable regulatory guidelines, some of the Company's utility subsidiaries do not amortize contributions, and any contribution received remains on the balance sheet indefinitely. Amortization of contributions in aid of construction was \$36 million, \$32 million and \$29 million for the years ended December 31, 2021, 2020 and 2019, respectively.

Revenue Recognition

Under Accounting Standards Codification Topic 606, *Revenue From Contracts With Customers*, and all related amendments (collectively, "ASC 606"), a performance obligation is a promise within a contract to transfer a distinct good or service, or a series of distinct goods and services, to a customer. Revenue is recognized when performance obligations are satisfied and the customer obtains control of promised goods or services. The amount of revenue recognized reflects the consideration to which the Company expects to be entitled to receive in exchange for goods or services. Under ASC 606, a contract's transaction price is allocated to each distinct performance obligation. To determine revenue recognition for arrangements that the Company determines are within the scope of ASC 606, the Company performs the following five steps: (i) identifies the contracts with a customer; (ii) identifies the performance obligations within the contract, including whether any performance obligations are distinct and capable of being distinct in the context of the contract; (iii) determines the transaction price; (iv) allocates the transaction price to the performance obligations in the contract; and (v) recognizes revenue when, or as, the Company satisfies each performance obligation.

The Company's revenues from contracts with customers are discussed below. Customer payments for contracts are generally due within 30 days of billing and none of the contracts with customers have payment terms that exceed one year; therefore, the Company elected to apply the significant financing component practical expedient and no amount of consideration has been allocated as a financing component.

Regulated Businesses Revenue

Revenue from the Company's Regulated Businesses is generated primarily from water and wastewater services delivered to customers. These contracts contain a single performance obligation, the delivery of water and/or wastewater services, as the promise to transfer the individual good or service is not separately identifiable from other promises within the contracts and, therefore, is not distinct. Revenues are recognized over time, as services are provided. There are generally no significant financing components or variable consideration. Revenues include amounts billed to customers on a cycle basis and unbilled amounts calculated based on estimated usage from the date of the meter reading associated with the latest customer bill, to the end of the accounting period. The amounts that the Company has a right to invoice are determined by each customer's actual usage, an indicator that the invoice amount corresponds directly to the value transferred to the customer. The Company also recognizes revenue when it is probable that future recovery of previously incurred costs or future refunds that are to be credited to customers will occur through the ratemaking process.

Market-Based Businesses Revenue

The Company has long-term, fixed fee contracts to operate and maintain water and wastewater systems for the U.S. government on various military installations and facilities owned by municipal customers. Billing and revenue recognition for the fixed fee revenues occurs ratably over the term of the contract, as customers simultaneously receive and consume the benefits provided by the Company. Additionally, these contracts allow the Company to make capital improvements to underlying infrastructure, which are initiated through separate modifications or amendments to the original contract, whereby stand-alone, fixed pricing is separately stated for each improvement. The Company has determined that these capital improvements are separate performance obligations, with revenue recognized over time based on performance completed at the end of each reporting period. Losses on contracts are recognized during the period in which the losses first become probable and estimable. Revenues recognized during the period in excess of billings on construction contracts are recorded as unbilled revenues, with billings in excess of revenues recorded as other current liabilities until the recognition criteria are met. Changes in contract performance and related estimated contract profitability may result in revisions to costs and revenues and are recognized in the period in which revisions are determined. See Note 5—Revenue Recognition for additional information.

Through various warranty protection programs and other home services, the Company previously provided fixed fee services to residential customers for interior and exterior water and sewer lines, interior electric and gas lines, heating and cooling systems, water heaters and other home appliances, as well as power surge protection and other related services through its former HOS business. Most of the contracts had a one-year term and each service was a separate performance obligation, satisfied over time, as the customers simultaneously received and consumed the benefits provided from the service. Customers were obligated to pay for the protection programs ratably over 12 months or via a one-time, annual fee, with revenues recognized ratably over time for those services. Advances from customers were deferred until the performance obligation was satisfied.

Income Taxes

The Company and its subsidiaries participate in a consolidated federal income tax return for U.S. tax purposes. Members of the consolidated group are charged with the amount of federal income tax expense determined as if they filed separate returns.

Certain income and expense items are accounted for in different time periods for financial reporting than for income tax reporting purposes. The Company provides deferred income taxes on the difference between the tax basis of assets and liabilities and the amounts at which they are carried in the financial statements. These deferred income taxes are based on the enacted tax rates expected to be in effect when these temporary differences are projected to reverse. In addition, the regulated utility subsidiaries recognize regulatory assets and liabilities for the effect on revenues expected to be realized as the tax effects of temporary differences, previously flowed through to customers, reverse.

Investment tax credits have been deferred by the regulated utility subsidiaries and are being amortized to income over the average estimated service lives of the related assets.

The Company recognizes accrued interest and penalties related to tax positions as a component of income tax expense and accounts for sales tax collected from customers and remitted to taxing authorities on a net basis. See Note 15—Income Taxes for additional information.

Allowance for Funds Used During Construction

AFUDC is a non-cash credit to income with a corresponding charge to utility plant that represents the cost of borrowed funds or a return on equity funds devoted to plant under construction. The regulated utility subsidiaries record AFUDC to the extent permitted by the PUCs. The portion of AFUDC attributable to borrowed funds is shown as a reduction of interest, net on the Consolidated Statements of Operations. Any portion of AFUDC attributable to equity funds would be included in other, net on the Consolidated Statements of Operations. Presented in the table below is AFUDC for the years ended December 31:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Allowance for other funds used during construction	\$ 27	\$ 30	\$ 28
Allowance for borrowed funds used during construction	10	13	13

Environmental Costs

The Company’s water and wastewater operations and the operations of its Market-Based Businesses are subject to U.S. federal, state, local and foreign requirements relating to environmental protection, and as such, the Company periodically becomes subject to environmental claims in the normal course of business. Environmental expenditures that relate to current operations or provide a future benefit are expensed or capitalized as appropriate. Remediation costs that relate to an existing condition caused by past operations are accrued, on an undiscounted basis, when it is probable that these costs will be incurred and can be reasonably estimated. A conservation agreement entered into by a subsidiary of the Company with the National Oceanic and Atmospheric Administration in 2010 and amended in 2017 required the subsidiary to, among other provisions, implement certain measures to protect the steelhead trout and its habitat in the Carmel River watershed in the State of California. The subsidiary agreed to pay \$1 million annually commencing in 2010 with the final payment made in 2021. No remediation costs were accrued as of December 31, 2021 and \$1 million was accrued as of December 31, 2020.

Derivative Financial Instruments

The Company uses derivative financial instruments primarily for purposes of hedging exposures to fluctuations in interest rates. These derivative contracts are entered into for periods consistent with the related underlying exposures and do not constitute positions independent of those exposures. The Company does not enter into derivative contracts for speculative purposes and does not use leveraged instruments.

All derivatives are recognized on the balance sheet at fair value. On the date the derivative contract is entered into, the Company may designate the derivative as a hedge of the fair value of a recognized asset or liability (fair-value hedge) or a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability (cash-flow hedge).

Changes in the fair value of a fair-value hedge, along with the gain or loss on the underlying hedged item, are recorded in current-period earnings. The gains and losses on the effective portion of cash-flow hedges are recorded in other comprehensive income, until earnings are affected by the variability of cash flows. Any ineffective portion of designated cash-flow hedges is recognized in current-period earnings.

Cash flows from derivative contracts are included in net cash provided by operating activities on the Consolidated Statements of Cash Flows. See Note 12—Long-Term Debt for additional information.

New Accounting Standards

Presented in the table below are new accounting standards that were adopted by the Company in 2021:

Standard	Description	Date of Adoption	Application	Effect on the Consolidated Financial Statements
Facilitation of the Effects of Reference Rate Reform on Financial Reporting	Provided optional guidance for a limited time to ease the potential accounting burden associated with the transition from London Interbank Offered Rate (“LIBOR”). The guidance contains optional expedients and exceptions for contract modifications, hedging relationships, and other transactions that reference LIBOR or other reference rates expected to be discontinued. The expedients elected must be applied for all eligible contracts or transactions, with the exception of hedging relationships, which can be applied on an individual basis.	March 12, 2020 through December 31, 2022	Prospective for contract modifications and hedging relationships; applied as of January 1, 2020.	The standard did not have a material impact on the Consolidated Financial Statements.
Simplifying the Accounting for Income Taxes	The guidance removes exceptions related to the incremental approach for intraperiod tax allocation, the requirement to recognize a deferred tax liability for changes in ownership of a foreign subsidiary or equity method investment, and the general methodology for calculating income taxes in an interim period when the year-to-date loss exceeds the anticipated loss. The guidance adds requirements to reflect changes to tax laws or rates in the annual effective tax rate computation in the interim period in which the changes were enacted, to recognize franchise or other similar taxes that are partially based on income as an income-based tax and any incremental amounts as non-income-based tax, and to evaluate when a step up in the tax basis of goodwill should be considered part of the business combination in which the book goodwill was originally recognized and when it should be considered a separate transaction.	January 1, 2021	Modified retrospective for amendments related to changes in ownership of a foreign subsidiary or equity method investment; Modified retrospective or retrospective for amendments related to taxes partially based on income; Prospective for all other amendments.	The standard did not have a material impact on the Consolidated Financial Statements.

Presented in the table below are recently issued accounting standards that have not yet been adopted by the Company as of December 31, 2021:

<u>Standard</u>	<u>Description</u>	<u>Date of Adoption</u>	<u>Application</u>	<u>Estimated Effect on the Consolidated Financial Statements</u>
Accounting for Convertible Instruments and Contracts in an Entity's Own Equity	Simplification of financial reporting associated with accounting for convertible instruments and contracts in an entity's own equity. The standard reduced the number of accounting models for convertible debt instruments and convertible preferred stock. This will result in fewer embedded conversion features being separately recognized from the host contract. Earnings per share ("EPS") calculations have been simplified for certain instruments.	January 1, 2022	Either modified retrospective or fully retrospective	The Company anticipates the adoption of the standard will not have a material impact on its Consolidated Financial Statements.
Disclosures by Business Entities about Government Assistance	The amendments in this update requires additional disclosures regarding government grants and contributions. These disclosures require information on the following three items about these government transactions to be provided: information on the nature of transactions and related accounting policy used to account for transactions, the line items on the balance sheet and income statement affected by these transactions including amounts applicable to each line, and significant terms and conditions of the transactions, including commitments and contingencies	January 1, 2022	Either prospective or retrospective	The Company is evaluating any impact on its Consolidated Financial Statements.
Accounting for Contract Asset and Contract Liabilities from Contracts with Customers	The guidance requires an acquirer in a business combination to recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with ASC 606 as if it had originated the contracts.	January 1, 2023; early adoption permitted	Prospective	The Company is evaluating any impact on its Consolidated Financial Statements, as well as the timing of adoption.

Reclassifications

Certain reclassifications have been made to prior periods in the Consolidated Financial Statements and Notes to conform to the current presentation. The Company reclassified \$44 million relating to loss on the sale of Keystone Clearwater Solutions, LLC in 2019 from operating expenses to other income (expenses) included in Gain or (loss) on sale of businesses on the Consolidated Statements of Operations.

Note 3: Impact of the COVID-19 Pandemic

American Water continues to monitor the COVID-19 pandemic and has experienced financial impacts since the start of the pandemic resulting from lower revenues from the suspension of late fees and foregone reconnect fees in certain states, certain incremental O&M expenses, an increase in uncollectible accounts expense and additional debt costs. These impacts are collectively referred to as "financial impacts."

As of February 16, 2022, American Water has commission orders authorizing deferred accounting or cost recovery for COVID-19 financial impacts in 11 of 13 jurisdictions. Other regulatory actions to date are presented in the table below:

Commission Actions	Description	States
Orders issued with deferred accounting	Allows the Company to establish regulatory assets to record certain financial impacts related to the COVID-19 pandemic.	HI, IN, MD, NJ, PA, VA, WV
Orders issued with cost recovery	California’s Catastrophic Event Memorandum Account allows the Company’s California subsidiary to track certain financial impacts related to the COVID-19 pandemic for future recovery requests. Iowa issued a base rate case order on June 28, 2021, authorizing recovery in rates of the COVID-19 financial impacts deferred within its annual non-recurring expense rider. Illinois has authorized cost recovery of the COVID-19 financial impacts through a special purpose rider over a 24-month period, which was implemented effective October 1, 2020. Additionally, Illinois approved a bad debt rider tariff on December 16, 2020, allowing collection of actual bad debt expense over last authorized beginning April 2021 through February 2023. Illinois approved a stipulation in March 2021 to allow the rider to be extended through the end of 2023. Missouri issued a base rate case order on April 7, 2021, authorizing recovery in rates of the COVID-19 financial impacts deferred through March 31, 2021 over a three-year period.	CA, IA, IL, MO

The Company’s Pennsylvania subsidiary filed for a request with the Pennsylvania Public Utility Commission (the “PaPUC”) to defer as a regulatory asset all identified COVID-19 financial impacts. On September 15, 2021, the PaPUC issued an order approving the Company’s request to defer, with carrying costs, incremental uncollectible expense and other incremental costs net of savings attributed to the COVID-19 pandemic. The PaPUC order denied the request to include lost revenues attributed to the waiver of late fees and reconnect fees and expenses associated with additional interest costs. Additionally, the PaPUC order approved the request to allow for the continuation of the deferral of financial impacts, rejecting proposals from the intervening parties to define an end date to the deferral in 2021. As a result of the order discussed above, the Company recorded a net \$7 million reduction to its regulatory assets and corresponding impacts to revenue, interest expense and uncollectible expense during the third quarter of 2021. The Company continues to evaluate options within its next base rate case to address these denied items and the resulting financial impact.

On July 28, 2021, the Company’s Tennessee subsidiary filed a stipulation and settlement agreement with the Consumer Advocate Unit in the Financial Division of the Office of the Tennessee Attorney General, which reflected agreement on the deferral of COVID-19-related financial impacts through April 30, 2021. On August 9, 2021, the Tennessee Public Utility Commission denied the stipulation and settlement agreement and moved to address the Company’s Tennessee subsidiary’s petition to defer the COVID-19 financial impacts in a future hearing. On August 26, 2021, the Company’s Tennessee subsidiary filed a motion to withdraw its pending petition, preserving its right to seek recovery of the COVID-19 financial impacts in a future proceeding.

In December 2020, the Kentucky Public Service Commission issued an order denying a request to defer to a regulatory asset the financial impacts related to the COVID-19 pandemic.

Consistent with these regulatory orders, the Company has recorded \$36 million in regulatory assets and \$6 million of regulatory liabilities for the financial impacts related to the COVID-19 pandemic on the Consolidated Balance Sheets as of December 31, 2021.

As of February 16, 2022, one state, New Jersey, continues moratoria until March 15, 2022, on the suspension of service disconnections due to non-payment. The moratoria on disconnects have expired in 12 states.

Note 4: Regulatory Matters

General Rate Cases

Presented in the table below are annualized incremental revenues, excluding reductions for the amortization of the excess accumulated deferred income taxes (“EADIT”) that are generally offset in income tax expense, assuming a constant water sales volume, resulting from general rate cases authorizations that became effective during 2019 through 2021:

(In millions)	2021	2020	2019
General rate cases by state (a):			
Iowa (effective October 11, 2021)	\$ 1	\$ —	\$ —
Missouri (effective May 28, 2021)	22	—	—
Pennsylvania (effective January 28, 2021)	70	—	—
California (effective January 1, 2021, January 1, 2020 and May 11, 2019)	22	5	4
New Jersey (effective November 1, 2020)	—	54	—
Indiana (effective May 1, 2020 and July 1, 2019)	—	13	4
Kentucky (effective June 28, 2019)	—	—	13
West Virginia (effective February 25, 2019)	—	—	19
Maryland (effective February 5, 2019)	—	—	1
Total general rate case authorizations	\$ 115	\$ 72	\$ 41

(a) Excludes authorized increases of \$7 million and \$4 million in 2021 and 2019, respectively, for the Company’s New York subsidiary, which was sold on January 1, 2022. See Note 6—Acquisitions and Divestitures for additional information.

On November 18, 2021, the California Public Utilities Commission (the “CPUC”) unanimously approved a final decision in the test year 2021 general rate case filed by the Company’s California subsidiary, which is retroactive to January 1, 2021. The Company’s California subsidiary received authorization for additional annualized water and wastewater revenues of \$22 million, excluding agreed to reductions for EADIT as a result of the Tax Cuts and Jobs Act of 2017 (the “TCJA”). The EADIT reduction in revenues is \$4 million and is offset by a like reduction in income tax expense. On January 18, 2022, the Company’s California subsidiary filed for approval of \$13 million in 2022 escalation increases, excluding \$4 million of reductions related to the TCJA. This filing, which is retroactive to January 1, 2022, is subject to CPUC approval with a 45-day review period.

On June 28, 2021, an order was issued authorizing an increase of \$1 million in the general rate case filed by the Company’s Iowa subsidiary in 2020. The Company’s Iowa subsidiary filed tariffs consistent with the order on September 23, 2021. Effective October 11, 2021, the Iowa Utilities Board approved the tariffs and implemented the new rates.

On April 7, 2021, the Company’s Missouri subsidiary was authorized additional annualized revenues of \$22 million, effective May 28, 2021, excluding agreed to reductions for EADIT as a result of the TCJA. The EADIT reduction in revenues is \$25 million and is offset by a like reduction in income tax expense. The protected EADIT balance of \$72 million is being returned to customers using the average rate assumption method (“ARAM”), and the unprotected EADIT balance of \$74 million is being returned to customers over 10 years. The \$25 million EADIT reduction includes both the protected and unprotected catch-up period EADIT of \$13 million. The catch-up period of January 1, 2018 through May 31, 2021 covers the period from when the lower federal corporate income tax rate went into effect until new base rates went into effect and will be amortized over 2.5 years.

On March 2, 2021, an administrative law judge (“ALJ”) in the Office of Administrative Law of New Jersey filed an initial decision with the New Jersey Board of Public Utilities (the “NJBPU”) that recommended denial of a petition filed by the Company’s New Jersey subsidiary, which sought approval of acquisition adjustments in rate base of \$29 million associated with the acquisitions of Shorelands Water Company, Inc. in 2017 and the Borough of Haddonfield’s water and wastewater systems in 2015. On July 29, 2021, the NJBPU issued an order adopting the ALJ’s initial decision without modification. The Company’s New Jersey subsidiary filed a Notice of Appeal with the New Jersey Appellate Division on September 10, 2021. A scheduling order was issued on October 18, 2021 establishing a briefing schedule through March 2022. There is no financial impact to the Company as a result of the NJBPU’s order, since the acquisition adjustments are currently recorded as goodwill on the Consolidated Balance Sheets.

On February 25, 2021, the Company’s Pennsylvania subsidiary was authorized additional annualized revenues of \$90 million, effective January 28, 2021, excluding agreed to reductions for EADIT as a result of the TCJA, over two steps. The EADIT reduction in revenues is \$19 million. The overall increase, net of TCJA reductions, is \$71 million in revenues combined over two steps. The first step was effective January 28, 2021 in the amount of \$70 million (\$51 million including TCJA reductions) and the second step will be effective January 1, 2022 in the amount of \$20 million. The protected EADIT balance of \$200 million is being returned to customers using the ARAM, and the unprotected EADIT balance of \$116 million is being returned to customers over 20 years. The \$19 million annually includes both the protected and unprotected EADIT amortizations and a portion of catch-up period EADIT. A bill credit of \$11 million annually for two years returns to customers the remainder of the EADIT catch-up period amortization. The catch-up period of January 1, 2018 through December 31, 2020 covers the period from when the lower federal corporate income tax rate went into effect until new base rates went into effect and will be amortized over two years.

Pending General Rate Case Filings

On February 10, 2022, the Company’s Illinois subsidiary filed a general rate case requesting \$71 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA and infrastructure surcharges.

On January 14, 2022, the Company’s New Jersey subsidiary filed a general rate case requesting \$110 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA and infrastructure surcharges.

On December 1, 2021, the Company’s Kentucky subsidiary filed a wastewater rate case requesting additional revenues of \$1 million, excluding proposed reductions for EADIT as a result of TCJA. The Company requested a four-step rate increase for their wastewater operations with effective dates of June 1, 2022, June 1, 2023, June 1, 2024 and June 1, 2025 for annual amounts of less than \$1 million each year. The Company filed their wastewater case under the alternative rate filing process for smaller utilities which calculates an operating ratio of 88% rather than a return on equity.

On November 15, 2021, the Company’s Virginia subsidiary filed a general rate case requesting \$15 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA.

On August 18, 2021, the Company’s Hawaii subsidiary filed a general rate case requesting \$2 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA.

On April 30, 2021, the Company’s West Virginia subsidiary filed a general rate case requesting \$32 million in annualized incremental revenues excluding proposed reductions for EADIT as a result of TCJA and infrastructure surcharges. The proposed EADIT reduction in revenues is \$1 million and the exclusion for infrastructure surcharges is \$10 million. Intervenor testimony was received on September 20, 2021. The Company’s rebuttal testimony was filed on October 5, 2021. Hearings were conducted on November 3 and 4, 2021. A final order is expected no later than February 24, 2022.

The Company's California subsidiary submitted its application on May 3, 2021 to set its cost of capital for 2022 through 2024. According to the CPUC's process, a decision is expected to be issued, setting the authorized cost of capital in the third quarter of 2022.

Infrastructure Surcharges

A number of states have authorized the use of regulatory mechanisms that permit rates to be adjusted outside of a general rate case for certain costs and investments, such as infrastructure surcharge mechanisms that permit recovery of capital investments to replace aging infrastructure. Presented in the table below are annualized incremental revenues, assuming a constant water sales volume, resulting from infrastructure surcharge authorizations that became effective during 2019 through 2021:

(In millions)	<u>2021</u>	<u>2020</u>	<u>2019</u>
Infrastructure surcharges by state (a):			
New Jersey (b)	\$ 26	\$ 20	\$ 15
Missouri (c)	7	12	14
Kentucky (effective July 1, 2021 and July 1, 2020)	1	1	—
Indiana (effective March 17, 2021)	8	—	—
Pennsylvania (d)	8	27	11
Illinois (effective January 1, 2021, January 1, 2020 and January 1, 2019)	7	7	8
West Virginia (effective January 1, 2021, January 1, 2020 and January 1, 2019)	5	3	2
Tennessee (effective January 1, 2021, January 1, 2020 and September 1, 2019)	3	2	1
Total infrastructure surcharge authorizations	<u>\$ 65</u>	<u>\$ 72</u>	<u>\$ 51</u>

- (a) Excludes authorized increases of \$2 million in 2019 for the Company's New York subsidiary, which was sold on January 1, 2022. See Note 6—Acquisitions and Divestitures for additional information.
- (b) In 2021, \$12 million was effective on December 30 and \$14 million was effective June 28. In 2020, \$10 million was effective June 29 and \$10 million was effective January 1. In 2019, the effective date was July 1.
- (c) In 2021, the effective date was October 7. In 2020, \$2 million was effective December 14 and \$10 million was effective June 27. In 2019, \$5 million was effective December 21 and \$9 million was effective June 24.
- (d) In 2021, the effective date was January 1. In 2020, \$8 million was effective October 1, \$4 million was effective July 1, \$5 million was effective April 1 and \$10 million was effective January 1. In 2019, \$6 million was effective October 1, \$3 million was effective July 1 and \$2 million was effective April 1.

Presented in the table below are annualized incremental revenues, assuming a constant water sales volume, resulting from infrastructure surcharge authorizations that became effective after January 1, 2022:

(In millions)	<u>Amount</u>
Infrastructure surcharge filings by state:	
Illinois (effective January 1, 2022)	\$ 6
Missouri (effective February 1, 2022)	12
Total infrastructure surcharge filings	<u>\$ 18</u>

Pending Infrastructure Surcharge Filings

On January 19, 2022, the Company's Indiana subsidiary filed for infrastructure surcharges requesting \$8 million in additional annualized revenues.

On June 30, 2021, the Company's West Virginia subsidiary filed for an infrastructure surcharge requesting \$3 million in additional annualized revenues.

Regulatory Assets

Regulatory assets represent costs that are probable of recovery from customers in future rates. Approximately 50% of the Company's total regulatory asset balance at December 31, 2021 earns a return. Presented in the table below is the composition of regulatory assets as of December 31:

	<u>2021</u>	<u>2020</u>
Deferred pension expense	\$ 323	\$ 374
Removal costs recoverable through rates	313	314
Regulatory balancing accounts	52	57
Other	439	446
Less: Regulatory assets included in assets held for sale (a)	(76)	(64)
Total regulatory assets	<u>\$ 1,051</u>	<u>\$ 1,127</u>

- (a) These regulatory assets are related to the sale of the Company's New York subsidiary, which was completed on January 1, 2022, and are included in assets held for sale on the Consolidated Balance Sheets as of December 31, 2021 and December 31, 2020. See Note 6—Acquisitions and Divestitures for additional information.

The Company's deferred pension expense includes a portion of the underfunded status that is probable of recovery through rates in future periods of \$317 million and \$366 million as of December 31, 2021 and 2020, respectively. The remaining portion is the pension expense in excess of the amount contributed to the pension plans which is deferred by certain subsidiaries and will be recovered in future service rates as contributions are made to the pension plan.

Removal costs recoverable through rates represent costs incurred for removal of property, plant and equipment or other retirement costs.

Regulatory balancing accounts accumulate differences between revenues recognized and authorized revenue requirements until they are collected from customers or are refunded. Regulatory balancing accounts include low income programs and purchased power and water accounts.

Other regulatory assets include the financial impacts relating to the COVID-19 pandemic, purchase premium recoverable through rates, tank painting costs, certain construction costs for treatment facilities, property tax stabilization, employee-related costs, business services project expenses, coastal water project costs, rate case expenditures and environmental remediation costs among others. These costs are deferred because the amounts are being recovered in rates or are probable of recovery through rates in future periods.

The Company has current regulatory assets of \$16 million and \$13 million included in other current assets on the Consolidated Balance Sheet as of December 31, 2021 and 2020, respectively, which is primarily made up of deferred vacation pay.

Regulatory Liabilities

Regulatory liabilities generally represent amounts that are probable of being credited or refunded to customers through the rate making process. Also, if costs expected to be incurred in the future are currently being recovered through rates, the Company records those expected future costs as regulatory liabilities. Presented in the table below is the composition of regulatory liabilities as of December 31:

	<u>2021</u>	<u>2020</u>
Income taxes recovered through rates	\$ 1,093	\$ 1,230
Removal costs recovered through rates	291	301
Postretirement benefit liability	153	170
Other	110	111
Less: Regulatory liabilities included in liabilities related to assets held for sale (a)	(47)	(42)
Total regulatory liabilities	<u>\$ 1,600</u>	<u>\$ 1,770</u>

- (a) These regulatory liabilities are related to the sale of the Company's New York subsidiary, which was completed on January 1, 2022, and are included in liabilities related to assets held for sale on the Consolidated Balance Sheets as of December 31, 2021 and December 31, 2020. See Note 6—Acquisitions and Divestitures for additional information.

Income taxes recovered through rates relate to deferred taxes that will likely be refunded to the Company's customers. On December 22, 2017, the TCJA was signed into law, which, among other things, enacted significant and complex changes to the Internal Revenue Code of 1986, as amended (the "Code"), including a reduction in the federal corporate income tax rate from 35% to 21% as of January 1, 2018. The enactment of the TCJA required a re-measurement of the Company's deferred income taxes. The portion of this re-measurement related to the Regulated Businesses was substantially offset by a regulatory liability as EADIT will be used to benefit its regulated customers in future rates. Twelve of the Company's regulated subsidiaries are amortizing EADIT and crediting customers. The Company expects the timing of the amortization of EADIT credits for the one remaining regulated subsidiary to be addressed in a pending or future rate case or other proceedings.

Removal costs recovered through rates are estimated costs to retire assets at the end of their expected useful lives that are recovered through customer rates over the lives of the associated assets.

On August 31, 2018, the Postretirement Medical Benefit Plan was remeasured to reflect an announced plan amendment which changed benefits for certain union and non-union plan participants. As a result of the remeasurement, the Company recorded a \$227 million reduction to the net accumulated postretirement benefit obligation, with a corresponding regulatory liability.

Other regulatory liabilities include the financial impacts relating to the COVID-19 pandemic, TCJA reserve on revenue, pension and other postretirement benefit balancing accounts, legal settlement proceeds, deferred gains and various regulatory balancing accounts.

The Company has current regulatory liabilities of \$8 million and \$6 million included in other current liabilities on the Consolidated Balance Sheets as of December 31, 2021 and 2020, respectively, which primarily is made up of TCJA reserve on revenue.

Note 5: Revenue Recognition

Disaggregated Revenues

Presented in the table below are operating revenues disaggregated for the year ended December 31, 2021:

	Revenues from Contracts with Customers	Other Revenues Not from Contracts with Customers (a)	Total Operating Revenues
Regulated Businesses:			
Water services:			
Residential	\$ 1,935	\$ —	\$ 1,935
Commercial	676	—	676
Fire service	151	—	151
Industrial	141	—	141
Public and other	230	—	230
Total water services	3,133	—	3,133
Wastewater services:			
Residential	151	—	151
Commercial	37	—	37
Industrial	4	—	4
Public and other	16	—	16
Total wastewater services	208	—	208
Miscellaneous utility charges	26	—	26
Alternative revenue programs	—	9	9
Lease contract revenue	—	8	8
Total Regulated Businesses	3,367	17	3,384
Market-Based Businesses	563	—	563
Other	(16)	(1)	(17)
Total operating revenues	\$ 3,914	\$ 16	\$ 3,930

(a) Includes revenues associated with provisional rates, alternative revenue programs, lease contracts and intercompany rent, which are outside the scope of ASC 606, and accounted for under other existing GAAP.

Presented in the table below are operating revenues disaggregated for the year ended December 31, 2020:

	<u>Revenues from Contracts with Customers</u>	<u>Other Revenues Not from Contracts with Customers (a)</u>	<u>Total Operating Revenues</u>
Regulated Businesses:			
Water services:			
Residential	\$ 1,895	\$ —	\$ 1,895
Commercial	627	—	627
Fire service	147	—	147
Industrial	133	—	133
Public and other	201	—	201
Total water services	3,003	—	3,003
Wastewater services:			
Residential	134	—	134
Commercial	34	—	34
Industrial	3	—	3
Public and other	14	—	14
Total wastewater services	185	—	185
Miscellaneous utility charges	32	—	32
Alternative revenue programs	—	25	25
Lease contract revenue	—	10	10
Total Regulated Businesses	<u>3,220</u>	<u>35</u>	<u>3,255</u>
Market-Based Businesses	540	—	540
Other	(17)	(1)	(18)
Total operating revenues	<u>\$ 3,743</u>	<u>\$ 34</u>	<u>\$ 3,777</u>

(a) Includes revenues associated with provisional rates, alternative revenue programs, lease contracts and intercompany rent, which are outside the scope of ASC 606, and accounted for under other existing GAAP.

Presented in the table below are operating revenues disaggregated for the year ended December 31, 2019:

	Revenues from Contracts with Customers	Other Revenues Not from Contracts with Customers (a)	Total Operating Revenues
Regulated Businesses:			
Water services:			
Residential	\$ 1,734	\$ 1	\$ 1,735
Commercial	639	—	639
Fire service	142	—	142
Industrial	138	—	138
Public and other	214	—	214
Total water services	2,867	1	2,868
Wastewater services:			
Residential	119	—	119
Commercial	31	—	31
Industrial	3	—	3
Public and other	14	—	14
Total wastewater services	167	—	167
Miscellaneous utility charges	36	—	36
Alternative revenue programs	—	16	16
Lease contract revenue	—	7	7
Total Regulated Businesses	3,070	24	3,094
Market-Based Businesses	539	—	539
Other	(22)	(1)	(23)
Total operating revenues	\$ 3,587	\$ 23	\$ 3,610

(a) Includes revenues associated with provisional rates, alternative revenue programs, lease contracts and intercompany rent, which are outside the scope of ASC 606, and accounted for under other existing GAAP.

Contract Balances

Contract assets and contract liabilities are the result of timing differences between revenue recognition, billings and cash collections. In the Company's Market-Based Businesses, certain contracts are billed as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals or upon achievement of contractual milestones. Contract assets are recorded when billing occurs subsequent to revenue recognition and are reclassified to accounts receivable when billed and the right to consideration becomes unconditional. Contract liabilities are recorded when the Company receives advances from customers prior to satisfying contractual performance obligations, particularly for construction contracts, and are recognized as revenue when the associated performance obligations are satisfied.

Contract assets of \$71 million, \$39 million and \$13 million are included in unbilled revenues on the Consolidated Balance Sheets as of December 31, 2021, 2020 and 2019, respectively. There were \$71 million of contract assets added during 2021, and \$39 million of contract assets were transferred to accounts receivable during 2021. There were \$60 million of contract assets added during 2020, and \$34 million of contract assets were transferred to accounts receivable during 2020.

Contract liabilities of \$19 million, \$35 million and \$27 million are included in other current liabilities on the Consolidated Balance Sheets as of December 31, 2021, 2020 and 2019, respectively. There were \$152 million of contract liabilities added during 2021, and \$168 million of contract liabilities were recognized as revenue during

2021. There were \$120 million of contract liabilities added during 2020, and \$112 million of contract liabilities were recognized as revenue during 2020.

Remaining Performance Obligations

Remaining performance obligations (“RPOs”) represent revenues the Company expects to recognize in the future from contracts that are in progress. The Company enters into agreements for the provision of services to water and wastewater facilities for the U.S. military, municipalities and other customers. As of December 31, 2021, the Company’s O&M and capital improvement contracts in the Market-Based Businesses have RPOs. Contracts with the U.S. government for work on various military installations expire between 2051 and 2071 and have RPOs of \$6.2 billion as of December 31, 2021, as measured by estimated remaining contract revenue. Such contracts are subject to customary termination provisions held by the U.S. government, prior to the agreed-upon contract expiration. Contracts with municipalities and commercial customers expire between 2022 and 2038 and have RPOs of \$584 million as of December 31, 2021, as measured by estimated remaining contract revenue. Some of the Company’s long-term contracts to operate and maintain the federal government’s, a municipality’s or other party’s water or wastewater treatment and delivery facilities include responsibility for certain maintenance for some of those facilities, in exchange for an annual fee. Unless specifically required to perform certain maintenance activities, the maintenance costs are recognized when the maintenance is performed.

Note 6: Acquisitions and Divestitures

Regulated Businesses

Acquisitions

During 2021, the Company closed on 23 acquisitions of various regulated water and wastewater systems for a total aggregate purchase price of \$112 million, which added approximately 20,000 water and wastewater customers, including the acquisitions of the East Pasadena Water Company in California on September 23, 2021 for \$34 million, the water and wastewater system assets of Valley Township in Pennsylvania on November 19, 2021 for \$21 million and the Lowell water system in Indiana on December 28, 2021 for \$25 million. Assets acquired from these acquisitions, principally utility plant, totaled \$114 million and liabilities assumed totaled \$2 million. Several of these acquisitions were accounted for as business combinations. The preliminary purchase price allocations related to acquisitions accounted for as business combinations will be finalized once the valuation of assets acquired has been completed, no later than one year after their acquisition date.

On April 6, 2021, the Company’s Pennsylvania subsidiary entered into an agreement to acquire the wastewater assets of the York City Sewer Authority for \$235 million, plus an amount of average daily revenue calculated for the period between the final meter reading and the date of closing. This system, directly and indirectly through bulk contracts, serves more than 45,000 customers. In connection with the execution of the acquisition agreement, the Company’s Pennsylvania subsidiary paid a \$20 million deposit to the seller on April 30, 2021, which is refundable in the event the agreement is terminated prior to closing of the acquisition. The Company expects to close this acquisition in the first half of 2022, pending regulatory approval.

On March 29, 2021, the Company’s New Jersey subsidiary entered into an agreement to acquire the water and wastewater assets of Egg Harbor City for \$22 million. The water and wastewater systems currently serve approximately 1,500 customers each, or 3,000 combined, and are being sold through the New Jersey Water Infrastructure Protection Act process. The Company expects to close this acquisition in the second half of 2022, pending regulatory approval.

During 2020, the Company closed on 23 acquisitions of various regulated water and wastewater systems for a total aggregate purchase price of \$135 million. Assets acquired from these acquisitions, principally utility plant, totaled \$159 million and liabilities assumed totaled \$29 million, including \$21 million of contributions in aid of construction and assumed debt of \$7 million. The Company recorded additional goodwill of \$5 million associated with two of its acquisitions, which is reported in its Regulated Businesses segment.

During 2019, the Company closed on 21 acquisitions of various regulated water and wastewater systems for a total aggregate purchase price of \$235 million. Assets acquired from these acquisitions, principally utility plant, totaled \$237 million and liabilities assumed, primarily contributions in aid of construction, totaled \$5 million. The Company recorded additional goodwill of \$3 million associated with three of its acquisitions, which is reported in its Regulated Businesses segment.

Assets Held for Sale

On January 1, 2022, the Company completed the previously disclosed sale of its regulated utility operations in New York to Liberty Utilities (Eastern Water Holdings) Corp. (“Liberty”), an indirect, wholly owned subsidiary of Algonquin Power & Utilities Corp. Liberty purchased from the Company all of the capital stock of the Company’s New York subsidiary for a purchase price of \$608 million in cash. The sale was approved by the New York State Department of Public Service on December 16, 2021. The Company’s regulated New York operations represented approximately 127,000 customers in the State of New York. The assets and related liabilities of the New York subsidiary were classified as held for sale on the Consolidated Balance Sheets as of December 31, 2021 and 2020.

Presented in the table below are the components of assets held for sale and liabilities related to assets held for sale of the New York subsidiary as of December 31, 2021:

	<u>December 31, 2021</u>
Property, plant and equipment	\$ 556
Current assets	18
Regulatory assets	76
Goodwill	27
Other assets	6
Assets held for sale	<u>\$ 683</u>
Current liabilities	13
Regulatory liabilities	47
Other liabilities	23
Liabilities related to assets held for sale	<u>\$ 83</u>

Sale of Michigan American Water Company

On February 4, 2022, the Company completed the sale of its operations in Michigan for approximately \$6 million.

Sale of Homeowner Services Group

On December 9, 2021 (the “Closing Date”), the Company sold all of the equity interests in subsidiaries that comprised HOS to a wholly owned subsidiary of funds advised by Apax Partners LLP, a global private equity advisory firm (the “Buyer”), for total consideration of approximately \$1.275 billion, resulting in pre-tax gain on sale of \$748 million. The consideration is comprised of \$480 million in cash, a seller promissory note issued by the Buyer in the principal amount of \$720 million, and a contingent cash payment of \$75 million payable upon satisfaction of certain conditions on or before December 31, 2023. See Note 19—Fair Value of Financial Information for additional information relating to the seller promissory note and contingent cash payment.

The seller note has a five-year term, is payable in cash, and bears interest at a rate of 7.00% per year during the term. The repayment obligations of the Buyer under the seller note have been secured by a first priority security interest in certain property of the Buyer and the former HOS subsidiaries, including their cash and securities accounts, as well as a pledge of the equity interests in each of those subsidiaries, subject to certain

limitations and exceptions. The seller note requires compliance with affirmative and negative covenants (subject to certain conditions, limitations and exceptions), including a covenant limiting the incurrence by the Buyer and certain affiliates of additional indebtedness in excess of certain thresholds, but does not include any financial maintenance covenants.

Beginning December 9, 2024, the Company has a put right pursuant to which it may require the seller note to be repaid in full at par, plus accrued and unpaid interest, except that upon the occurrence of a disruption event in the broadly syndicated term loan “B” debt financing market, repayment by the Buyer pursuant to the Company’s exercise of the put right will be delayed until the market disruption event ends.

The seller note may not be prepaid at the Buyer’s election except in certain limited circumstances before the fourth anniversary of the Closing Date. If the Buyer seeks to repay the seller note in breach of this non-call provision, an event of default will occur under the seller note and the Company may, among other actions, demand repayment in full together with a premium ranging from 105.5% to 107.5% of the outstanding principal amount of the loan and a customary “make-whole” payment.

The Company and the Buyer also entered into a revenue share agreement, pursuant to which the Company is to receive 10% of the revenue generated from customers who are billed for home warranty services through an applicable Company subsidiary (an “on-bill” arrangement), and 15% of the revenue generated from any future on-bill arrangements entered into after the closing. Unless earlier terminated, this agreement has a term of up to 15 years, which may be renewed for up to two five-year periods.

The pro forma impact of the Company’s divestitures was not material to the Consolidated Statements of Operations for the years ended December 31, 2021, 2020 and 2019.

Note 7: Property, Plant and Equipment

Presented in the table below are the major classes of property, plant and equipment by category as of December 31:

	2021	2020	Range of Remaining Useful Lives	Weighted Average Useful Life
Utility plant:				
Land and other non-depreciable assets	\$ 210	\$ 174		
Sources of supply	938	897	2 to 127 years	46 years
Treatment and pumping facilities	4,198	3,984	3 to 111 years	39 years
Transmission and distribution facilities	12,308	11,457	9 to 130 years	69 years
Services, meters and fire hydrants	4,888	4,555	5 to 90 years	31 years
General structures and equipment	2,200	2,003	1 to 109 years	15 years
Waste collection	1,363	1,288	5 to 113 years	58 years
Waste treatment, pumping and disposal	912	859	2 to 139 years	38 years
Construction work in progress	934	837		
Less: Utility plant included in assets held for sale (a)	(664)	(646)		
Total utility plant	<u>27,287</u>	<u>25,408</u>		
Nonutility property	126	211	3 to 50 years	6 years
Less: Nonutility plant included in assets held for sale (a)	—	(5)		
Total property, plant and equipment	<u>\$27,413</u>	<u>\$25,614</u>		

(a) This property, plant and equipment is related to the sale of the Company’s New York subsidiary, which was completed on January 1, 2022, and is included in assets held for sale on the Consolidated Balance Sheets as of December 31, 2021 and December 31, 2020. See Note 6—Acquisitions and Divestitures for additional information.

Property, plant and equipment depreciation expense amounted to \$550 million, \$520 million and \$508 million for the years ended December 31, 2021, 2020 and 2019, respectively and was included in depreciation and amortization expense on the Consolidated Statements of Operations. The provision for depreciation expressed as a percentage of the aggregate average depreciable asset balances was 2.77%, 2.82% and 2.96% for years December 31, 2021, 2020 and 2019, respectively. Additionally, the Company had capital expenditures acquired on account but unpaid of \$292 million and \$221 million included in accrued liabilities on the Consolidated Balance Sheets as of December 31, 2021 and 2020, respectively.

In 2019, the Company completed and submitted its project completion certification to the New Jersey Economic Development Authority (“NJEDA”) in connection with its capital investment in its corporate headquarters in Camden, New Jersey. The NJEDA determined that the Company is qualified to receive \$164 million in tax credits over a ten-year period. The Company is required to meet various annual requirements in order to monetize one-tenth of the tax credits annually and is subject to a claw-back period if the Company does not meet certain NJEDA requirements of the tax credit program in years 11 through 15. The Company has made the necessary annual filings for the years ended December 31, 2019 and 2020 and expects to file the 2021 filing by April 30, 2022. As a result, the Company had receivables of \$49 million and \$115 million in other current assets and other long-term assets, respectively, on the Consolidated Balance Sheets as of December 31, 2021. The submitted filings are under review by the NJEDA and it is expected that the Company will receive final NJEDA approval and monetize the credits in the first half of 2022.

In March 2020, in connection with the COVID-19 pandemic, the NJEDA, pursuant to Executive Order 103 – State of Emergency and a Public Health Emergency, temporarily waived the requirement that a full-time employee must spend at least 80% of his or her time at the qualified business facility (“QBF”) to meet the definition of eligible position or full-time job. The waiver will continue for as long as New Jersey’s Executive Order 281 is valid. On July 2, 2021, New Jersey’s Governor approved a bill that revised provisions of the Economic Recovery Act of 2020 and other economic development programs, including amending the definition of an eligible position and full-time job in the Grow New Jersey Program and replacing the 80% requirement of time spent at the QBF. The bill states that an eligible position is one that is filled by a full-time employee who has their primary office at the QBF and spends at least 60% of their time at the QBF. The bill specifically states that it supersedes the existing regulations and existing incentive agreements that require an eligible employee spend at least 80% of their time at the QBF.

Note 8: Allowance for Uncollectible Accounts

Presented in the table below are the changes in the allowances for uncollectible accounts for the years ended December 31:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Balance as of January 1	\$ (60)	\$ (41)	\$ (45)
Amounts charged to expense	(37)	(34)	(28)
Amounts written off	17	12	32
Less: Allowance for uncollectible accounts included in assets held for sale (a)	<u>5</u>	<u>3</u>	<u>—</u>
Balance as of December 31	<u>\$ (75)</u>	<u>\$ (60)</u>	<u>\$ (41)</u>

- (a) This portion of the allowance for uncollectible accounts is related to the sale of the Company’s New York subsidiary, which was completed on January 1, 2022, and is included in assets held for sale on the Consolidated Balance Sheets as of December 31, 2021 and December 31, 2020. See Note 6—Acquisitions and Divestitures for additional information.

Note 9: Goodwill and Other Intangible Assets

Goodwill

Presented in the table below are the changes in the carrying value of goodwill for the years ended December 31, 2021 and 2020:

	Regulated Businesses		Market-Based Businesses		Consolidated		
	Cost	Accumulated Impairment	Cost	Accumulated Impairment	Cost	Accumulated Impairment	Total Net
Balance as of January 1, 2020	\$3,497	\$ (2,332)	\$ 483	\$ (108)	\$3,980	\$ (2,440)	\$1,540
Goodwill from acquisitions ..	5	—	—	—	5	—	5
Measurement period adjustments	(2)	—	—	—	(2)	—	(2)
Less: Goodwill included in assets held for sale (a)	(39)	—	—	—	(39)	—	(39)
Balance as of December 31, 2020	<u>\$3,461</u>	<u>\$ (2,332)</u>	<u>\$ 483</u>	<u>\$ (108)</u>	<u>\$3,944</u>	<u>\$ (2,440)</u>	<u>\$1,504</u>
Measurement period adjustments	(7)	—	—	—	(7)	—	(7)
Goodwill included in assets held for sale (a)	12	—	—	—	12	—	12
Goodwill reduced through sale of HOS	—	—	(370)	—	(370)	—	(370)
Balance as of December 31, 2021	<u>\$3,466</u>	<u>\$ (2,332)</u>	<u>\$ 113</u>	<u>\$ (108)</u>	<u>\$3,579</u>	<u>\$ (2,440)</u>	<u>\$1,139</u>

(a) This goodwill is related to the sale of the Company's New York subsidiary, which was completed on January 1, 2022, and is included in assets held for sale on the Consolidated Balance Sheets as of December 31, 2021 and December 31, 2020. See Note 6—Acquisitions and Divestitures for additional information.

In 2021, the Company reduced goodwill by \$370 million included in Market-Based Businesses through the sale of HOS. See Note 6—Acquisitions and Divestitures for additional information relating to the sale of HOS.

The Company completed its annual impairment testing of goodwill as of November 30, 2021, which included qualitative assessments of its Regulated Businesses and MSG reporting units. Based on these assessments, the Company determined that there were no factors present that would indicate that the fair value of these reporting units was less than their respective carrying values as of November 30, 2021.

In 2020, the Company acquired goodwill of \$5 million associated with two of its acquisitions in the Regulated Businesses segment.

Intangible Assets

The Company held finite-lived intangible assets, including customer relationships and other intangible assets prior to the sale of HOS during the fourth quarter of 2021. All of the Company's finite-lived intangible assets were sold as part of the HOS sale transaction. As a result, there was no gross carrying value or net book value of customer relationships and other intangible assets remaining as of December 31, 2021. The gross carrying value of customer relationships and other intangible assets as of December 31, 2020 was \$78 million and \$13 million, respectively. Accumulated amortization of customer relationships and other intangible assets was \$29 million and \$7 million, respectively, as of December 31, 2020. Intangible asset amortization expense amounted to \$9 million, \$12 million and \$14 million for the years ended December 31, 2021, 2020 and 2019, respectively. Amortization expense related to customer relationships and other intangible assets was \$7 million and \$2 million, respectively, for the year ended December 31, 2021.

Note 10: Shareholders' Equity

Common Stock

Under the Company's dividend reinvestment and direct stock purchase plan (the "DRIP"), shareholders may reinvest cash common stock dividends and purchase additional shares of Company common stock, up to certain limits, through the plan administrator without paying brokerage commissions. Shares purchased by participants through the DRIP may be newly issued shares, treasury shares, or at the Company's election, shares purchased by the plan administrator in the open market or in privately negotiated transactions. Purchases generally will be made and credited to DRIP accounts once each week. As of December 31, 2021, there were approximately 5.1 million shares available for future issuance under the DRIP.

Anti-dilutive Stock Repurchase Program

In February 2015, the Company's Board of Directors authorized an anti-dilutive stock repurchase program, which allows the Company to purchase up to 10 million shares of its outstanding common stock from time to time over an unrestricted period of time. The Company did not repurchase shares of common stock during the years ended December 31, 2021 and 2020. As of December 31, 2021, there were 5.1 million shares of common stock available for purchase under the program.

Accumulated Other Comprehensive Loss

Presented in the table below are the changes in accumulated other comprehensive loss by component, net of tax, for the years ended December 31, 2021 and 2020:

	Defined Benefit Plans			Gain (Loss) on Cash Flow Hedge	Accumulated Other Comprehensive Loss
	Employee Benefit Plan Funded Status	Amortization of Prior Service Cost	Amortization of Actuarial Loss		
Beginning balance as of January 1,					
2020	\$ (94)	\$ 1	\$ 60	\$ (3)	\$ (36)
Other comprehensive income (loss) before reclassification	(12)	—	—	(4)	(16)
Amounts reclassified from accumulated other comprehensive loss	—	—	3	—	3
Net other comprehensive income (loss) ..	(12)	—	3	(4)	(13)
Ending balance as of December 31,					
2020	<u>\$ (106)</u>	<u>\$ 1</u>	<u>\$ 63</u>	<u>\$ (7)</u>	<u>\$ (49)</u>
Other comprehensive income (loss) before reclassification	(1)	—	—	1	—
Amounts reclassified from accumulated other comprehensive loss	—	—	4	—	4
Net other comprehensive income (loss) ..	(1)	—	4	1	4
Ending balance as of December 31,					
2021	<u>\$ (107)</u>	<u>\$ 1</u>	<u>\$ 67</u>	<u>\$ (6)</u>	<u>\$ (45)</u>

The Company does not reclassify the amortization of defined benefit pension cost components from accumulated other comprehensive loss directly to net income in its entirety, as a portion of these costs have been deferred as a regulatory asset. These accumulated other comprehensive loss components are included in the computation of net periodic pension cost. See Note 16—Employee Benefits for additional information.

The amortization of the gain (loss) on cash flow hedges is reclassified to net income during the period incurred and is included in interest, net in the accompanying Consolidated Statements of Operations.

Dividends and Distributions

The Company’s Board of Directors authorizes the payment of dividends. The Company’s ability to pay dividends on its common stock is subject to having access to sufficient sources of liquidity, net income and cash flows of the Company’s subsidiaries, the receipt of dividends and direct and indirect distributions from, and repayments of indebtedness of, the Company’s subsidiaries, compliance with Delaware corporate and other laws, compliance with the contractual provisions of debt and other agreements and other factors.

The Company’s dividend rate on its common stock is determined by the Board of Directors on a quarterly basis and takes into consideration, among other factors, current and possible future developments that may affect the Company’s income and cash flows. When dividends on common stock are declared, they are typically paid in March, June, September and December. Historically, dividends have been paid quarterly to holders of record less than 30 days prior to the distribution date. Since the dividends on the Company’s common stock are not cumulative, only declared dividends are paid.

During 2021, 2020 and 2019, the Company paid \$428 million, \$389 million and \$353 million in cash dividends, respectively. Presented in the table below is the per share cash dividends paid for the years ended December 31:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
December	\$ 0.6025	\$ 0.55	\$ 0.50
September	\$ 0.6025	\$ 0.55	\$ 0.50
June	\$ 0.6025	\$ 0.55	\$ 0.50
March	\$ 0.55	\$ 0.50	\$ 0.455

On December 9, 2021, the Company’s Board of Directors declared a quarterly cash dividend payment of \$0.6025 per share payable on March 1, 2022, to shareholders of record as of February 8, 2022.

Under applicable law, the Company’s subsidiaries may pay dividends on their capital stock or other equity only from retained, undistributed or current earnings. A significant loss recorded at a subsidiary may limit the amount of the dividend that the subsidiary can pay. The ability of the Company’s subsidiaries to pay upstream dividends, make other upstream distributions or repay indebtedness to parent company or American Water Capital Corp. (“AWCC”), the Company’s wholly owned financing subsidiary, as applicable, is subject to compliance with applicable corporate, tax and other laws, regulatory restrictions and financial and other contractual obligations, including, for example, (i) regulatory capital, surplus or net worth requirements, (ii) outstanding debt service obligations, (iii) requirements to make preferred and preference stock dividend payments, and (iv) other contractual agreements, covenants or obligations made or entered into by the Company and its subsidiaries.

Regulatory Restrictions on Indebtedness

The issuance of long-term debt or equity securities by the Company or long-term debt by AWCC does not require authorization of any state PUC if no guarantee or pledge of the regulated subsidiaries is utilized. Based on the needs of the Regulated Businesses and parent company, AWCC may borrow funds or issue its debt in the capital markets and then, through intercompany loans, provide these borrowings to the Regulated Businesses or parent company. PUC authorization is generally required for the regulated subsidiaries to incur long-term debt. The Company’s regulated subsidiaries normally obtain these required PUC authorizations on a periodic basis to cover their anticipated financing needs for a period of time, or, as necessary, in connection with a specific financing or refinancing of debt.

Note 11: Stock Based Compensation

The Company has granted stock options, stock units and dividend equivalents to non-employee directors, officers and other key employees of the Company pursuant to the terms of its 2007 Omnibus Equity Compensation Plan (the “2007 Plan”). Stock units under the 2007 Plan generally vest based on (i) continued employment with the Company (“RSUs”), or (ii) continued employment with the Company where distribution of the shares is subject to the satisfaction in whole or in part of stated performance-based goals (“PSUs”). The 2007 Plan has been replaced by the 2017 Omnibus Plan, as defined below, and no additional awards may be granted under the 2007 Plan. However, shares may still be issued under the 2007 Plan pursuant to the terms of awards previously issued under that plan prior to May 12, 2017.

In May 2017, the Company’s shareholders approved the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the “2017 Omnibus Plan”). The Company has granted stock units, including RSUs and PSUs, stock awards and dividend equivalents to non-employee directors, officers and employees under the 2017 Omnibus Plan. A total of 7.2 million shares of common stock may be issued under the 2017 Omnibus Plan. As of December 31, 2021, 6.5 million shares were available for grant under the 2017 Omnibus Plan. The 2017 Omnibus Plan provides that grants of awards may be in any of the following forms: incentive stock options, nonqualified stock options, stock appreciation rights, stock units, stock awards, other stock-based awards and dividend equivalents. Dividend equivalents may be granted only on stock units or other stock-based awards. The 2017 Omnibus Plan expires in 2027.

The cost of services received from employees in exchange for the issuance of stock options and restricted stock awards is measured based on the grant date fair value of the awards issued. The value of stock options and stock unit awards at the date of the grant is amortized through expense over the requisite service period. All awards granted in 2021, 2020 and 2019 are classified as equity. The Company recognizes compensation expense for stock awards over the vesting period of the award. The Company stratified its grant populations and used historic employee turnover rates to estimate employee forfeitures. The estimated rate is compared to the actual forfeitures at the end of the reporting period and adjusted as necessary. There have been no significant adjustments to the forfeiture rates during 2021, 2020 and 2019. There were no grants of stock options to employees after 2016, and the remaining stock options outstanding as of December 31, 2021 were not material. Presented in the table below is the stock-based compensation expense recorded in O&M expense in the accompanying Consolidated Statements of Operations for the years ended December 31:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
RSUs and PSUs	\$ 15	\$ 19	\$ 15
Nonqualified employee stock purchase plan	<u>2</u>	<u>2</u>	<u>2</u>
Stock-based compensation	17	21	17
Income tax benefit	<u>(4)</u>	<u>(5)</u>	<u>(4)</u>
Stock-based compensation expense, net of tax	<u>\$ 13</u>	<u>\$ 16</u>	<u>\$ 13</u>

There were no significant stock-based compensation costs capitalized during the years ended December 31, 2021, 2020 and 2019.

Subject to limitations on deductibility imposed by the Federal income tax code, the Company receives a tax deduction based on the intrinsic value of the award at the exercise date for stock options and the distribution date for stock units. For each award, throughout the requisite service period, the Company records the tax impacts related to compensation costs as deferred income tax assets. The tax deductions in excess of the deferred benefits recorded throughout the requisite service period are recorded to the Consolidated Statements of Operations and are presented in the financing section of the Consolidated Statements of Cash Flows.

Stock Units

During 2021, 2020 and 2019, the Company granted RSUs to certain employees under the 2017 Omnibus Plan. RSUs generally vest based on continued employment with the Company over periods ranging from one to three years.

During 2021, 2020 and 2019, the Company granted stock units to non-employee directors under the 2017 Omnibus Plan. The stock units were vested in full on the date of grant; however, distribution of the shares will be made within 30 days of the earlier of (i) 15 months after the date of the last annual meeting of shareholders, subject to any deferral election by the director, or (ii) the participant's separation from service. Because these stock units vested on the grant date, the total grant date fair value was recorded in operation and maintenance expense on the grant date.

The RSUs are valued at the closing price of the Company's common stock on the date of the grant and the majority vest ratably over a three-year service period. These RSUs are amortized through expense over the requisite service period using the straight-line method.

Presented in the table below is RSU activity for the year ended December 31, 2021:

	<u>Shares (in thousands)</u>	<u>Weighted Average Grant Date Fair Value (per share)</u>
Non-vested total as of December 31, 2020	92	\$ 100.39
Granted	45	158.54
Vested	(76)	122.26
Forfeited	(13)	128.93
Non-vested total as of December 31, 2021	<u>48</u>	<u>\$ 112.22</u>

As of December 31, 2021, \$3 million of total unrecognized compensation cost related to the nonvested RSUs is expected to be recognized over the weighted average remaining life of 1.33 years. The total fair value of stock units and RSUs vested was \$9 million, \$5 million and \$4 million for the years ended December 31, 2021, 2020 and 2019, respectively.

During 2021, 2020 and 2019, the Company granted PSUs to certain employees under the 2017 Omnibus Plan. The majority of PSUs vest ratably based on continued employment with the Company over the three-year performance period (the "Performance Period"). Distribution of the performance shares is contingent upon the achievement of one or more internal performance measures and, separately, a relative total shareholder return performance measure, over the Performance Period.

Presented in the table below is PSU activity for the year ended December 31, 2021:

	<u>Shares (in thousands)</u>	<u>Weighted Average Grant Date Fair Value (per share)</u>
Non-vested total as of December 31, 2020	293	\$ 105.70
Granted	145	128.30
Vested	(186)	75.47
Forfeited	(20)	159.99
Non-vested total as of December 31, 2021	<u>232</u>	<u>\$ 139.40</u>

As of December 31, 2021, \$3 million of total unrecognized compensation cost related to the nonvested PSUs is expected to be recognized over the weighted average remaining life of 0.71 years. The total fair value of PSUs vested was \$22 million, \$18 million and \$14 million for the years ended December 31, 2021, 2020 and 2019, respectively.

PSUs granted with one or more internal performance measures are valued at the market value of the closing price of the Company’s common stock on the date of grant. PSUs granted with a relative total shareholder return condition are valued using a Monte Carlo simulation model. Expected volatility is based on historical volatilities of traded common stock of the Company and comparative companies using daily stock prices over the past three years. The expected term is three years and the risk-free interest rate is based on the three-year U.S. Treasury rate in effect as of the measurement date. Presented in the table below are the weighted average assumptions used in the Monte Carlo simulation and the weighted average grant date fair values of PSUs granted for the years ended December 31:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Expected volatility	28.59%	16.65%	16.80%
Risk-free interest rate	0.22%	1.28%	2.47%
Expected life (years)	3.0	3.0	3.0
Grant date fair value per share	\$229.22	\$159.64	\$110.37

The grant date fair value of PSUs that vest ratably and have market and/or performance conditions are amortized through expense over the requisite service period using the graded-vesting method.

Employee Stock Purchase Plan

The Company maintains a nonqualified employee stock purchase plan (the “ESPP”) that expires in 2027 through which employee participants (other than the Company’s executive officers) may use payroll deductions to acquire Company common stock at a purchase price of 85% of the fair market value of the common stock at the end of a three-month purchase period. A total of 2.0 million shares may be issued under the ESPP, and as of December 31, 2021, there were 1.6 million shares of common stock reserved for issuance under the ESPP. The ESPP is considered compensatory. During the years ended December 31, 2021, 2020 and 2019, the Company issued 80 thousand, 86 thousand and 88 thousand shares, respectively, under the ESPP.

Note 12: Long-Term Debt

The Company obtains long-term debt through AWCC primarily to fund capital expenditures of the Regulated Businesses and to lend funds to parent company to refinance debt and for other purposes. Presented in the table below are the components of long-term debt as of December 31:

	<u>Rate</u>	<u>Weighted Average Rate</u>	<u>Maturity</u>	<u>2021</u>	<u>2020</u>
Long-term debt of AWCC: (a)					
Senior notes—fixed rate	2.30%-8.27%	3.83%	2023-2051	\$ 8,965	\$ 8,191
Private activity bonds and government funded debt—fixed rate	0.60%-2.45%	1.63%	2023-2031	190	191
Long-term debt of other American Water subsidiaries:					
Private activity bonds and government funded debt—fixed rate	0.00%-5.50%	1.70%	2022-2048	739	735
Mortgage bonds—fixed rate	6.35%-9.19%	7.36%	2023-2039	534	565
Mandatorily redeemable preferred stock ..	8.47%-9.75%	8.60%	2024-2036	4	5
Finance lease obligations	12.25%	12.25%	2026	1	1
Long-term debt				<u>10,433</u>	<u>9,688</u>
Unamortized debt (discount) premium, net (b)				(9)	(4)
Unamortized debt issuance costs				(23)	(22)
Less current portion of long-term debt				<u>(57)</u>	<u>(329)</u>
Total long-term debt				<u>\$ 10,344</u>	<u>\$ 9,333</u>

- (a) This indebtedness is considered “debt” for purposes of a support agreement between parent company and AWCC, which serves as a functional equivalent of a full and unconditional guarantee by parent company of AWCC’s payment obligations under such indebtedness.
- (b) Includes debt discount, net of fair value adjustments previously recognized in acquisition purchase accounting.

All mortgage bonds and \$738 million of the private activity bonds and government funded debt held by the Company's subsidiaries were collateralized as of December 31, 2021.

Long-term debt indentures contain a number of covenants that, among other things, limit, subject to certain exceptions, AWCC from issuing debt secured by the Company's consolidated assets. Certain long-term notes require the Company to maintain a ratio of consolidated total indebtedness to consolidated total capitalization of not more than 0.70 to 1.00. The ratio as of December 31, 2021 was 0.60 to 1.00. In addition, the Company has \$859 million of notes which include the right to redeem the notes at par value, in whole or in part, from time to time, subject to certain restrictions, with a weighted average interest rate of 1.84%.

Presented in the table below are future sinking fund payments and debt maturities:

	<u>Amount</u>
2022	\$ 57
2023	280
2024	474
2025	597
2026	441
Thereafter	8,584

Presented in the table below are the issuances of long-term debt in 2021:

<u>Company</u>	<u>Type</u>	<u>Rate</u>	<u>Weighted Average Rate</u>	<u>Maturity</u>	<u>Amount</u>
AWCC	Senior notes—fixed rate	2.30%-3.25%	2.78%	2031-2051	\$ 1,100
Other American Water subsidiaries	Private activity bonds and government funded debt— fixed rate	0.00%-5.00%	0.04%	2022-2047	18
Total issuances					<u>\$ 1,118</u>

The Company incurred debt issuance costs of \$11 million related to the above issuances.

Presented in the table below are the retirements and redemptions of long-term debt in 2021 through sinking fund provisions, optional redemption or payment at maturity:

<u>Company</u>	<u>Type</u>	<u>Rate</u>	<u>Weighted Average Rate</u>	<u>Maturity</u>	<u>Amount</u>
AWCC	Private activity bonds and government funded debt— fixed rate	1.79%-6.55%	5.94%	2021-2031	\$ 327
Other American Water subsidiaries	Private activity mortgage bonds	9.13%-9.69%	9.52%	2021	31
Other American Water subsidiaries	Private activity bonds and government funded debt— fixed rate	0.00%-5.50%	1.38%	2021-2048	13
Other American Water subsidiaries	Mandatory redeemable preferred stock	8.49%-8.49%	8.49%	2022-2022	1
Total retirements and redemptions					<u>\$ 372</u>

On May 10, 2021, AWCC completed a \$1.1 billion debt offering which included the sale of \$550 million aggregate principal amount of its 2.30% senior notes due 2031 and \$550 million aggregate principal amount of its 3.25% senior notes due 2051. At the closing of the offering, AWCC received, after deduction of underwriting discounts and before deduction of offering expenses, net proceeds of \$1,086 million. AWCC used the net proceeds of this offering: (i) to lend funds to parent company and its regulated subsidiaries; (ii) to prepay \$251 million aggregate principal amount of AWCC's outstanding 5.77% Series D Senior Notes due December 21, 2021 (the "Series D Notes") and \$76 million aggregate principal amount of AWCC's outstanding 6.55% Series H Senior Notes due May 15, 2023 (the "Series H Notes," and together with the Series D Notes, the "Series Notes"); (iii) to repay AWCC's commercial paper obligations; and (iv) for general corporate purposes. After the prepayments described above, none of the Series D Notes, and approximately \$14 million aggregate principal amount of the Series H Notes, remain outstanding. As a result of AWCC's prepayment of the Series Notes, a make-whole premium of \$15 million was paid to the holders thereof on June 14, 2021. Substantially all of the early debt extinguishment costs were allocable to the Company's utility subsidiaries and recorded as regulatory assets, as the Company believes they are probable of recovery in future rates.

One of the principal market risks to which the Company is exposed is changes in interest rates. In order to manage the exposure, the Company follows risk management policies and procedures, including the use of derivative contracts such as swaps. The Company also reduces exposure to interest rates by managing commercial paper and debt maturities. The Company does not enter into derivative contracts for speculative purposes and does not use leveraged instruments. The derivative contracts entered into are for periods consistent with the related underlying exposures. The Company is exposed to the risk that counterparties to derivative contracts will fail to meet their contractual obligations and minimizes this risk by dealing only with leading, creditworthy financial institutions having long-term credit ratings of "A" or better.

On May 6, 2021, the Company entered into two 10-year treasury lock agreements, with notional amounts of \$125 million and \$150 million, to reduce interest rate exposure on debt, which was subsequently issued on May 10, 2021. These treasury lock agreements had an average fixed rate of 1.58%. The Company designated these treasury lock agreements as cash flow hedges, with their fair value recorded in accumulated other comprehensive gain or loss. On May 10, 2021, the Company terminated these two treasury lock agreements with an aggregate notional amount of \$275 million, realizing a net gain of less than \$1 million, to be amortized through interest, net over a 10-year period, in accordance with the terms of the \$1.1 billion new debt issued on May 10, 2021. No ineffectiveness was recognized on hedging instruments for the years ended December 31, 2021 and 2020.

Note 13: Short-Term Debt

Liquidity needs for capital investment, working capital and other financial commitments are generally funded through cash flows from operations, public and private debt offerings, commercial paper markets and, if and to the extent necessary, borrowings under the AWCC revolving credit facility. Additionally, proceeds from the aforementioned sales of HOS and the Company's New York subsidiary will be used primarily for capital investment in the Regulated Businesses. The revolving credit facility provides \$2.25 billion in aggregate total commitments from a diversified group of financial institutions. The termination date of the credit agreement with respect to AWCC's revolving credit facility is March 21, 2025. The facility is used principally to support AWCC's commercial paper program, to provide additional liquidity support and to provide a sub-limit of up to \$150 million for letters of credit. Letters of credit are non-debt instruments maintained to provide credit support for certain transactions as requested by third parties. Subject to satisfying certain conditions, the credit agreement also permits AWCC to increase the maximum commitment under the facility by up to an aggregate of \$500 million. As of December 31, 2021, AWCC had no outstanding borrowings and \$76 million of outstanding letters of credit under the revolving credit facility, with \$1.59 billion available to fulfill the Company's short-term liquidity needs and to issue letters of credit. The Company regularly evaluates the capital markets and closely monitors the financial condition of the financial institutions with contractual commitments in its revolving credit facility. Interest rates on advances under the facility are based on a credit spread to the LIBOR

rate (or applicable market replacement rate) or base rate in accordance with Moody Investors Service's and Standard & Poor's Financial Services' then applicable credit rating on AWCC's senior unsecured, non-credit enhanced debt.

On March 20, 2020, AWCC entered into a Term Loan Credit Agreement, by and among parent company, AWCC and the lenders party thereto (the "Term Loan Facility"). As of December 31, 2020, \$500 million of principal was outstanding under the Term Loan Facility. The Term Loan Facility commitments terminated at maturity on March 19, 2021, and the Term Loan Facility was repaid in full. Borrowings under the Term Loan Facility bore interest at a variable annual rate based on LIBOR, plus a margin of 0.80%.

Short-term debt consists of commercial paper and credit facility borrowings totaling \$584 million and \$786 million as of December 31, 2021 and 2020, respectively. The weighted average interest rate on AWCC's outstanding short-term borrowings was approximately 0.25%, for the year ended December 31, 2021. The weighted average interest rate on AWCC's outstanding short-term borrowings was 1.16%, for the year ended December 31, 2020, including \$500 million of outstanding principal on the Term Loan Facility as of December 31, 2020. As of December 31, 2021 there were no commercial paper or credit facility borrowings outstanding with maturities greater than three months.

Presented in the tables below is the aggregate credit facility commitments, commercial paper limit and letter of credit availability under the revolving credit facility, as well as the available capacity for each, as of December 31:

	<u>2021</u>		
	<u>Commercial Paper Limit</u>	<u>Letters of Credit</u>	<u>Total (a)</u>
(In millions)			
Total availability	\$ 2,100	\$ 150	\$2,250
Outstanding debt	(584)	(76)	(660)
Remaining availability as of December 31, 2021	<u>\$ 1,516</u>	<u>\$ 74</u>	<u>\$1,590</u>

(a) Total remaining availability of \$1.59 billion as of December 31, 2021 may be accessed through revolver draws.

	<u>2020</u>		
	<u>Commercial Paper Limit</u>	<u>Letters of Credit</u>	<u>Total (a)</u>
(In millions)			
Total availability	\$ 2,100	\$ 150	\$2,250
Outstanding debt	(786)	(76)	(862)
Remaining availability as of December 31, 2020	<u>\$ 1,314</u>	<u>\$ 74</u>	<u>\$1,388</u>

(a) Total remaining availability may be accessed through revolver draws.

Presented in the table below is the Company's total available liquidity as of December 31, 2021 and 2020, respectively:

	<u>Cash and Cash Equivalents</u>	<u>Availability on Revolving Credit Facility</u>	<u>Total Available Liquidity</u>
(In millions)			
Available liquidity as of December 31, 2021	\$ 116	\$ 1,590	\$ 1,706
Available liquidity as of December 31, 2020	\$ 547	\$ 1,388	\$ 1,935

Presented in the table below is the short-term borrowing activity for AWCC for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Average borrowings	\$ 910	\$1,047
Maximum borrowings outstanding	1,647	2,172
Weighted average interest rates, computed on daily basis	0.25%	1.16%
Weighted average interest rates, as of December 31	0.20%	0.53%

The changes in average borrowings between periods were mainly attributable to the \$500 million borrowed under the Term Loan Facility during 2020, which terminated and was repaid in full at maturity on March 19, 2021.

The credit facility requires the Company to maintain a ratio of consolidated debt to consolidated capitalization of not more than 0.70 to 1.00. The ratio as of December 31, 2021 was 0.60 to 1.00.

None of the Company’s borrowings are subject to default or prepayment as a result of a downgrading of securities, although such a downgrading could increase fees and interest charges under AWCC’s revolving credit facility.

Note 14: General Taxes

Presented in the table below is the components of general tax expense for the years ended December 31:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Property and capital stock	\$ 149	\$ 140	\$ 124
Gross receipts and franchise	121	116	110
Payroll	39	36	35
Other general	12	11	11
Total general taxes	<u>\$ 321</u>	<u>\$ 303</u>	<u>\$ 280</u>

Note 15: Income Taxes

Presented in the table below is the components of income tax expense for the years ended December 31:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Current income taxes:			
State	\$ 72	\$ 8	\$ 4
Federal	75	—	—
Total current income taxes	<u>\$ 147</u>	<u>\$ 8</u>	<u>\$ 4</u>
Deferred income taxes:			
State	\$ 10	\$ 49	\$ 54
Federal	221	159	155
Amortization of deferred investment tax credits	(1)	(1)	(1)
Total deferred income taxes	<u>230</u>	<u>207</u>	<u>208</u>
Provision for income taxes	<u>\$ 377</u>	<u>\$ 215</u>	<u>\$ 212</u>

Presented in the table below is a reconciliation between the statutory federal income tax rate and the Company's effective tax rate for the years ended December 31:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Income tax at statutory rate	21.0%	21.0%	21.0%
Increases (decreases) resulting from:			
State taxes, net of federal taxes	3.9%	4.8%	5.4%
EADIT	(3.6)%	(2.1)%	(0.9)%
Tax impact due to the sale of HOS	1.6%	—%	—%
Other, net	<u>0.1%</u>	<u>(0.4)%</u>	<u>(0.1)%</u>
Effective tax rate	<u>23.0%</u>	<u>23.3%</u>	<u>25.4%</u>

Presented in the table below are the components of the net deferred tax liability as of December 31:

	<u>2021</u>	<u>2020</u>
Deferred tax assets:		
Advances and contributions	\$ 439	\$ 424
Tax losses and credits	10	65
Regulatory income tax assets	301	329
Pension and other postretirement benefits	50	100
Other	<u>144</u>	<u>165</u>
Total deferred tax assets	<u>944</u>	<u>1,083</u>
Valuation allowance	<u>(10)</u>	<u>(19)</u>
Total deferred tax assets, net of allowance	<u>\$ 934</u>	<u>\$ 1,064</u>
Deferred tax liabilities:		
Property, plant and equipment	\$ 3,087	\$ 2,913
Deferred pension and other postretirement benefits	69	97
Other	<u>180</u>	<u>216</u>
Total deferred tax liabilities	<u>3,336</u>	<u>3,226</u>
Less: Deferred tax liabilities included in liabilities related to assets held for sale (a)	<u>—</u>	<u>69</u>
Total deferred tax liabilities, net of deferred tax assets	<u>\$ (2,402)</u>	<u>\$ (2,093)</u>

(a) These deferred tax liabilities are related to the sale of the Company's New York subsidiary, which was completed on January 1, 2022, and are included in liabilities related to assets held for sale on the Consolidated Balance Sheets as of December 31, 2021 and December 31, 2020. See Note 6—Acquisitions and Divestitures for additional information.

The Company recognized no federal net operating loss (“NOL”) carryforwards as of December 31, 2021 and \$366 million as of December 31, 2020. The Company fully utilized its federal NOL carryforwards in 2021 due to the sale of HOS, and therefore, no valuation allowance is required.

As of December 31, 2021 and 2020, the Company had state NOLs of \$123 million and \$357 million, respectively, a portion of which are offset by a valuation allowance as the Company does not believe these NOLs are more likely than not to be realized. The state NOL carryforwards expire in 2021 through 2041.

The Company files income tax returns in the United States federal jurisdiction and various state and foreign jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal, state or local or non-U.S. income tax examinations by tax authorities for years on or before 2012. The Company has state income tax examinations in progress and does not expect material adjustments to result.

Presented in the table below are the changes in gross liability, excluding interest and penalties, for unrecognized tax benefits:

	<u>Amount</u>
Balance as of January 1, 2020	\$ 110
Increases in current period tax positions	18
Decreases in prior period measurement of tax positions	<u>(6)</u>
Balance as of December 31, 2020	\$ 122
Increases in current period tax positions	23
Decreases in prior period measurement of tax positions	<u>(5)</u>
Balance as of December 31, 2021	<u><u>\$ 140</u></u>

The Company's tax positions relate primarily to the deductions claimed for repair and maintenance costs on its utility plant. The Company does not anticipate material changes to its unrecognized tax benefits within the next year. As discussed above, the Company utilized its remaining federal NOLs in 2021, and therefore this federal tax attribute will not be available to reduce the federal liabilities for uncertain tax positions or interest accrued as presented on the Company's Consolidated Financial Statements.

If the Company sustains all of its positions as of December 31, 2021, an unrecognized tax benefit of \$10 million, excluding interest and penalties, would impact the Company's effective tax rate. The Company had an insignificant amount of interest and penalties related to its tax positions as of December 31, 2021 and 2020.

Presented in the table below are the changes in the valuation allowance:

	<u>Amount</u>
Balance as of January 1, 2019	\$ 14
Increases in current period tax positions	<u>7</u>
Balance as of December 31, 2019	\$ 21
Decreases in current period tax positions	<u>(2)</u>
Balance as of December 31, 2020	\$ 19
Decreases in current period tax positions	<u>(9)</u>
Balance as of December 31, 2021	<u><u>\$ 10</u></u>

Note 16: Employee Benefits

Pension and Other Postretirement Benefits

The Company maintains noncontributory defined benefit pension plans covering eligible employees of its regulated utility and shared services operations. Benefits under the plans are based on the employee's years of service and compensation. The pension plans have been closed for all new employees. The pension plans were closed for most employees hired on or after January 1, 2006. Union employees hired on or after January 1, 2001, except for specific eligible groups specified in the plan, had their accrued benefit frozen and will be able to receive this benefit as a lump sum upon termination or retirement. Union employees hired on or after January 1, 2001 and non-union employees hired on or after January 1, 2006 are provided with a 5.25% of base pay defined contribution plan. The Company does not participate in a multi-employer plan. The Company also has unfunded noncontributory supplemental nonqualified pension plans that provide additional retirement benefits to certain employees.

The Company's pension funding practice is to contribute at least the greater of the minimum amount required by the Employee Retirement Income Security Act of 1974 or the normal cost. Further, the Company will

consider additional cash contributions and/or available prefunding balances if needed to avoid “at risk” status and benefit restrictions under the Pension Protection Act of 2006 (“PPA”). The Company may also consider increased contributions, based on other financial requirements and the plans’ funded position. Pension expense in excess of the amount contributed to the pension plans is deferred by certain regulated subsidiaries pending future recovery in rates charged for utility services as contributions are made to the plans. See Note 4—Regulatory Matters for additional information. Pension plan assets are invested in a number of actively managed, commingled funds, and limited partnerships including equities, fixed income securities, guaranteed annuity contracts with insurance companies, real estate funds and real estate investment trusts (“REITs”).

The Company maintains other postretirement benefit plans providing varying levels of medical and life insurance to eligible retirees. The retiree welfare plans are closed for union employees hired on or after January 1, 2006. The plans had previously closed for non-union employees hired on or after January 1, 2002. The Company’s policy is to fund other postretirement benefit costs up to the amount recoverable through rates. Assets of the plans are invested in a number of actively managed funds in the form of separate accounts, commingled funds and limited partnerships, including equities and fixed income securities.

The investment policy guideline of the pension plan is focused on diversification, improving returns and reducing the volatility of the funded status over a long-term horizon. The investment policy guidelines of the postretirement plans focus on the appropriate strategy given the funded status of the plans. None of the Company’s securities are included in pension or other postretirement benefit plan assets.

The Company uses fair value for all classes of assets in the calculation of market-related value of plan assets. As of 2018, the fair values and asset allocations of the pension plan assets include the American Water Pension Plan, the New York Water Service Corporation Pension Plan, and the Shorelands Water Company, Inc. Pension Plan.

As a result of the sale of the Company’s New York subsidiary, there will be a transfer of assets from two pension plans and two other postretirement benefit plans from the Company to Liberty. The Company does not expect the assets to be transferred to be a significant percentage of the Company’s overall pension and other postretirement benefit plans.

Presented in the tables below are the fair values and asset allocations of the pension plan assets as of December 31, 2021 and 2020, respectively, by asset category:

Asset Category	2022 Target Allocation	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Percentage of Plan Assets as of December 31, 2021
Cash		\$ 54	\$ 54	\$ —	\$ —	3%
Equity securities:	50%					
U.S. large cap		217	217	—	—	11%
U.S. small cap		113	113	—	—	6%
International		516	7	354	155	26%
Real estate fund		141	—	—	141	7%
REITs		9	—	9	—	—%
Fixed income securities:	50%					
U.S. Treasury securities and government bonds		256	249	7	—	13%
Corporate bonds		601	—	601	—	30%
Mortgage-backed securities		9	—	9	—	—%
Municipal bonds		25	—	25	—	1%
Treasury futures		—	—	—	—	—%
Long duration bond fund		10	7	3	—	1%
Guarantee annuity contracts		40	—	—	40	2%
Total	100%	\$1,991	\$ 647	\$ 1,008	\$ 336	100%

Asset Category	2021 Target Allocation	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Percentage of Plan Assets as of December 31, 2020
Cash		\$ 78	\$ 78	\$ —	\$ —	4%
Equity securities:	50%					
U.S. large cap		420	420	—	—	21%
U.S. small cap		124	124	—	—	6%
International		367	8	169	190	18%
Real estate fund		120	—	—	120	6%
REITs		7	—	7	—	—%
Fixed income securities:	50%					
U.S. Treasury securities and government bonds		171	163	8	—	9%
Corporate bonds		594	—	594	—	30%
Mortgage-backed securities		9	—	9	—	—%
Municipal bonds		34	—	34	—	2%
Treasury futures		10	10	—	—	1%
Long duration bond fund		10	7	3	—	1%
Guarantee annuity contracts		46	—	—	46	2%
Total	100%	\$1,990	\$ 810	\$ 824	\$ 356	100%

Presented in the tables below are a reconciliation of the beginning and ending balances of the fair value measurements using significant unobservable inputs (Level 3) for 2021 and 2020, respectively:

	<u>Level 3</u>
Balance as of January 1, 2021	\$ 356
Actual return on assets	41
Purchases, issuances and settlements, net	<u>(61)</u>
Balance as of December 31, 2021	<u>\$ 336</u>
	<u>Level 3</u>
Balance as of January 1, 2020	\$ 349
Actual return on assets	3
Purchases, issuances and settlements, net	<u>4</u>
Balance as of December 31, 2020	<u>\$ 356</u>

The Company’s postretirement benefit plans have different levels of funded status and the assets are held under various trusts. The investments and risk mitigation strategies for the plans are tailored specifically for each trust. In setting new strategic asset mixes, consideration is given to the likelihood that the selected asset allocation will effectively fund the projected plan liabilities and meet the risk tolerance criteria of the Company. The Company periodically updates the long-term, strategic asset allocations for these plans through asset liability studies and uses various analytics to determine the optimal asset allocation. Considerations include plan liability characteristics, liquidity needs, funding requirements, expected rates of return and the distribution of returns.

In 2018, the Company announced plan design changes to the medical bargaining benefit plan, which resulted in a cap on future benefits and an over funded postretirement medical benefits bargaining plan. As a result of the change in funded status, the Company decreased the investment risk in the plan and reduced its exposure to changes in interest rates by matching the assets of the plan to the projected cash flows for future benefit payments of the liability.

The Company engages third-party investment managers for all invested assets. Managers are not permitted to invest outside of the asset class (e.g. fixed income, equity, alternatives) or strategy for which they have been appointed. Investment management agreements and recurring performance and attribution analysis are used as tools to ensure investment managers invest solely within the investment strategy they have been provided. Futures and options may be used to adjust portfolio duration to align with a plan’s targeted investment policy.

In order to minimize asset volatility relative to the liabilities, a portion of plan assets is allocated to long duration fixed income investments that are exposed to interest rate risk. Increases in interest rates generally will result in a decline in the value of fixed income assets while reducing the present value of the liabilities. Conversely, rate decreases will increase fixed income assets, partially offsetting the related increase in the liabilities. Within equities, risk is mitigated by constructing a portfolio that is broadly diversified by geography, market capitalization, manager mandate size, investment style and process. For the postretirement medical bargaining plan, its asset structure is designed to meet the cash flows of the liabilities. This design reduces the plan’s exposure to changes in interest rates.

Actual allocations to each asset class vary from target allocations due to periodic investment strategy updates, market value fluctuations, the length of time it takes to fully implement investment allocations, and the timing of benefit payments and contributions. The asset allocation is rebalanced on a quarterly basis, if necessary. Voluntary Employees’ Beneficiary Association (“VEBA”) Trust assets include the American Water Postretirement Medical Benefits Bargaining Plan, the New York Water Service Corporation Postretirement Medical Benefits Bargaining Plan, the American Water Postretirement Medical Benefits Non-Bargaining Plan, and the American Water Life Insurance Trust.

Presented in the tables below are the fair values and asset allocations of the postretirement benefit plan assets as of December 31, 2021 and 2020, respectively, by asset category:

Asset Category	2022 Target Allocation	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Percentage of Plan Assets as of December 31, 2021
Bargain VEBA:						
Cash		\$ 10	\$ 10	\$ —	\$ —	3%
Equity securities:	4%					
U.S. large cap		18	18	—	—	5%
International		1	1	—	—	—%
Fixed income securities:	96%					
U.S. Treasury securities and government bonds		363	279	84	—	91%
Long duration bond fund		5	5	—	—	1%
Total bargain VEBA	100%	\$ 397	\$ 313	\$ 84	\$ —	100%
Non-bargain VEBA:						
Cash		\$ 2	\$ 2	\$ —	\$ —	—
Equity securities:	60%					
U.S. large cap		54	54	—	—	39%
International		35	35	—	—	25%
Fixed income securities:	40%					
Core fixed income bond fund (a)		49	—	49	—	36%
Total non-bargain VEBA	100%	\$ 140	\$ 91	\$ 49	\$ —	100%
Life VEBA:						
Cash		\$ 1	\$ 1	\$ —	\$ —	100%
Equity securities:	70%					
U.S. large cap		—	—	—	—	—%
Fixed income securities:	30%					
Core fixed income bond fund (a)		—	—	—	—	—%
Total life VEBA	100%	\$ 1	\$ 1	\$ —	\$ —	100%
Total	100%	\$ 538	\$ 405	\$ 133	\$ —	100%

(a) Includes cash for margin requirements.

Asset Category	2021 Target Allocation	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Percentage of Plan Assets as of 12/31/2020
Bargain VEBA:						
Cash		\$ 12	\$ 12	\$ —	\$ —	3%
Equity securities:	4%					
U.S. large cap		14	14	—	—	3%
Fixed income securities:	96%					
U.S. Treasury securities and government bonds		389	308	81	—	93%
Long duration bond fund		5	5	—	—	1%
Total bargain VEBA	100%	\$ 420	\$ 339	\$ 81	\$ —	100%
Non-bargain VEBA:						
Cash		\$ 1	\$ 1	\$ —	\$ —	—
Equity securities:	60%					
U.S. large cap		51	51	—	—	38%
International		33	33	—	—	24%
Fixed income securities:	40%					
Core fixed income bond fund (a)		50	—	50	—	38%
Total non-bargain VEBA	100%	\$ 135	\$ 85	\$ 50	\$ —	100%
Life VEBA:						
Equity securities:	70%					
U.S. large cap		\$ —	\$ —	\$ —	\$ —	—%
Fixed income securities:	30%					
Core fixed income bond fund (a)		1	1	—	—	100%
Total life VEBA	100%	\$ 1	\$ 1	\$ —	\$ —	100%
Total	100%	\$ 556	\$ 425	\$ 131	\$ —	100%

(a) Includes cash for margin requirements.

Valuation Techniques Used to Determine Fair Value

Cash—Cash and investments with maturities of three months or less when purchased, including certain short-term fixed-income securities, are considered cash and are included in the recurring fair value measurements hierarchy as Level 1.

Equity securities—For equity securities, the trustees obtain prices from pricing services, whose prices are obtained from direct feeds from market exchanges, that the Company is able to independently corroborate. Certain equity securities are valued based on quoted prices in active markets and categorized as Level 1. Other equities, such as international securities held in the pension plan, are invested in commingled funds and/or limited partnerships. These funds are valued to reflect the plan fund’s interest in the fund based on the reported year-end net asset value. Since net asset value is not directly observable or not available on a nationally recognized securities exchange for the commingled funds, they are categorized as Level 2. For limited partnerships, the assets as a whole are categorized as Level 3 due to the fact that the partnership provides the pricing and the pricing inputs are less readily observable. In addition, the limited partnership vehicle cannot be readily traded.

Fixed-income securities—The majority of U.S. Treasury securities and government bonds have been categorized as Level 1 because they trade in highly-liquid and transparent markets and their prices can be corroborated. The fair values of corporate bonds, mortgage backed securities, and certain government bonds are based on prices that reflect observable market information, such as actual trade information of similar securities. They are categorized as Level 2 because the valuations are calculated using models which utilize actively traded market data that the Company can corroborate. Exchange-traded options and futures, for which market

quotations are readily available, are valued at the last reported sale price or official closing price on the primary market or exchange on which they are traded and are classified as Level 1.

Real estate fund—Real estate fund is categorized as Level 3 as the fund uses significant unobservable inputs for fair value measurement and the vehicle is in the form of a limited partnership.

REITs—REITs are invested in commingled funds. Commingled funds are valued to reflect the plan fund's interest in the fund based on the reported year-end net asset value. Since the net asset value is not directly observable for the commingled funds, they are categorized as Level 2.

Guaranteed annuity contracts—Guaranteed annuity contracts are categorized as Level 3 because the investments are not publicly quoted. Since these market values are determined by the provider, they are not highly observable and have been categorized as Level 3. Exchange-traded future and option positions are reported in accordance with changes in variation margins that are settled daily.

Presented in the table below is a rollforward of the changes in the benefit obligation and plan assets for the two most recent years, for all plans combined:

	Pension Benefits		Other Benefits	
	2021	2020	2021	2020
Change in benefit obligation:				
Benefit obligation as of January 1,	\$ 2,386	\$ 2,161	\$ 382	\$ 374
Service cost	36	31	4	4
Interest cost	64	73	10	12
Plan participants' contributions	—	—	2	2
Plan amendments	—	—	—	5
Actuarial loss (gain)	(46)	233	(26)	13
Settlements (a)	(6)	(3)	—	—
Gross benefits paid	(140)	(109)	(31)	(29)
Federal subsidy	—	—	1	1
Benefit obligation as of December 31,	<u>\$ 2,294</u>	<u>\$ 2,386</u>	<u>\$ 342</u>	<u>\$ 382</u>
Change in plan assets:				
Fair value of plan assets as of January 1,	\$ 1,990	\$ 1,747	\$ 556	\$ 532
Actual return on plan assets	108	314	9	53
Employer contributions	39	41	1	(2)
Plan participants' contributions	—	—	2	2
Settlements (a)	(6)	(3)	—	—
Benefits paid	(140)	(109)	(30)	(29)
Fair value of plan assets as of December 31,	<u>\$ 1,991</u>	<u>\$ 1,990</u>	<u>\$ 538</u>	<u>\$ 556</u>
Funded value as of December 31,	<u>\$ (303)</u>	<u>\$ (396)</u>	<u>\$ 196</u>	<u>\$ 174</u>
Amounts recognized on the balance sheet:				
Noncurrent asset	\$ —	\$ —	\$ 193	\$ 173
Current liability	(2)	(2)	—	—
Noncurrent liability	(285)	(388)	(1)	(1)
(Liabilities) assets related to assets held for sale (b)	(16)	(6)	4	2
Net amount recognized	<u>\$ (303)</u>	<u>\$ (396)</u>	<u>\$ 196</u>	<u>\$ 174</u>

(a) The Company paid \$6 million and \$3 million of lump sum payment distributions from the Company's New York Water Service Corporation Pension Plan for the years ended December 31, 2021 and 2020, respectively.

(b) These balances are related to the sale of the Company's New York subsidiary, which was completed on January 1, 2022, and are included in assets held for sale and liabilities related to assets held for sale on the Consolidated Balance Sheets as of December 31, 2021 and December 31, 2020. See Note 6—Acquisitions and Divestitures for additional information.

Presented in the table below are the components of accumulated other comprehensive income and regulatory assets that have not been recognized as components of periodic benefit costs as of December 31:

	Pension Benefits		Other Benefits	
	2021	2020	2021	2020
Net actuarial loss	\$ 381	\$ 436	\$ 35	\$ 49
Prior service credit	(14)	(16)	(186)	(217)
Net amount recognized	\$ 367	\$ 420	\$ (151)	\$ (168)
Regulatory assets (liabilities)	\$ 317	\$ 366	\$ (151)	\$ (168)
Accumulated other comprehensive income	50	54	—	—
Total	\$ 367	\$ 420	\$ (151)	\$ (168)

Presented in the tables below are the projected benefit obligation, accumulated benefit obligation and fair value of plan assets for pension plans with a projected obligation in excess of plan assets as of December 31, 2021 and 2020:

	Projected Benefit Obligation Exceeds the Fair Value of Plans' Assets	
	2021	2020
Projected benefit obligation	\$ 2,294	\$ 2,386
Fair value of plan assets	1,991	1,990

	Accumulated Benefit Obligation Exceeds the Fair Value of Plans' Assets	
	2021	2020
Accumulated benefit obligation	\$ 2,138	\$ 2,188
Fair value of plan assets	1,991	1,990

The accumulated postretirement plan assets exceed benefit obligations for all of the Company's other postretirement benefit plans, except for the Northern Illinois Retiree Welfare Plan.

In 2006, the PPA replaced the funding requirements for defined benefit pension plans by requiring that defined benefit plans contribute to 100% of the current liability funding target over seven years. Defined benefit plans with a funding status of less than 80% of the current liability are defined as being "at risk" and additional funding requirements and benefit restrictions may apply. The PPA was effective for the 2008 plan year with short-term phase-in provisions for both the funding target and at-risk determination. The Company's qualified defined benefit plan is currently funded above the at-risk threshold, and therefore the Company expects that the plans will not be subject to the "at risk" funding requirements of the PPA. The Company is proactively monitoring the plan's funded status and projected contributions under the law to appropriately manage the potential impact on cash requirements.

Minimum funding requirements for the qualified defined benefit pension plan are determined by government regulations and not by accounting pronouncements. The Company plans to contribute amounts at least equal to or greater than the minimum required contributions or the normal cost in 2022 to the qualified pension plans. Contributions may be in the form of cash contributions as well as available prefunding balances.

Presented in the table below is information about the expected cash flows for the pension and postretirement benefit plans:

	<u>Pension Benefits</u>	<u>Other Benefits</u>
2022 expected employer contributions:		
To plan trusts	\$ 38	\$—
To plan participants	2	—

Presented in the table below are the net benefits expected to be paid from the plan assets or the Company's assets:

	<u>Pension Benefits</u>	<u>Other Benefits</u>	
	<u>Expected Benefit Payments</u>	<u>Expected Benefit Payments</u>	<u>Expected Federal Subsidy Payments</u>
2022	\$ 130	\$ 26	\$ 1
2023	133	25	1
2024	134	25	1
2025	137	25	1
2026	138	25	1
2027-2031	688	113	3

Because the above amounts are net benefits, plan participants' contributions have been excluded from the expected benefits.

Accounting for pensions and other postretirement benefits requires an extensive use of assumptions about the discount rate, expected return on plan assets, the rate of future compensation increases received by the Company's employees, mortality, turnover and medical costs. Each assumption is reviewed annually. The assumptions are selected to represent the average expected experience over time and may differ in any one year from actual experience due to changes in capital markets and the overall economy. These differences will impact the amount of pension and other postretirement benefit expense that the Company recognizes.

Presented in the table below are the significant assumptions related to the pension and other postretirement benefit plans:

	Pension Benefits			Other Benefits		
	2021	2020	2019	2021	2020	2019
Weighted average assumptions used to determine December 31 benefit obligations:						
Discount rate	2.94%	2.74%	3.44%	2.90%	2.56%	3.36%
Rate of compensation increase	3.51%	3.51%	2.97%	N/A	N/A	N/A
Medical trend	N/A	N/A	N/A	graded from 6.00% in 2022 to 5.00% in 2026+	graded from 6.25% in 2021 to 5.00% in 2026+	graded from 6.50% in 2020 to 5.00% in 2026+
Weighted average assumptions used to determine net periodic cost:						
Discount rate	2.74%	3.44%	4.38%	2.56%	3.36%	4.32%
Expected return on plan assets	6.50%	6.50%	6.20%	3.67%	3.68%	3.56%
Rate of compensation increase	3.51%	2.97%	3.00%	N/A	N/A	N/A
Medical trend	N/A	N/A	N/A	graded from 6.25% in 2021 to 5.00% in 2026+	graded from 6.50% in 2020 to 5.00% in 2026+	graded from 6.75% in 2019 to 5.00% in 2026+

NOTE "N/A" in the table above means assumption is not applicable.

The discount rate assumption was determined for the pension and postretirement benefit plans independently. The Company uses an approach that approximates the process of settlement of obligations tailored to the plans' expected cash flows by matching the plans' cash flows to the coupons and expected maturity values of individually selected bonds. Historically, for each plan, the discount rate was developed at the level equivalent rate that would produce the same present value as that using spot rates aligned with the projected benefit payments.

The expected long-term rate of return on plan assets is based on historical and projected rates of return, prior to administrative and investment management fees, for current and planned asset classes in the plans' investment portfolios. Assumed projected rates of return for each of the plans' projected asset classes were selected after analyzing historical experience and future expectations of the returns and volatility of the various asset classes. Based on the target asset allocation for each asset class, the overall expected rate of return for the portfolio was developed, adjusted for historical and expected experience of active portfolio management results compared to the benchmark returns. The Company's pension expense increases as the expected return on assets decreases. The Company used an expected return on plan assets of 6.50% to estimate its 2021 pension benefit costs, and an expected blended return based on weighted assets of 3.67% to estimate its 2021 other postretirement benefit costs.

The Company had previously adopted a mortality table based on the Society of Actuaries RP 2014 mortality table including a generational MP-2018 projection scale. In 2020, the Company adopted the Pri-2012 base mortality table and the new MP-2020 mortality improvement scale to replace the previous assumption. In 2021,

the Company utilized the Pri-2012 base mortality table and the new MP-2021 mortality improvement scale to replace the previous assumption.

Presented in the table below are the components of net periodic benefit costs for the years ended December 31:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Components of net periodic pension benefit cost:			
Service cost	\$ 36	\$ 31	\$ 28
Interest cost	64	73	82
Expected return on plan assets	(126)	(111)	(91)
Amortization of prior service (credit) cost	(3)	(3)	(3)
Amortization of actuarial loss	27	30	32
Settlements (a)	<u>—</u>	<u>1</u>	<u>—</u>
Net periodic pension benefit cost	\$ (2)	\$ 21	\$ 48
Other changes in plan assets and benefit obligations recognized in other comprehensive income:			
Current year actuarial loss (gain)	\$ 1	\$ 12	\$ (8)
Amortization of actuarial loss	<u>(4)</u>	<u>(3)</u>	<u>(4)</u>
Total recognized in other comprehensive income	<u>(3)</u>	<u>9</u>	<u>(12)</u>
Total recognized in net periodic benefit cost and other comprehensive income	<u>\$ (5)</u>	<u>\$ 30</u>	<u>\$ 36</u>
Components of net periodic other postretirement benefit (credit) cost:			
Service cost	\$ 4	\$ 4	\$ 4
Interest cost	10	12	15
Expected return on plan assets	(21)	(19)	(18)
Amortization of prior service credit	(32)	(34)	(35)
Amortization of actuarial loss	<u>—</u>	<u>2</u>	<u>3</u>
Net periodic other postretirement benefit (credit) cost	<u>\$ (39)</u>	<u>\$ (35)</u>	<u>\$ (31)</u>

(a) Due to the amount of lump sum payment distributions from the Company's New York Water Service Corporation Pension Plan, settlement charges of less than \$1 million were recorded for both years ended December 31, 2021 and 2020. In accordance with existing regulatory accounting treatment, the Company has maintained the settlement charges in regulatory assets on the Consolidated Balance Sheets. The amount is being amortized in accordance with existing regulatory practice.

The Company's policy is to recognize curtailments when the total expected future service of plan participants is reduced by greater than 10% due to an event that results in terminations and/or retirements.

Cumulative gains and losses that are in excess of 10% of the greater of either the projected benefit obligation or the fair value of plan assets are amortized over the expected average remaining future service of the current active membership for the plans.

Savings Plans for Employees

The Company maintains 401(k) savings plans that allow employees to save for retirement on a tax-deferred basis. Employees can make contributions that are invested at their direction in one or more funds. The Company makes matching contributions based on a percentage of an employee's contribution, subject to certain limitations. Due to the Company's discontinuing new entrants into the defined benefit pension plan, on January 1, 2006, the Company began providing an additional 5.25% of base pay defined contribution benefit for union employees hired on or after January 1, 2001 and non-union employees hired on or after January 1, 2006. The Company's 401(k) savings plan expenses totaled \$14 million, \$12 million and \$12 million for 2021, 2020 and 2019, respectively. Additionally, the Company's 5.25% of base pay defined contribution benefit expenses totaled

\$16 million, \$15 million and \$13 million for 2021, 2020 and 2019, respectively. All of the Company’s contributions are invested in one or more funds at the direction of the employees.

Note 17: Commitments and Contingencies

Commitments have been made in connection with certain construction programs. The estimated capital expenditures required under legal and binding contractual obligations amounted to \$626 million as of December 31, 2021.

In December 2021, the Company authorized the contribution of \$45 million to the American Water Charitable Foundation, which was subsequently paid in January 2022.

The Company’s regulated subsidiaries maintain agreements with other water purveyors for the purchase of water to supplement their water supply. Presented in the table below are the future annual commitments related to minimum quantities of purchased water having non-cancelable contracts:

	<u>Amount</u>
2022	\$ 71
2023	65
2024	51
2025	49
2026	49
Thereafter	507

The Company enters into agreements for the provision of services to water and wastewater facilities for the U.S. military, municipalities and other customers. See Note 5—Revenue Recognition for additional information regarding the Company’s performance obligations.

Contingencies

The Company is routinely involved in legal actions incident to the normal conduct of its business. As of December 31, 2021, the Company has accrued approximately \$7 million of probable loss contingencies and has estimated that the maximum amount of losses associated with reasonably possible loss contingencies that can be reasonably estimated is \$2 million. For certain matters, claims and actions, the Company is unable to estimate possible losses. The Company believes that damages or settlements, if any, recovered by plaintiffs in such matters, claims or actions, other than as described in this Note 17—Commitments and Contingencies, will not have a material adverse effect on the Company.

West Virginia Elk River Freedom Industries Chemical Spill

On June 8, 2018, the U.S. District Court for the Southern District of West Virginia granted final approval of a settlement class and global class action settlement (the “Settlement”) for all claims and potential claims by all class members (collectively, the “West Virginia Plaintiffs”) arising out of the January 2014 Freedom Industries, Inc. chemical spill in West Virginia. The effective date of the Settlement was July 16, 2018. Under the terms and conditions of the Settlement, the Company’s West Virginia subsidiary (“WVAWC”) and certain other Company affiliated entities did not admit, and will not admit, any fault or liability for any of the allegations made by the West Virginia Plaintiffs in any of the actions that were resolved.

The aggregate pre-tax amount contributed by WVAWC of the \$126 million portion of the Settlement with respect to the Company, net of insurance recoveries, is \$19 million. As of December 31, 2021, \$0.5 million of the aggregate Settlement amount of \$126 million has been reflected in accrued liabilities, and \$0.5 million in offsetting insurance receivables have been reflected in other current assets on the Consolidated Balance Sheets.

The amount reflected in accrued liabilities as of December 31, 2021 reflects reductions in the liability and appropriate reductions to the offsetting insurance receivable reflected in other current assets, associated with payments made to the Settlement fund, the receipt of a determination by the Settlement fund's appeal adjudicator on all remaining medical claims and the calculation of remaining attorneys' fees and claims administration costs. The Company funded WVAWC's contributions to the Settlement through existing sources of liquidity.

Dunbar, West Virginia Water Main Break Class Action Litigation

On the evening of June 23, 2015, a 36-inch pre-stressed concrete transmission water main, installed in the early 1970s, failed. The water main is part of the West Relay pumping station located in the City of Dunbar, West Virginia and owned by WVAWC. The failure of the main caused water outages and low pressure for up to approximately 25,000 WVAWC customers. In the early morning hours of June 25, 2015, crews completed a repair, but that same day, the repair developed a leak. On June 26, 2015, a second repair was completed and service was restored that day to approximately 80% of the impacted customers, and to the remaining approximately 20% by the next morning. The second repair showed signs of leaking, but the water main was usable until June 29, 2015 to allow tanks to refill. The system was reconfigured to maintain service to all but approximately 3,000 customers while a final repair was being completed safely on June 30, 2015. Water service was fully restored by July 1, 2015 to all customers affected by this event.

On June 2, 2017, a complaint captioned *Jeffries, et al. v. West Virginia-American Water Company* was filed in West Virginia Circuit Court in Kanawha County on behalf of an alleged class of residents and business owners who lost water service or pressure as a result of the Dunbar main break. The complaint alleges breach of contract by WVAWC for failure to supply water, violation of West Virginia law regarding the sufficiency of WVAWC's facilities and negligence by WVAWC in the design, maintenance and operation of the water system. The *Jeffries* plaintiffs seek unspecified alleged damages on behalf of the class for lost profits, annoyance and inconvenience, and loss of use, as well as punitive damages for willful, reckless and wanton behavior in not addressing the risk of pipe failure and a large outage.

In February 2020, the *Jeffries* plaintiffs filed a motion seeking class certification on the issues of breach of contract and negligence, and to determine the applicability of punitive damages and a multiplier for those damages if imposed. In July 2020, the Circuit Court entered an order granting the *Jeffries* plaintiffs' motion for certification of a class regarding certain liability issues but denying certification of a class to determine a punitive damages multiplier. In August 2020, WVAWC filed a Petition for Writ of Prohibition in the Supreme Court of Appeals of West Virginia seeking to vacate or remand the Circuit Court's order certifying the issues class. On January 28, 2021, the Supreme Court of Appeals remanded the case back to the Circuit Court for further consideration in light of a decision issued in another case relating to the class certification issues raised on appeal. On July 16, 2021, oral argument was heard by the Circuit Court on the issue of addressing the Supreme Court of Appeals' remand. This matter remains pending.

The Company and WVAWC believe that WVAWC has valid, meritorious defenses to the claims raised in this class action complaint. WVAWC is vigorously defending itself against these allegations. The Company cannot currently determine the likelihood of a loss, if any, or estimate the amount of any loss or a range of such losses related to this proceeding.

Chattanooga, Tennessee Water Main Break Class Action Litigation

On September 12, 2019, the Company's Tennessee subsidiary ("TAWC"), experienced a leak in a 36-inch water transmission main, which caused service fluctuations or interruptions to TAWC customers and the issuance of a boil water notice. TAWC repaired the main by early morning on September 14, 2019, and restored full water service by the afternoon of September 15, 2019, with the boil water notice lifted for all customers on September 16, 2019.

On September 17, 2019, a complaint captioned *Bruce, et al. v. American Water Works Company, Inc., et al.* was filed in the Circuit Court of Hamilton County, Tennessee against TAWC, the Company and American Water Works Service Company, Inc. (“Service Company” and, together with TAWC and the Company, collectively, the “Tennessee-American Water Defendants”), on behalf of a proposed class of individuals or entities who lost water service or suffered monetary losses as a result of the Chattanooga incident (the “Tennessee Plaintiffs”). The complaint alleged breach of contract and negligence against the Tennessee-American Water Defendants, as well as an equitable remedy of piercing the corporate veil. In the complaint as originally filed, the Tennessee Plaintiffs were seeking an award of unspecified alleged damages for wage losses, business and economic losses, out-of-pocket expenses, loss of use and enjoyment of property and annoyance and inconvenience, as well as punitive damages, attorneys’ fees and pre- and post-judgment interest. In September 2020, the court dismissed all of the Tennessee Plaintiffs’ claims in their complaint, except for the breach of contract claims against TAWC, which remain pending. In October 2020, TAWC answered the complaint, and the parties have been engaging in discovery. The court has entered an agreed scheduling order, which sets a hearing in October 2022 to address the question of class certification.

TAWC and the Company believe that TAWC has meritorious defenses to the claims raised in this class action complaint, and TAWC is vigorously defending itself against these allegations. The Company cannot currently determine the likelihood of a loss, if any, or estimate the amount of any loss or a range of such losses related to this proceeding.

Alternative Water Supply in Lieu of Carmel River Diversions

Compliance with Orders to Reduce Carmel River Diversions—Monterey Peninsula Water Supply Project

Under a 2009 order (the “2009 Order”) of the State Water Resources Control Board (the “SWRCB”), the Company’s California subsidiary (“Cal Am”) is required to decrease significantly its yearly diversions of water from the Carmel River according to a set reduction schedule. In 2016, the SWRCB issued an order (the 2016 Order”) approving a deadline of December 31, 2021 for Cal Am’s compliance with these prior orders.

Cal Am is currently involved in developing the Monterey Peninsula Water Supply Project (the “Water Supply Project”), which includes the construction of a desalination plant, to be owned by Cal Am, and the construction of wells that would supply water to the desalination plant. In addition, the Water Supply Project also includes Cal Am’s purchase of water from a groundwater replenishment project (the “GWR Project”) between Monterey One Water and the Monterey Peninsula Water Management District (the “MPWMD”). The Water Supply Project is intended, among other things, to fulfill Cal Am’s obligations under the 2009 Order and the 2016 Order.

Cal Am’s ability to move forward on the Water Supply Project is subject to administrative review by the CPUC and other government agencies, obtaining necessary permits, and intervention from other parties. In September 2016, the CPUC unanimously approved a final decision to authorize Cal Am to enter into a water purchase agreement for the GWR Project and to construct a pipeline and pump station facilities and recover up to \$50 million in associated incurred costs plus AFUDC, subject to meeting certain criteria.

In September 2018, the CPUC unanimously approved another final decision finding that the Water Supply Project meets the CPUC’s requirements for a certificate of public convenience and necessity and an additional procedural phase was not necessary to consider alternative projects. The CPUC’s 2018 decision concludes that the Water Supply Project is the best project to address estimated future water demands in Monterey, and, in addition to the cost recovery approved in its 2016 decision, adopts Cal Am’s cost estimates for the Water Supply Project, which amounted to an aggregate of \$279 million plus AFUDC at a rate representative of Cal Am’s actual financing costs. The 2018 final decision specifies the procedures for recovery of all of Cal Am’s prudently incurred costs associated with the Water Supply Project upon its completion, subject to the frameworks included in the final decision related to cost caps, operation and maintenance costs, financing, ratemaking and contingency matters. The reasonableness of the Water Supply Project costs will be reviewed by the CPUC when Cal Am seeks cost recovery for the Water Supply Project. Cal Am has incurred \$186 million in aggregate costs as of December 31, 2021 related to the Water Supply Project, which includes \$47 million in AFUDC.

In September 2021, Cal Am, Monterey One Water and the MPWMD reached an agreement on Cal Am's purchase of additional water from an expansion to the GWR Project, which is not expected to produce additional water until 2024 at the earliest. The amended and restated water purchase agreement for the GWR Project expansion is subject to review and approval of the CPUC, and on November 29, 2021, Cal Am filed an application with the CPUC seeking review and approval of the amended and restated water purchase agreement. Cal Am is also requesting rate base treatment of the additional capital investment for certain Cal Am facilities required to maximize the water supply from the expansion to the GWR Project and a related Aquifer Storage and Recovery Project, totaling approximately \$81 million. This amount is in addition to, and consistent in regulatory treatment with, the prior \$50 million of cost recovery for facilities associated with the original water purchase agreement, which was approved by the CPUC in its 2016 final decision.

While Cal Am believes that its expenditures to date have been prudent and necessary to comply with the 2009 Order and the 2016 Order, as well as the CPUC's 2016 and 2018 final decisions, Cal Am cannot currently predict its ability to recover all of its costs and expenses associated with the Water Supply Project and there can be no assurance that Cal Am will be able to recover all of such costs and expenses in excess of the \$50 million in construction costs previously approved by the CPUC in its 2016 final decision.

Coastal Development Permit Application

In June 2018, Cal Am submitted a coastal development permit application to the City of Marina (the "City") for those project components of the Water Supply Project located within the City's coastal zone. Members of the City's Planning Commission, as well as City councilpersons, have publicly expressed opposition to the Water Supply Project. In May 2019, the City issued a notice of final local action based upon the denial by the Planning Commission of Cal Am's coastal development permit application. Thereafter, Cal Am appealed this decision to the California Coastal Commission (the "Coastal Commission"), as permitted under the City's code and the California Coastal Act. At the same time, Cal Am submitted an application to the Coastal Commission for a coastal development permit for those project components located within the Coastal Commission's original jurisdiction. In October 2019, staff of the Coastal Commission issued a report recommending a denial of Cal Am's application for a coastal development permit with respect to the Water Supply Project, largely based on a memorandum prepared by the general manager of the MPWMD that contradicted findings made by the CPUC in its final decision approving the Water Supply Project. In November 2019, discussions between staffs of the Coastal Commission and the CPUC took place regarding the Coastal Commission staff recommendation, at which time the CPUC raised questions about the Coastal Commission staff's findings on water supply and demand, groundwater impacts and the viability of a project that the Coastal Commission staff believes may be a possible alternative to the Water Supply Project.

In August 2020, the staff of the Coastal Commission released a report again recommending denial of Cal Am's application for a coastal development permit. Although the report concluded that the Water Supply Project would have a negligible impact on groundwater resources, the report also concluded it would impact other coastal resources, such as environmentally sensitive habitat areas and wetlands, and that the Coastal Commission staff believes that a feasible alternative project exists that would avoid those impacts. The staff's report also noted disproportionate impacts to communities of concern. In September 2020, Cal Am withdrew its original jurisdiction application to allow additional time to address the Coastal Commission staff's environmental justice concerns. The withdrawal of the original jurisdiction application did not impact Cal Am's appeal of the City's denial, which remains pending before the Coastal Commission. Cal Am refiled the original jurisdiction application in November 2020. In December 2020, the Coastal Commission sent to Cal Am a notice of incomplete application, identifying certain additional information needed to consider the application complete. In March 2021, Cal Am provided responses to the Coastal Commission's notice of incomplete application. On June 18, 2021, the Coastal Commission responded, acknowledging the responses and requesting certain additional information before the application could be considered complete. Cal Am responded with the requested additional information on January 11, 2022, and on February 8, 2022, the Coastal Commission requested additional information. The original jurisdiction application remains pending.

Cal Am continues to work constructively with all appropriate agencies to provide necessary information in connection with obtaining required approvals for the Water Supply Project. However, there can be no assurance that the Water Supply Project in its current configuration will be completed on a timely basis, if ever. Beginning in January 2022, Cal Am expects to be able to comply with the diversion reduction requirements contained in the 2016 Order, but continued compliance with the diversion reduction requirements for 2023 and future years will depend on successful development of alternate water supply sources sufficient to meet customer demand. The 2009 Order and the 2016 Order remain in effect until Cal Am certifies to the SWRCB, and the SWRCB concurs, that Cal Am has obtained a permanent supply of water to substitute for past unauthorized Carmel River diversions. While the Company cannot currently predict the likelihood or result of any adverse outcome associated with these matters, further attempts to comply with the 2009 Order and the 2016 Order may result in material additional costs and obligations to Cal Am, including fines and penalties against Cal Am in the event of noncompliance with the 2009 Order and the 2016 Order.

Note 18: Earnings per Common Share

Presented in the table below is a reconciliation of the numerator and denominator for the basic and diluted earnings per share (“EPS”) calculations for the years ended December 31:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Numerator:			
Net income attributable to common shareholders	<u>\$ 1,263</u>	<u>\$ 709</u>	<u>\$ 621</u>
Denominator:			
Weighted average common shares outstanding—Basic	182	181	181
Effect of dilutive common stock equivalents	—	1	—
Weighted average common shares outstanding—Diluted	<u>182</u>	<u>182</u>	<u>181</u>

The effect of dilutive common stock equivalents is related to outstanding stock options, RSUs and PSUs granted under the Company’s 2007 Plan and outstanding RSUs and PSUs granted under the Company’s 2017 Omnibus Plan, as well as estimated shares to be purchased under the ESPP. Less than one million share-based awards were excluded from the computation of diluted EPS for the years ended December 31, 2021, 2020 and 2019, because their effect would have been anti-dilutive under the treasury stock method.

Note 19: Fair Value of Financial Information

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

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

Seller promissory note from the sale of HOS — The carrying amount reported on the Consolidated Balance Sheets for the seller promissory note from the sale of HOS approximates fair value.

Preferred stock with mandatory redemption requirements and long-term debt—The fair values of preferred stock with mandatory redemption requirements and long-term debt are categorized within the fair value hierarchy based on the inputs that are used to value each instrument. The fair value of long-term debt classified as Level 1 is calculated using quoted prices in active markets. Level 2 instruments are valued using observable inputs and Level 3 instruments are valued using observable and unobservable inputs.

Presented in the tables below are the carrying amounts, including fair value adjustments previously recognized in acquisition purchase accounting, and the fair values of the Company's financial instruments:

	As of December 31, 2021				
	Carrying Amount	At Fair Value			Total
		Level 1	Level 2	Level 3	
Preferred stock with mandatory redemption requirements	\$ 4	\$ —	\$ —	\$ 6	\$ 6
Long-term debt (excluding finance lease obligations)	10,396	10,121	60	1,637	11,818
		As of December 31, 2020			
	Carrying Amount	At Fair Value			Total
		Level 1	Level 2	Level 3	
Preferred stock with mandatory redemption requirements	\$ 5	\$ —	\$ —	\$ 7	\$ 7
Long-term debt (excluding finance lease obligations)	9,656	9,639	415	1,753	11,807

Fair Value Measurements

To increase consistency and comparability in fair value measurements, GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels as follows:

Level 1—Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access as of the reporting date. Financial assets and liabilities utilizing Level 1 inputs include active exchange-traded equity securities, exchange-based derivatives, mutual funds and money market funds.

Level 2—Inputs other than quoted prices included within Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data. Financial assets and liabilities utilizing Level 2 inputs include fixed income securities, non-exchange-based derivatives, commingled investment funds not subject to purchase and sale restrictions and fair-value hedges.

Level 3—Unobservable inputs, such as internally-developed pricing models for the asset or liability due to little or no market activity for the asset or liability. Financial assets and liabilities utilizing Level 3 inputs include infrequently-traded non-exchange-based derivatives and commingled investment funds subject to purchase and sale restrictions.

Recurring Fair Value Measurements

Presented in the tables below are assets and liabilities measured and recorded at fair value on a recurring basis and their level within the fair value hierarchy:

	As of December 31, 2021			
	Level 1	Level 2	Level 3	Total
Assets:				
Restricted funds	\$ 21	\$ —	\$ —	\$ 21
Rabbi trust investments	23	—	—	23
Deposits	27	—	—	27
Other investments	17	—	—	17
Contingent cash payment from the sale of HOS	—	—	72	72
Total assets	88	—	72	160
Liabilities:				
Deferred compensation obligations	27	—	—	27
Total liabilities	27	—	—	27
Total assets	\$ 61	\$ —	\$ 72	\$ 133

	As of December 31, 2020			
	Level 1	Level 2	Level 3	Total
Assets:				
Restricted funds	\$ 29	\$ —	\$ —	\$ 29
Rabbi trust investments	19	—	—	19
Deposits	4	—	—	4
Other investments	11	—	—	11
Total assets	63	—	—	63
Liabilities:				
Deferred compensation obligations	24	—	—	24
Total liabilities	24	—	—	24
Total assets	\$ 39	\$ —	\$ —	\$ 39

Restricted funds—The Company’s restricted funds primarily represent proceeds received from financings for the construction and capital improvement of facilities and from customers for future services under operation, maintenance and repair projects.

Rabbi trust investments—The Company’s rabbi trust investments consist of equity and index funds from which supplemental executive retirement plan benefits and deferred compensation obligations can be paid. The Company includes these assets in other long-term assets on the Consolidated Balance Sheets.

Deposits—Deposits include escrow funds and certain other deposits held in trust. The Company includes cash deposits in other current assets on the Consolidated Balance Sheets.

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

Mark-to-market derivative assets and liabilities — The Company employs derivative financial instruments in the form of variable-to-fixed interest rate swaps and treasury lock agreements, classified as economic hedges and cash flow hedges, respectively, in order to fix the interest cost on existing or forecasted debt. The Company may use fixed-to-floating interest rate swaps, typically designated as fair-value hedges, to achieve a targeted level of variable-rate debt as a percentage of total debt. The Company uses a calculation of future cash inflows and estimated future outflows, which are discounted, to determine the current fair value. Additional inputs to the present value calculation include the contract terms, counterparty credit risk, interest rates and market volatility. The Company had no significant mark-to-market derivatives outstanding as of December 31, 2021.

Other investments—Other investments primarily represent money market funds used for active employee benefits. The Company includes other investments in other current assets on the Consolidated Balance Sheets.

Contingent cash payment from the sale of HOS — The Company’s contingent cash payment derivative included as part of the consideration from the sale of HOS is included in other long-term assets on the Consolidated Balance Sheets. The fair value of the contingent cash payment is estimated using the probability of the outcome of receipt of the \$75 million, a Level 3 input.

Note 20: Leases

The Company has operating and finance leases involving real property, including facilities, utility assets, vehicles, and equipment. Certain operating leases have renewal options ranging from one to 60 years. The exercise of lease renewal options is at the Company’s sole discretion. Renewal options that the Company was reasonably certain to exercise are included in the Company’s ROU assets. Certain operating leases contain the option to purchase the leased property. The operating leases for real property, vehicles and equipment will expire over the next 38 years, five years, and five years, respectively.

The Company participates in a number of arrangements with various public entities (“Partners”) in West Virginia. Under these arrangements, the Company transferred a portion of its utility plant to the Partners in exchange for an equal principal amount of Industrial Development Bonds (“IDBs”) issued by the Partners under the Industrial Development and Commercial Development Bond Act. The Company leased back the utility plant under agreements for a period of 30 to 40 years. The Company has recorded these agreements as finance leases in property, plant and equipment, as ownership of the assets will revert back to the Company at the end of the lease term. The carrying value of the finance lease assets was \$146 million and \$147 million as of December 31, 2021 and 2020, respectively. The Company determined that the finance lease obligations and the investments in IDBs meet the conditions for offsetting, and as such, are reported net on the Consolidated Balance Sheets and excluded from the finance lease disclosure presented below.

The Company also enters into O&M agreements with the Partners. The Company pays an annual fee for use of the Partners’ assets in performing under the O&M agreements. The O&M agreements are recorded as operating leases, and future annual use fees of \$4 million in 2022 through 2026, and \$48 million thereafter, are included in operating lease ROU assets and operating lease liabilities on the Consolidated Balance Sheets.

Rental expenses under operating and finance leases were \$13 million, \$14 million and \$16 million for the years ended December 31, 2021, 2020 and 2019, respectively.

For the year ended December 31, 2021, cash paid for amounts in lease liabilities, which includes operating and financing cash flows from operating and finance leases, was \$13 million. For the year ended December 31, 2021, ROU assets obtained in exchange for new operating lease liabilities was \$11 million.

As of December 31, 2021, the weighted-average remaining lease term of the finance lease and operating leases were four years and 18 years, respectively, and the weighted-average discount rate of the finance lease and operating leases were 12% and 4%, respectively.

The future maturities of lease liabilities at December 31, 2021 are \$12 million in 2022, \$9 million in 2023, \$9 million in 2024, \$8 million in 2025, \$7 million in 2026 and \$89 million thereafter. At December 31, 2021 imputed interest was \$45 million.

Note 21: Segment Information

The Company’s operating segments are comprised of the revenue-generating components of its businesses for which separate financial information is internally produced and regularly used by management to make operating decisions, assess performance and allocate resources. The Company operates its businesses primarily through one reportable segment, the Regulated Businesses segment. The Company also operates market-based businesses that, individually, do not meet the criteria of a reportable segment in accordance with GAAP, and are collectively presented as the Market-Based Businesses.

The Regulated Businesses segment is the largest component of the Company’s business and includes subsidiaries that provide water and wastewater services to customers in 14 states.

The Company’s primary Market-Based Businesses include MSG, which enters into long-term contracts with the U.S. government to provide water and wastewater services on various military installations, and the Company’s former HOS business, which was sold in the fourth quarter of 2021, and previously provided various warranty protection programs and other home services to residential customers.

The accounting policies of the segments are the same as those described in Note 2—Significant Accounting Policies. The Regulated Businesses segment and Market-Based Businesses include intercompany costs that are allocated by Service Company and intercompany interest that is charged by AWCC, both of which are eliminated to reconcile to the Consolidated Statements of Operations. Inter-segment revenues include the sale of water from a regulated subsidiary to market-based subsidiaries, leased office space, and furniture and equipment provided by the market-based subsidiaries to regulated subsidiaries. “Other” includes corporate costs that are not allocated to the Company’s operating segments, eliminations of inter-segment transactions, fair value adjustments, and associated income and deductions related to the acquisitions that have not been allocated to the operating segments for evaluation of performance and allocation of resource purposes. The adjustments related to the acquisitions are reported in Other as they are excluded from segment performance measures evaluated by management.

Presented in the tables below is summarized segment information as of and for the years ended December 31:

	2021			
	Regulated Businesses	Market-Based Businesses	Other	Consolidated
Operating revenues	\$ 3,384	\$ 563	\$ (17)	\$ 3,930
Depreciation and amortization	601	22	13	636
Total operating expenses, net	2,227	510	(3)	2,734
Interest expense	(290)	(7)	(106)	(403)
Interest income	1	3	—	4
Gain or (loss) on sale of businesses	(1)	748	—	747
Income before income taxes	962	798	(120)	1,640
Provision for income taxes	172	248	(43)	377
Net income attributable to common shareholders	789	550	(76)	1,263
Total assets	23,365	514	2,196	26,075
Cash paid for capital expenditures	1,747	8	9	1,764

	2020			
	Regulated Businesses	Market-Based Businesses	Other	Consolidated
Operating revenues	\$ 3,255	\$ 540	\$ (18)	\$ 3,777
Depreciation and amortization	562	26	16	604
Total operating expenses, net	2,102	421	6	2,529
Interest expense	(293)	(7)	(97)	(397)
Interest income	2	8	(8)	2
Income before income taxes	932	120	(128)	924
Provision for income taxes	217	29	(31)	215
Net income attributable to common shareholders	715	91	(97)	709
Total assets	22,357	891	1,518	24,766
Cash paid for capital expenditures	1,804	10	8	1,822

	2019			
	Regulated Businesses	Market-Based Businesses	Other	Consolidated
Operating revenues	\$ 3,094	\$ 539	\$ (23)	\$ 3,610
Depreciation and amortization	529	37	16	582
Total operating expenses, net	1,964	436	(4)	2,396
Interest expense	(299)	(8)	(79)	(386)
Interest income	4	13	(13)	4
Income before income taxes	869	66	(102)	833
Provision for income taxes	215	20	(23)	212
Net income attributable to common shareholders	654	46	(79)	621
Total assets	20,318	1,008	1,356	22,682
Cash paid for capital expenditures	1,627	13	14	1,654

Note 22: Unaudited Quarterly Data

Presented in the tables below are supplemental, unaudited, consolidated, quarterly financial data for each of the four quarters in the years ended December 31, 2021 and 2020, respectively. The operating results for any quarter are not indicative of results that may be expected for a full year or any future periods.

	2021			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Operating revenues	\$ 888	\$ 999	\$1,092	\$ 951
Operating income	229	330	417	220
Net income attributable to common shareholders	133	207	278	645
Basic earnings per share: (a)				
Net income attributable to common shareholders	\$0.73	\$1.14	\$ 1.53	\$3.55
Diluted earnings per share:				
Net income attributable to common shareholders	0.73	1.14	1.53	3.55

(a) Amounts may not sum due to rounding.

	2020			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Operating revenues	\$ 844	\$ 931	\$1,079	\$ 923
Operating income	239	313	433	263
Net income attributable to common shareholders	124	176	264	145
Basic earnings per share: (a)				
Net income attributable to common shareholders	\$0.69	\$0.97	\$ 1.46	\$0.80
Diluted earnings per share:				
Net income attributable to common shareholders	0.68	0.97	1.46	0.80

(a) Amounts may not sum due to rounding.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company, under the supervision and with the participation of its management, including the Company's President, Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures as such term is defined in Rule 13a-15(e) and Rule 15d-15(e) under the Exchange Act as of the end of the period covered by this report.

Based on that evaluation, the Company's President, Chief Executive Officer and Chief Financial Officer has concluded that, as of December 31, 2021, the Company's disclosure controls and procedures were effective at a reasonable level of assurance. The Company's disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including the Company's President, Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Management's Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) of the Exchange Act. The Company's internal control over financial reporting is a process designed by or under the supervision of the Company's President, Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. The Company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect its transactions and dispositions of its assets, (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with GAAP, and that the Company's receipts and expenditures are being made only in accordance with authorizations of its management and its directors, and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of its assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's management, including the Company's President, Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of its internal control over financial reporting, as of December 31, 2021, using the criteria described in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based on the Company's evaluation under the framework in *Internal Control—Integrated Framework (2013)*, its management concluded that its internal control over financial reporting was effective as of December 31, 2021.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2021 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report appearing in Item 8—Financial Statements and Supplementary Data of this Annual Report on Form 10-K.

Changes in Internal Control over Financial Reporting

The Company concluded that there have been no changes in internal control over financial reporting that occurred during its last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item and not set forth below or in Item 1—Business—Executive Officers of this Annual Report on Form 10-K, is incorporated by reference from the Company’s Proxy Statement for the 2022 Annual Meeting of Shareholders, to be filed with the SEC within 120 days following the end of the fiscal year covered by this report, under the captions entitled “Board of Directors and Corporate Governance,” “Proposal 1—Election of Directors” and “Certain Beneficial Ownership Matters—Delinquent Section 16(a) Reports.”

The Company has adopted a Code of Ethics, which applies to directors, officers and employees. The full text of the Code of Ethics is publicly available on the Company’s website at <https://amwater.com>. The Company intends to post on its website any amendments to the Code of Ethics and any waivers of such provisions granted to certain principal officers.

ITEM 11. EXECUTIVE COMPENSATION

Information required by this item is incorporated by reference in the Company’s Proxy Statement for the 2022 Annual Meeting of Shareholders, under the captions entitled “Proposal 1—Election of Directors—Director Compensation Table,” “Compensation Discussion and Analysis,” “Executive Compensation,” “Compensation Committee Interlocks and Insider Participation” and “Compensation Committee Report.”

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required by this item setting forth the security ownership of certain beneficial owners and management is incorporated by reference in the Company’s Proxy Statement for the 2022 Annual Meeting of Shareholders, under the captions entitled “Certain Beneficial Ownership Matters—Security Ownership of Management,” “Certain Beneficial Ownership Matters—Security Ownership of Certain Beneficial Owners” and “Equity Compensation Plan Information.”

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information required by this item is incorporated by reference in the Company’s Proxy Statement for the 2022 Annual Meeting of Shareholders, under the caption entitled “Board of Directors and Corporate Governance—Board Review of Related Person Transactions” and “Proposal 1—Election of Directors—Director Independence.”

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information required by this item is incorporated by reference in the Company’s Proxy Statement for the 2022 Annual Meeting of Shareholders, under the caption entitled “Proposal 3—Ratification of Appointment of Independent Registered Public Accounting Firm—Fees Paid to Independent Registered Public Accounting Firm” and “Proposal 3—Ratification of Appointment of Independent Registered Public Accounting Firm—Pre-Approval of Services Provided by Independent Registered Public Accounting Firm.”

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

- (a) The following documents have been filed as a part of this Annual Report on Form 10-K:
1. The financial statements listed in the “Index to Consolidated Financial Statements” contained in Item 8—Financial Statements and Supplementary Data of this Form 10-K are hereby incorporated by reference in response to this Item 15(a).
 2. Financial statement schedules have been omitted since they are either not required or are not applicable as the information is otherwise included in the financial statements or notes thereto.
 3. Exhibits. The list of documents contained in “Exhibit Index” below is provided in response to this Item 15(a). The warranties, representations and covenants contained in any of the agreements included or incorporated by reference herein or which appear as exhibits hereto should not be relied upon by buyers, sellers or holders of the Company’s or its subsidiaries’ securities and are not intended as warranties, representations or covenants to any individual or entity except as specifically set forth in such agreement.

The responses to Items 15(b) and (c) of Form 10-K are included above in response to Item 15(a).

ITEM 16. FORM 10-K SUMMARY

None.

EXHIBIT INDEX

Exhibit Number	Exhibit Description
2.1.1#	Stock Purchase Agreement, dated November 20, 2019, by and among American Water Works Company, Inc., New York American Water Company, Inc. and Liberty Utilities Co. (incorporated by reference to Exhibit 2.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed November 20, 2019).
2.1.2	Letter Agreement, dated June 29, 2021, by and among American Water Works Company, Inc., Liberty Utilities (Eastern Water Holdings) Corp. and New York American Water Company, Inc., with respect to the Stock Purchase Agreement, dated November 20, 2019, by and among American Water Works Company, Inc., New York American Water Company, Inc. and Liberty Utilities Co. (incorporated by reference to Exhibit 2.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed June 29, 2021).
2.2#	Membership Interest Purchase Agreement, dated as of October 28, 2021, by and among American Water Enterprises, LLC, American (USA), LLC, American Water Resources, LLC, Pivotal Home Solutions, LLC, American Water Resources Holdings, LLC, American Water Works Company, Inc. and Lakehouse Buyer Inc. (incorporated by reference to Exhibit 2.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed October 29, 2021).
3.1	Restated Certificate of Incorporation of American Water Works Company, Inc. (incorporated by reference to Exhibit 3.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed November 6, 2008).
3.2	Amended and Restated Bylaws of American Water Works Company, Inc. (incorporated by reference to Exhibit 3.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed December 10, 2020).
4.1	Indenture, dated as of October 22, 2007, between American Water Capital Corp. and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.4 to American Water Capital Corp.'s Registration Statement on Form S-4, File No. 333-148284, and American Water Works Company, Inc.'s Registration Statement on Form S-4, File No. 333-148284-01, filed December 21, 2007).
4.2	Indenture, dated as of December 4, 2009, between American Water Capital Corp. and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed December 3, 2010).
4.3	Officers' Certificate, dated December 17, 2012, establishing the 4.300% Senior Notes due 2042 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed December 17, 2012).
4.4	Officers' Certificate, dated November 20, 2013, establishing the 3.850% Senior Notes due 2024 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed November 20, 2013).
4.5	Officers' Certificate, dated August 14, 2014, establishing the 3.400% Senior Notes due 2025 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 14, 2014).
4.6	Officers' Certificate, dated August 14, 2014, providing for a further issuance of the 4.300% Senior Notes due 2042 (incorporated by reference to Exhibit 4.3 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 14, 2014).
4.7	Officers' Certificate, dated August 13, 2015, establishing the 4.300% Senior Notes due 2045 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 13, 2015).

Exhibit Number	Exhibit Description
4.8	Officers' Certificate, dated August 13, 2015, providing for a further issuance of the 3.400% Senior Notes due 2025 (incorporated by reference to Exhibit 4.3 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 13, 2015).
4.9	Officers' Certificate, dated November 17, 2016, establishing the 3.000% Senior Notes due 2026 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed November 17, 2016).
4.10	Officers' Certificate, dated November 17, 2016, establishing the 4.000% Senior Notes due 2046 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed November 17, 2016).
4.11	Officers' Certificate, dated August 10, 2017, establishing the 2.950% Senior Notes due 2027 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 10, 2017).
4.12	Officers' Certificate, dated August 10, 2017, establishing the 3.750% Senior Notes due 2047 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 10, 2017).
4.13	Officer's Certificate, dated August 9, 2018, establishing the 3.750% Senior Notes due 2028 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 9, 2018).
4.14	Officer's Certificate, dated August 9, 2018, establishing the 4.200% Senior Notes due 2048 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 9, 2018).
4.15	Officers' Certificate, dated May 13, 2019, establishing the 3.450% Senior Notes due 2029 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed on May 13, 2019).
4.16	Officers' Certificate, dated May 13, 2019, establishing 4.150% Senior Notes due 2049 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed on May 13, 2019).
4.17	Officers' Certificate of American Water Capital Corp., dated April 14, 2020, establishing the terms and authorizing the issuance of the 2.800% Senior Notes due 2030 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed April 14, 2020).
4.18	Officers' Certificate of American Water Capital Corp., dated April 14, 2020, establishing the terms and authorizing the issuance of the 3.450% Senior Notes due 2050 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed April 14, 2020).
4.19	Officers' Certificate of American Water Capital Corp., dated May 14, 2021, establishing the terms and authorizing the issuance of the 2.300% Senior Notes due 2031 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed on May 14, 2021).
4.20	Officers' Certificate of American Water Capital Corp., dated May 14, 2021, establishing the terms and authorizing the issuance of the 3.250% Senior Notes due 2051 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed on May 14, 2021).
4.21	Description of American Water Works Company, Inc.'s Equity Securities (filed herewith).

Exhibit Number	Exhibit Description
4.22	Note Purchase Agreement, dated May 15, 2008, between American Water Capital Corp. and the purchasers party thereto (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed May 19, 2008) with respect to the 6.55% Series H Senior Notes due May 15, 2023.
10.1.1	Second Amended and Restated Credit Agreement, dated as of March 21, 2018, by and among American Water Works Company, Inc., American Water Capital Corp., each of the Lenders party thereto, Wells Fargo Bank, National Association, as administrative agent, JPMorgan Chase Bank, N.A., as syndication agent, and Mizuho Bank, Ltd., PNC Bank, National Association, and U.S. Bank National Association, as co-documentation agents (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed on March 21, 2018).
10.1.2	Extension Agreement, dated as of April 9, 2019, among American Water Works Company, Inc., American Water Capital Corp., each of the Lenders party thereto, and Wells Fargo Bank, National Association, as administrative agent (incorporated by reference to Exhibit 10.17.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 1, 2019).
10.1.3	Extension Agreement, dated as of April 1, 2020, among American Water Works Company, Inc., American Water Capital Corp., each of the Lenders party thereto, and Wells Fargo Bank, National Association, as administrative agent (incorporated by reference to Exhibit 10.1.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed on May 6, 2020).
10.2	Support Agreement, dated June 22, 2000, together with First Amendment to Support Agreement, dated July 26, 2000, by and between American Water Works Company, Inc. and American Water Capital Corp. (incorporated by reference to Exhibit 10.3 to American Water Capital Corp.'s Registration Statement on Form S-1, File No. 333-145757-01, and American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-145757, filed October 11, 2007).
10.3*	Offer Letter for Employment, dated as of February 2, 2022, between American Water Works Company, Inc. and M. Susan Hardwick (filed herewith).
10.4*	Offer Letter for Employment, dated August 5, 2020, between American Water Works Company, Inc. and Adam Noble (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed November 4, 2020).
10.5*	Offer Letter for Employment, dated February 16, 2021, between American Water Works Company, Inc. and Cheryl Norton (incorporated by reference to Exhibit 10.13 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2021).
10.6*	Amended and Restated American Water Works Company, Inc. Deferred Compensation Plan, dated as of January 1, 2001 (incorporated by reference to Exhibit 10.9 to American Water Capital Corp.'s Registration Statement on Form S-1, File No. 333-145757-01, and American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-145757, filed October 11, 2007).
10.7*	Separation Agreement and General Release, dated as of February 2, 2022, between American Water Works Service Company, Inc. and Walter J. Lynch (filed herewith).
10.8*	Nonqualified Deferred Compensation Plan for Non-Employee Directors of American Water Works Company, Inc., as amended and restated, effective as of January 1, 2009 (incorporated by reference to Exhibit 10.38 to American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-155245, filed November 18, 2008).

Exhibit Number	Exhibit Description
10.9.1*	Nonqualified Savings and Deferred Compensation Plan for Employees of American Water Works Company, Inc. and Its Designated Subsidiaries, as amended and restated, effective as of June 1, 2018 (incorporated by reference to Exhibit 10.9.3 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 19, 2019).
10.9.2*	Amendment No. 2019-1 to the Nonqualified Savings and Deferred Compensation Plan for Employees of American Water Works Company, Inc. and its Designated Subsidiaries, as amended and restated, effective as of November 1, 2019 (incorporated by reference to Exhibit 4.1.2 to American Water Works Company, Inc.'s Registration Statement on Form S-8, File No. 333-235598, filed December 19, 2019).
10.10*	Amended and Restated American Water Works Company, Inc. Executive Retirement Plan, dated as of March 1, 2007 (incorporated by reference to Exhibit 10.8 to American Water Capital Corp.'s Registration Statement on Form S-1, File No. 333-145757-01, and American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-145757, filed October 11, 2007).
10.11.1*	American Water Works Company, Inc. Annual Incentive Plan (incorporated by reference to Appendix C to American Water Works Company, Inc.'s Definitive Proxy Statement, File No. 001-34028, filed March 27, 2015).
10.11.2*	Amendment 2016-1 to American Water Works Company, Inc. Annual Incentive Plan (now known as the Annual Performance Plan), effective January 1, 2016 (incorporated by reference to Exhibit 10.14.2 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 25, 2016).
10.12*	Second Amended and Restated American Water Works Company, Inc. and its Designated Subsidiaries 2017 Nonqualified Employee Stock Purchase Plan, adopted on July 27, 2018, effective as of February 5, 2019 (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed October 31, 2018).
10.13.1*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan, as amended (incorporated by reference to Appendix B to American Water Works Company, Inc.'s Definitive Proxy Statement, File No. 001-34028, filed March 27, 2015).
10.13.2*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2016 Nonqualified Stock Option Grant (incorporated by reference to Exhibit 10.1.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 4, 2016).
10.13.3*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2016 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.2.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 4, 2016).
10.13.4*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2017 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.1.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2017).
10.13.5*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2016 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.3.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 4, 2016).
10.13.6*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2016 Performance Stock Unit Grant Form B-1 (incorporated by reference to Exhibit 10.3.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 4, 2016).

Exhibit Number	Exhibit Description
10.13.7*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2017 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.2.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2017).
10.13.8*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2017 Performance Stock Unit Grant Form B-1 (incorporated by reference to Exhibit 10.2.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2017).
10.13.9*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2013 Stock Unit Grant Form for Non-Employee Directors (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 7, 2013).
10.13.10*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2014 Stock Unit Grant Form for Non-Employee Directors (incorporated by reference to Exhibit 10.5 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 6, 2014).
10.13.11*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2016 Stock Unit Grant Form for Non-Employee Directors (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 3, 2016).
10.14.1*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 2, 2017).
10.14.2*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2018 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 2, 2018).
10.14.3*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2019 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 1, 2019).
10.14.4*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Restricted Stock Unit Grant.(incorporated by reference to Exhibit 10.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 6, 2020).
10.14.5*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Restricted Stock Unit Grant (for Chief Executive Officer and Chief Operating Officer) (incorporated by reference to Exhibit 10.4 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 6, 2020).
10.14.6*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Restricted Stock Unit Grant dated February 11, 2020 (for M. Susan Hardwick) (incorporated by reference to Exhibit 10.5 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 6, 2020).
10.14.7*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Restricted Stock Unit Grant dated August 31, 2020 (for Adam Noble) (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed November 4, 2020).

Exhibit Number	Exhibit Description
10.14.8*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2021).
10.14.9*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Restricted Stock Unit Grant (for Chief Executive Officer and Chief Operating Officer) (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2021).
10.14.10*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Restricted Stock Unit Grant (for M. Susan Hardwick) (incorporated by reference to Exhibit 10.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2021).
10.14.11*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2017 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.5 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed May 12, 2017).
10.14.12*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2017 Performance Stock Unit Grant Form B-1 (incorporated by reference to Exhibit 10.7 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed May 12, 2017).
10.14.13*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2018 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.7 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 2, 2018).
10.14.14*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2018 Performance Stock Unit Grant Form B-1 (incorporated by reference to Exhibit 10.8 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 2, 2018).
10.14.15*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2019 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.6 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 1, 2019).
10.14.16*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2019 Performance Stock Unit Grant Form B-1 (corrected) (incorporated by reference to Exhibit 10.14.33 to American Water Works Company, Inc.'s Quarterly Report on Form 10-K, File No. 001-34028, filed February 18, 2020).
10.14.17*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.8 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 6, 2020).
10.14.18*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Performance Stock Unit Grant Form A-2 (incorporated by reference to Exhibit 10.9 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 6, 2020).

Exhibit Number	Exhibit Description
10.14.19*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Performance Stock Unit Grant Form A-3 (for M. Susan Hardwick) (incorporated by reference to Exhibit 10.10 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 6, 2020).
10.14.20*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Performance Stock Unit Grant Form B-1 (incorporated by reference to Exhibit 10.13 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 6, 2020).
10.14.21*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Performance Stock Unit Grant Form B-2 (incorporated by reference to Exhibit 10.14 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 6, 2020).
10.14.22*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Performance Stock Unit Grant Form B-3 (for M. Susan Hardwick) (incorporated by reference to Exhibit 10.15 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 6, 2020).
10.14.23*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.5 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2021).
10.14.24*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Performance Stock Unit Grant Form A-2 (for Chief Executive Officer and Chief Operating Officer) (incorporated by reference to Exhibit 10.6 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2021).
10.14.25*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Performance Stock Unit Grant Form A-3 (for M. Susan Hardwick) (incorporated by reference to Exhibit 10.7 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2021).
10.14.26*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Performance Stock Unit Grant Form B-1 (incorporated by reference to Exhibit 10.9 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2021).
10.14.27*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Performance Stock Unit Grant Form B-2 (for Chief Executive Officer and Chief Operating Officer) (incorporated by reference to Exhibit 10.10 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2021).
10.14.28*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Performance Stock Unit Grant Form B-3 (for M. Susan Hardwick) (incorporated by reference to Exhibit 10.11 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2021).
10.14.29*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2017 Non-Employee Director Stock Unit Grant (incorporated by reference to Exhibit 10.9 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed May 12, 2017).

Exhibit Number	Exhibit Description
10.14.30*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2018 Non-Employee Director Stock Unit Grant (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 1, 2018).
10.14.31*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Non-Employee Director Stock Unit Grant (incorporated by reference to Exhibit 10.7 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 5, 2020).
10.14.32*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Stock Unit Grant Form for Non-Employee Directors (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 2, 2021).
10.15*	American Water Works Company, Inc. Executive Severance Policy, as amended and restated as of July 27, 2021 (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 2, 2021).
10.16*	American Water Works Company, Inc. Change of Control Severance Policy, dated as of July 27, 2021 (incorporated by reference to Exhibit 10.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 2, 2021).
10.17.1*	American Water Works Company, Inc. Pension Plan for Employees (as amended and restated effective January 1, 2016), dated January 24, 2017 (incorporated by reference to Exhibit 10.16.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-K, File No. 001-34028, filed February 18, 2020).
10.17.2*	American Water Works Company, Inc. Amendment Two to the Pension Plan for Employees (as amended and restated effective January 1, 2016), dated December 19, 2018 (incorporated by reference to Exhibit 10.16.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-K, File No. 001-34028, filed February 18, 2020).
10.17.3*	American Water Works Company, Inc. Amendment Three to the Pension Plan for Employees (as amended and restated effective January 1, 2016), dated August 2, 2021 (filed herewith).
10.17.4*	American Water Works Company, Inc. Amendment 2021-1 to the Pension Plan for Employees (as amended and restated effective January 1, 2016), dated January 20, 2022 (filed herewith).
10.18#	Secured Seller Note Agreement, dated December 9, 2021, by and among Lakehouse Bidco Inc., Lakehouse Buyer Inc., American Water Resources, LLC, Pivotal Home Solutions, LLC, American Water Resources Holdings, LLC, American Water Resources of Texas, LLC and American Water Enterprises, LLC (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed December 9, 2021).
10.19	Revenue Share Agreement, dated December 9, 2021, by and among American Water Works Company, Inc., American Water Resources, LLC, Pivotal Home Solutions, LLC and American Water Resources Holdings, LLC (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed December 9, 2021).
21.1	Subsidiaries of American Water Works Company, Inc. (filed herewith).
22.1	Guaranteed Securities (filed herewith).
23.1	Consent of PricewaterhouseCoopers LLP (filed herewith).
31.1	Certification of M. Susan Hardwick, President, Chief Executive Officer and Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act (filed herewith).

Exhibit Number	Exhibit Description
32.1	Certification of M. Susan Hardwick, President, Chief Executive Officer and Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act (furnished herewith).
101.INS	XBRL Instance Document—the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101)

Certain schedules and exhibits to this agreement have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The Company will furnish the omitted schedules and exhibits to the SEC upon request.

* Denotes a management contract or compensatory plan or arrangement.

Instruments defining the rights of holders of certain issues of long-term debt of the Company and certain of its consolidated subsidiaries have not been filed as exhibits to this report because the authorized principal amount of any one of such issues does not exceed 10% of the Company's consolidated total assets. The Company agrees to furnish a copy of each such instrument to the SEC upon request.

The Stock Purchase Agreement filed as Exhibit 2.1.1, the Membership Interest Purchase Agreement filed as Exhibit 2.2, and the Secured Seller Note Agreement filed as Exhibit 10.18 to this Annual Report on Form 10-K have been included to provide investors and security holders with information regarding the terms of the respective agreements. The filing of these agreements is not intended to provide any other factual information about the parties thereto, or any of their respective subsidiaries or affiliates. The representations, warranties and covenants contained in the respective agreements (i) were made by the parties thereto only for purposes of that respective agreement and as of specific dates; (ii) were made solely for the benefit of the parties to the respective agreement; (iii) may be subject to limitations agreed upon by the contracting parties, including being qualified by confidential disclosures exchanged between the parties in connection with the execution of the respective agreement (such disclosures include information that has been included in public disclosures, as well as additional non-public information); (iv) may have been made for the purposes of allocating contractual risk between the parties to the respective agreements instead of establishing these matters as facts; and (v) may be subject to standards of materiality applicable to the contracting parties to the respective agreements that differ from those applicable to investors.

Investors should not rely on the representations, warranties and covenants or any descriptions thereof as characterizations of the actual state of facts or condition of the parties to the respective agreements thereto, or any of their respective subsidiaries or affiliates. Additionally, the representations, warranties, covenants, conditions and other terms of the respective agreements may be subject to subsequent waiver or modification. Moreover, information concerning the subject matter of the representations, warranties and covenants may change after the date of the respective agreement, which subsequent information may or may not be fully reflected in the Company's public disclosures. The respective agreements should not be read alone, but should instead be read in conjunction with the other information regarding the Company that is or will be contained in, or incorporated by reference into, the reports and other documents that are filed by the Company with the SEC.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 16th day of February, 2022.

AMERICAN WATER WORKS COMPANY, INC.

BY: /s/ M. SUSAN HARDWICK

M. Susan Hardwick
President, Chief Executive Officer and
Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed on the 16th day of February, 2022, by the following persons in the capacities indicated.

 /s/ M. SUSAN HARDWICK

M. Susan Hardwick
President, Chief Executive Officer and
Chief Financial Officer
(Principal Executive Officer, Principal Financial
Officer and Director)

 /s/ JEFFREY N. EDWARDS

Jeffrey N. Edwards
(Director)

 /s/ MELISSA K. WIKLE

Melissa K. Wikle
Chief Accounting Officer
(Principal Accounting Officer)

 /s/ MARTHA CLARK GOSS

Martha Clark Goss
(Director)

 /s/ VERONICA M. HAGEN

Veronica M. Hagen
(Director)

 /s/ KIMBERLY J. HARRIS

Kimberly J. Harris
(Director)

 /s/ JULIA L. JOHNSON

Julia L. Johnson
(Director)

 /s/ PATRICIA L. KAMPLING

Patricia L. Kampling
(Director)

 /s/ KARL F. KURZ

Karl F. Kurz
(Chairman of the Board)

 /s/ GEORGE MACKENZIE

George MacKenzie
(Director)

 /s/ JAMES G. STAVRIDIS

James G. Stavridis
(Director)

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (Nos. 333-253484 and 333-229994) and Form S-8 (Nos. 333-235598, 333-219682, 333-217975, 333-168543 and 333-150381) of American Water Works Company, Inc. of our report dated February 16, 2022 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
February 16, 2022

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE AND PRINCIPAL FINANCIAL OFFICER

I, M. Susan Hardwick certify that:

1. I have reviewed this annual report on Form 10-K of American Water Works Company, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. I am the registrant's sole certifying officer, and I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. As the registrant's sole certifying officer, I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 16, 2022

By: /s/ M. SUSAN HARDWICK

M. Susan Hardwick
President, Chief Executive Officer and
Chief Financial Officer
(Principal Executive Officer and Principal
Financial Officer)

Exhibit 32.1

AMERICAN WATER WORKS COMPANY, INC.

CERTIFICATION PURSUANT TO
RULE 13a-14(b) UNDER THE SECURITIES EXCHANGE ACT OF 1934 AND
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, M. Susan Hardwick, President, Chief Executive Officer and Chief Financial Officer of American Water Works Company, Inc. (the “Company”), hereby certify that, based on my knowledge:

(1) The Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2021 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

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

By: /s/ M. SUSAN HARDWICK

M. Susan Hardwick
President, Chief Executive Officer and
Chief Financial Officer
(Principal Executive Officer and Principal
Financial Officer)
February 16, 2022

amwater.com
1 Water Street
Camden, NJ 08102-1658



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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2022

OR

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

For the transition period from _____ to _____

Commission file number: 001-34028

AMERICAN WATER WORKS COMPANY, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

51-0063696

(I.R.S. Employer Identification No.)

1 Water Street, Camden, NJ 08102-1658
(Address of principal executive offices) (Zip Code)
(856) 955-4001

(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of each exchange on which registered</u>
Common stock, par value \$0.01 per share	AWK	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large accelerated filer	<input checked="" type="checkbox"/>			Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>			Smaller reporting company	<input type="checkbox"/>
				Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter.

Common Stock, \$0.01 par value—\$25,487,300,000 as of June 30, 2022 (solely for purposes of calculating this aggregate market value, American Water has defined its affiliates to include (i) those persons who were, as of June 30, 2022, its executive officers, directors or known beneficial owners of more than 10% of its common stock, and (ii) such other persons who were deemed, as of June 30, 2022, to be controlled by, or under common control with, American Water or any such persons in clause (i) above).

Indicate the number of shares outstanding of each of the registrant's classes of common stock as of the latest practicable date: Common Stock, \$0.01 par value per share—181,858,619 shares as of January 31, 2023.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the American Water Works Company, Inc. definitive proxy statement for the 2023 Annual Meeting of Shareholders to be filed with the Securities and Exchange Commission within 120 days after December 31, 2022 are incorporated by reference into Part III of this report.

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FORWARD-LOOKING STATEMENTS

Statements included in Item 1—Business, Item 1A—Risk Factors, and Item 7—Management’s Discussion and Analysis of Financial Condition and Results of Operations, and in other sections of this Annual Report on Form 10-K, or incorporated by reference therein, are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and the Private Securities Litigation Reform Act of 1995. In some cases, these forward-looking statements can be identified by words with prospective meanings such as “intend,” “plan,” “estimate,” “believe,” “anticipate,” “expect,” “predict,” “project,” “propose,” “assume,” “forecast,” “likely,” “uncertain,” “outlook,” “future,” “pending,” “goal,” “objective,” “potential,” “continue,” “seek to,” “may,” “can,” “should,” “will” and “could” or the negative of such terms or other variations or similar expressions. Forward-looking statements may relate to, among other things: the Company’s future financial performance, liquidity and cash flows; the timing and amount of rate and revenue adjustments, including through general rate case filings, filings for infrastructure surcharges and other governmental agency authorizations and proceedings, and filings to address regulatory lag; the Company’s growth and portfolio optimization strategies, including the timing and outcome of pending or future acquisition activity; the ability of the Company’s California subsidiary to obtain adequate alternative water supplies in lieu of diversions from the Carmel River; the amount and allocation of projected capital expenditures and related funding requirements; the Company’s ability to repay or refinance debt; the future impacts of increased or increasing financing costs, inflation and interest rates; the Company’s ability to execute its current and long-term business, operational and capital expenditures strategies; the Company’s ability to finance current operations, capital expenditures and growth initiatives by accessing the debt and equity capital markets; the outcome and impact on the Company of governmental and regulatory proceedings and related potential fines, penalties and other sanctions; the ability to meet or exceed the Company’s stated environmental and sustainability goals, including its greenhouse gas (“GHG”) emission reduction, water delivery efficiency and water system resiliency goals; the ability to complete, and the timing and efficacy of, the design, development, implementation and improvement of technology and other strategic initiatives; the impacts to the Company of the ongoing COVID-19 pandemic; the ability to capitalize on existing or future utility privatization opportunities; trends in the water and wastewater industries in which the Company operates, including macro trends with respect to the Company’s efforts related to customer, technology and work execution; regulatory, legislative, tax policy or legal developments; and impacts that future significant tax legislation may have on the Company and on its business, results of operations, cash flows and liquidity.

Forward-looking statements are predictions based on the Company’s current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, financial results, levels of activity, performance or achievements, and readers are cautioned not to place undue reliance upon them. These forward-looking statements are subject to a number of estimates, assumptions, known and unknown risks, uncertainties and other factors. The Company’s actual results may vary materially from those discussed in the forward-looking statements included herein as a result of the factors discussed under Item 1A—Risk Factors, and the following important factors:

- the decisions of governmental and regulatory bodies, including decisions to raise or lower customer rates;
- the timeliness and outcome of regulatory commissions’ and other authorities’ actions concerning rates, capital structure, authorized return on equity, capital investment, system acquisitions and dispositions, taxes, permitting, water supply and management, and other decisions;
- changes in customer demand for, and patterns of use of, water and energy, such as may result from conservation efforts, or otherwise;
- limitations on the availability of the Company’s water supplies or sources of water, or restrictions on its use thereof, resulting from allocation rights, governmental or regulatory requirements and restrictions, drought, overuse or other factors;
- a loss of one or more large industrial or commercial customers due to adverse economic conditions, or other factors;
- changes in laws, governmental regulations and policies, including with respect to environmental, health and safety, data and consumer privacy, security and protection, water quality and water quality accountability, contaminants of emerging concern, public utility and tax regulations and policies, and impacts resulting from U.S., state and local elections and changes in federal, state and local executive administrations;
- the Company’s ability to collect, distribute, use, secure and store consumer data in compliance with current or future governmental laws, regulations and policies with respect to data and consumer privacy, security and protection;
- weather conditions and events, climate variability patterns, and natural disasters, including drought or abnormally high rainfall, prolonged and abnormal ice or freezing conditions, strong winds, coastal and intercoastal flooding, pandemics (including COVID-19) and epidemics, earthquakes, landslides, hurricanes, tornadoes, wildfires, electrical storms, sinkholes and solar flares;
- the outcome of litigation and similar governmental and regulatory proceedings, investigations or actions;

- the risks associated with the Company’s aging infrastructure, and its ability to appropriately improve the resiliency of or maintain and replace, current or future infrastructure and systems, including its technology and other assets, and manage the expansion of its businesses;
- exposure or infiltration of the Company’s technology and critical infrastructure systems, including the disclosure of sensitive, personal or confidential information contained therein, through physical or cyber attacks or other means;
- the Company’s ability to obtain permits and other approvals for projects and construction of various water and wastewater facilities;
- changes in the Company’s capital requirements;
- the Company’s ability to control operating expenses and to achieve operating efficiencies;
- the intentional or unintentional actions of a third party, including contamination of the Company’s water supplies or the water provided to its customers;
- the Company’s ability to obtain and have delivered adequate and cost-effective supplies of pipe, equipment (including personal protective equipment), chemicals, power and other fuel, water and other raw materials, and to address or mitigate supply chain constraints that may result in delays or shortages in, as well as increased costs of, supplies, products and materials that are critical to or used in the Company’s business operations;
- the Company’s ability to successfully meet its operational growth projections, either individually or in the aggregate, and capitalize on growth opportunities, including, among other things, with respect to:
 - acquiring, closing and successfully integrating regulated operations;
 - the Company’s Military Services Group (“MSG”) entering into new military installation contracts, price redeterminations, and other agreements and contracts, with the U.S. government; and
 - realizing anticipated benefits and synergies from new acquisitions;
- risks and uncertainties following the completion of the sale of the Company’s Homeowner Services Group (“HOS”), including:
 - the Company’s ability to receive any contingent consideration provided for in the HOS sale, as well as amounts due, payable and owing to the Company under the seller note when due; and
 - the ability of the Company to redeploy successfully and timely the net proceeds of this transaction into the Company’s Regulated Businesses;
- risks and uncertainties associated with contracting with the U.S. government, including ongoing compliance with applicable government procurement and security regulations;
- cost overruns relating to improvements in or the expansion of the Company’s operations;
- the Company’s ability to successfully develop and implement new technologies and to protect related intellectual property;
- the Company’s ability to maintain safe work sites;
- the Company’s exposure to liabilities related to environmental laws and similar matters resulting from, among other things, water and wastewater service provided to customers;
- the ability of energy providers, state governments and other third parties to achieve or fulfill their GHG emission reduction goals, including without limitation through stated renewable portfolio standards and carbon transition plans;
- changes in general economic, political, business and financial market conditions;
- access to sufficient debt and/or equity capital on satisfactory terms and as needed to support operations and capital expenditures;
- fluctuations in inflation or interest rates, and the Company’s ability to address or mitigate the impacts thereof;
- the ability to comply with affirmative or negative covenants in the current or future indebtedness of the Company or any of its subsidiaries, or the issuance of new or modified credit ratings or outlooks by credit rating agencies with respect to the Company or any of its subsidiaries (or any current or future indebtedness thereof), which could increase financing costs or funding requirements and affect the Company’s or its subsidiaries’ ability to issue, repay or redeem debt, pay dividends or make distributions;
- fluctuations in the value of, or assumptions and estimates related to, its benefit plan assets and liabilities, including with respect to its pension and other post-retirement benefit plans, that could increase expenses and plan funding

requirements;

- changes in federal or state general, income and other tax laws, including (i) future significant tax legislation, and (ii) the availability of, or the Company's compliance with, the terms of applicable tax credits and tax abatement programs;
- migration of customers into or out of the Company's service territories and changes in water and energy consumption resulting therefrom;
- the use by municipalities of the power of eminent domain or other authority to condemn the systems of one or more of the Company's utility subsidiaries, or the assertion by private landowners of similar rights against such utility subsidiaries;
- any difficulty or inability to obtain insurance for the Company, its inability to obtain insurance at acceptable rates and on acceptable terms and conditions, or its inability to obtain reimbursement under existing or future insurance programs and coverages for any losses sustained;
- the incurrence of impairment charges, changes in fair value and other adjustments related to the Company's goodwill or the value of its other assets;
- labor actions, including work stoppages and strikes;
- the Company's ability to retain and attract highly qualified and skilled employees and/or diverse talent;
- civil disturbances or unrest, or terrorist threats or acts, or public apprehension about future disturbances, unrest, or terrorist threats or acts; and
- the impact of new, and changes to existing, accounting standards.

These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above and the risk factors included in Item 1A—Risk Factors and other statements contained in this Annual Report on Form 10-K, and readers should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements the Company makes shall speak only as of the date this Annual Report on Form 10-K was filed with the U.S. Securities and Exchange Commission ("SEC"). Except as required by the federal securities laws, the Company does not have any obligation, and it specifically disclaims any undertaking or intention, to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or otherwise. New factors emerge from time to time, and it is not possible for the Company to predict all such factors. Furthermore, it may not be possible to assess the impact of any such factor on the Company's businesses, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.

PART I

ITEM 1. BUSINESS

The Company

With a history dating back to 1886, American Water is the largest and most geographically diverse, publicly-traded water and wastewater utility company in the United States, as measured by both operating revenues and population served. A holding company originally incorporated in Delaware in 1936, the Company employs approximately 6,500 professionals who provide drinking water, wastewater and other related services to over 14 million people in 24 states. The Company conducts the majority of its business through regulated utilities that provide water and wastewater services, collectively presented as the “Regulated Businesses.” The Company also operates other market-based businesses that provide water and wastewater services to the U.S. government on military installations, as well as municipalities. Individually, these market-based businesses do not meet the criteria of a reportable segment in accordance with generally accepted accounting principles in the United States (“GAAP”), and are collectively presented throughout this Annual Report on Form 10-K within “Other,” which is consistent with how management assesses the results of these businesses.

On December 9, 2021 (the “Closing Date”), the Company sold all of the equity interests of the HOS subsidiaries. See Item 1—Business—Other—Sale of Homeowner Services Group below and Note 5—Acquisitions and Divestitures in the Notes to Consolidated Financial Statements for additional information.

On January 1, 2022, the Company completed the sale of its New York subsidiary, see Item 1—Business—Regulated Businesses—Sale of New York American Water Company, Inc. below and Note 5—Acquisitions and Divestitures in the Notes to Consolidated Financial Statements for additional information.

Throughout this Annual Report on Form 10-K, unless the context otherwise requires, references to “we,” “us,” “our,” the “Company,” and “American Water” mean American Water Works Company, Inc. and its subsidiaries, taken together as a whole. References to “parent company” mean American Water Works Company, Inc., without its subsidiaries.

Regulated Businesses

The Company’s primary business involves the ownership of utilities that provide water and wastewater services to residential, commercial, industrial, public authority, fire service and sale for resale customers. The Company’s utilities operate in approximately 1,600 communities in 14 states in the United States, with 3.4 million active customers in its water and wastewater networks. Services provided by the Company’s utilities are subject to regulation by multiple state utility commissions or other entities engaged in utility regulation, collectively referred to as public utility commissions (“PUCs”). Federal, state and local governments also regulate environmental, health and safety, and water quality and water accountability matters. The Company reports the results of the services provided by its utilities in the Regulated Businesses segment. Operating revenues for the Regulated Businesses were \$3,505 million for 2022, \$3,384 million for 2021 and \$3,255 million for 2020, accounting for 92%, 86% and 86%, respectively, of the Company’s total operating revenues for the same periods.

Presented in the table below is a geographic summary of the Regulated Businesses’ operating revenues and the number of customers the Company serves, by type of service, for and as of the year ended December 31, 2022:

	Operating Revenues (in millions)				Number of Customers (in thousands)			
	Water (a)	Wastewater	Total	% of Total	Water	Wastewater	Total	% of Total
New Jersey	\$ 858	\$ 51	\$ 909	25.9 %	663	59	722	20.9 %
Pennsylvania	714	105	819	23.4 %	679	97	776	22.5 %
Missouri	367	16	383	10.9 %	480	22	502	14.6 %
Illinois	310	39	349	10.0 %	297	71	368	10.7 %
California	281	4	285	8.1 %	189	3	192	5.6 %
Total—Top Five States (b)	2,530	215	2,745	78.3 %	2,308	252	2,560	74.2 %
Other (c)	733	27	760	21.7 %	853	36	889	25.8 %
Total Regulated Businesses	\$ 3,263	\$ 242	\$ 3,505	100.0 %	3,161	288	3,449	100.0 %

(a) Includes other operating revenues consisting primarily of miscellaneous utility charges, fees and rents.

(b) The Company’s “Top Five States” are determined based upon operating revenues.

(c) Includes the Company’s utility operations in the following states: Georgia, Hawaii, Indiana, Iowa, Kentucky, Maryland, Tennessee, Virginia and West Virginia and other revenue attributable collectively to the Regulated Businesses. The Company completed the sale of its New York subsidiary on January 1, 2022 and the sale of its Michigan subsidiary on February 4, 2022.

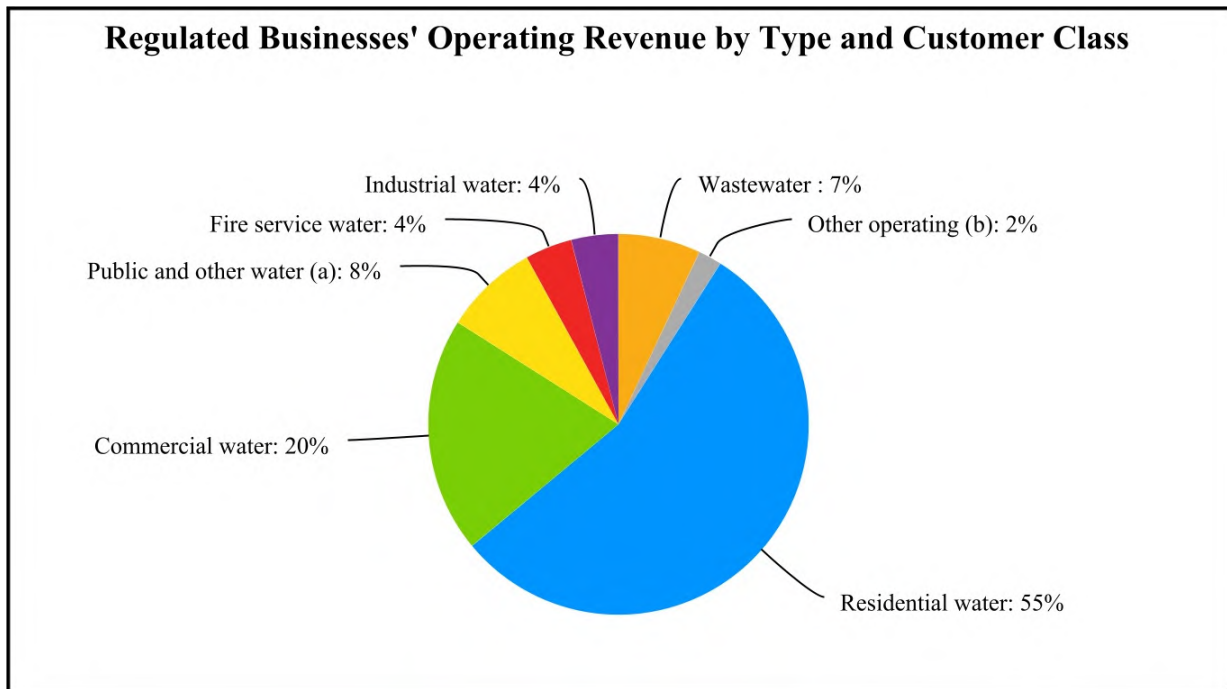
Customers

The Company’s Regulated Businesses have a large and geographically diverse customer base. A customer is defined as a person, business, municipality or any other entity that purchases the Company’s water or wastewater services as of the last business day of a reporting period. One single customer may purchase the Company’s services for use by multiple individuals or businesses. Examples of these customers are homes, apartment complexes, businesses and governmental entities.

The vast majority of the Company’s regulated water customers are metered, which allows the Company to measure and bill for its customers’ water usage, typically on a monthly basis. The Company employs a variety of methods of customer meter reading to monitor consumption. These methods range from meters with mechanical registers where consumption is manually recorded by meter readers, to meters with electronic registers capable of transmitting consumption data to proximity devices or via radio frequency to mobile or fixed network data collectors. The Company’s wastewater customers are billed either a flat rate or based upon their water consumption.

Residential customers make up a substantial portion of the Company’s customer base in all of the states in which it operates. The Company also serves (i) commercial customers, such as food and beverage providers, commercial property developers and proprietors, and energy suppliers, (ii) fire service customers, where the Company supplies water through its distribution systems to public fire hydrants for firefighting purposes and to private fire customers for use in fire suppression systems in office buildings and other facilities, (iii) industrial customers, such as large-scale manufacturers, mining and production operations, (iv) public authorities, such as government buildings and other public sector facilities, including schools and universities, and (v) other utilities and community water and wastewater systems in the form of bulk contracts for the supply of water or the treatment of wastewater for their own customers.

The following chart depicts the allocation of the Company’s Regulated Businesses’ operating revenue of \$3,505 million by type, including a breakout of the total water services revenues by class of customer, for the year ended December 31, 2022:



- (a) Includes water revenues from public authorities and other utilities and community water systems under bulk contracts.
- (b) Includes other operating revenues consisting primarily of miscellaneous utility charges, fees and rents.

Presented in the table below is the number of water and wastewater customers the Company served by class as of December 31, 2022, 2021 and 2020, which represents approximately 14 million people served as of December 31, 2022:

(In thousands)	2022		2021		2020	
	Water	Wastewater	Water	Wastewater	Water	Wastewater
Residential	2,870	270	2,972	245	2,948	236
Commercial	219	17	225	15	225	15
Fire service	51	—	52	—	50	—
Industrial	4	—	4	—	4	—
Public and other (a)	17	1	16	1	17	1
Total (b)	3,161	288	3,269	261	3,244	252

- (a) Includes public authorities and other utilities and community water and wastewater systems under bulk contracts. Bulk contracts, which are accounted for as a single customer in the table above, generally result in service to multiple customers.
- (b) The Company completed the sale of its New York subsidiary on January 1, 2022 and the sale of its Michigan subsidiary on February 4, 2022.

Customer growth in the Company’s Regulated Businesses is primarily from (i) adding new customers to its customer base through acquisitions of water and/or wastewater utility systems, (ii) population growth in its authorized service areas, and (iii) sale of water to other water utilities and community water systems.

Capital Investment

The Company plans to invest between \$30 billion and \$34 billion over the next 10 years for capital improvements, including acquisitions, to its Regulated Businesses’ water and wastewater infrastructure, largely for pipe replacement and upgrading aging water and wastewater treatment facilities. The Company has proactively improved its pipe renewal rate from a 250-year replacement cycle in 2009 to an expected 110-year replacement cycle by 2027, which it anticipates will enable the Company to replace nearly 2,100 miles of mains and collection pipes between 2023 and 2027. In addition, from 2023 to 2027, the Company’s capital investment in treatment plants, storage tanks and other key, above-ground facilities is expected to increase, further seeking to address infrastructure renewal, resiliency, water quality, operational efficiency, technology and innovation, and emerging regulatory compliance needs. Additionally, the Company continues to invest significantly in resiliency projects to address the impacts of climate and weather variability by hardening its assets.

Regulation and Rate Making

The operations of the Company’s Regulated Businesses are generally subject to regulation by PUCs in the states in which they operate, with the primary responsibility of the PUCs being the promotion of the overall public interest by balancing the interest of customers and utility investors. Specific authority might differ from state to state, but in most states, PUCs review and approve rates charged to customers, accounting treatments, long-term financing programs and cost of capital, operation and maintenance (“O&M”) expenses, capital expenditures, taxes, affiliated transactions and relationships, reorganizations, mergers and acquisitions, and dispositions, along with imposing certain penalties or granting certain incentives. Regulatory policies vary from state to state and can change over time. These policies will affect the timing, as well as the extent, of recovery of expenses and the realized return on invested capital.

Periodic changes in customer rates generally occur through the filing of a rate case by the utility with the PUC. The timing of rate case filings is typically determined by either periodic requirements in the regulatory jurisdiction or by the utility’s need to increase its revenue requirement to recover capital investment costs, changes in operating revenues, operating costs or other market conditions. The Company attempts to minimize “regulatory lag,” which is the time between the occurrence of an event that triggers a change in the utility’s revenue requirement and the recognition in rates of that change.

The Company's Regulated Businesses support regulatory practices at the PUCs and state legislatures that mitigate the adverse impact of regulatory lag. Presented in the table below are examples of approved regulatory practices:

Regulatory Practices	Description	States Allowed
Infrastructure replacement surcharge mechanisms	Allows rates to change periodically, outside a general rate case proceeding, to reflect recovery of capital investments made to replace infrastructure necessary to sustain safe and reliable services for the Company's customers. These mechanisms typically involve periodic filings and reviews to ensure transparency.	IA, IL, IN, KY, MO, NJ, PA, TN, VA, WV
Future test year	A "test year" is a period used for setting rates, and a future test year describes the first 12 months that new rates are proposed to be effective. The use of a future test year allows current or projected revenues, expenses and capital investments to be collected on a more timely basis.	CA, HI, IA, IL, IN, KY, PA, TN, VA
Hybrid test year	A historical test year sets rates using data from a 12-month period that ends prior to a general rate case filing. A hybrid test year allows an update to historical data for "known and measurable" changes that occur subsequent to the historical test year.	MD, MO, NJ, WV
Utility plant recovery mechanisms	Allows recovery of the full return on utility plant costs during the construction period, instead of capitalizing an allowance for funds used during construction ("AFUDC"). In addition, some states allow the utility to seek pre-approval of certain capital projects and associated costs. In this pre-approval process, the PUC may assess the prudence of such projects.	CA, IL, KY, PA, TN, VA
Expense mechanisms	Allows changes in certain operating expenses, which may fluctuate based on conditions beyond the utility's control, to be recovered outside of a general rate case proceeding or deferred until the next general rate case proceeding.	CA, HI, IL, IN, MD, MO, NJ, PA, TN, VA
Revenue stability mechanisms	Adjusts rates periodically to ensure that a utility recovers the revenues authorized in its general rate case, regardless of sales volume, including recognition of declining sales resulting from reduced consumption, while providing an incentive for customers to use water more efficiently.	CA, IL
Consolidated tariffs	Use of a unified rate structure for water systems owned and operated by a single utility, which may or may not be physically interconnected. The consolidated tariff pricing structure may be used fully or partially in a state, and is generally used to moderate the price impact of periodic fluctuations in local costs, while lowering administrative costs for customers. Pennsylvania and West Virginia also permit a blending of water and wastewater revenue requirements.	CA, IA, IL, IN, KY, MD, MO, NJ, PA, VA, WV
Deferred accounting	A regulator's willingness to defer recognition of financial impacts when setting rates for utilities.	All

The Company pursues enhancements to these regulatory practices to facilitate efficient recovery of its costs and capital investments and to continue to provide safe, clean, reliable and affordable services to its customers. The ability to seek regulatory treatment using the regulatory practices described above does not guarantee that the PUCs will accept the Company's proposal in the context of a particular rate case, and these regulatory practices may reduce, but not eliminate, regulatory lag associated with traditional rate making processes. It is also the Company's strategy to expand the use of these mechanisms in areas where they may not currently apply and enhance certain mechanisms where they already exist.

Acquisitions and Strategic Growth

The U.S. water and wastewater industries include investor-owned systems as well as municipal systems that are owned and operated by local governments or governmental subdivisions. According to the U.S. Environmental Protection Agency ("EPA"), as of 2017, approximately 84% of the water market is served by municipal systems and approximately 98% of the country's wastewater systems are government owned. The EPA also estimates, as of 2017, that there are over 50,000 community water systems and over 15,000 community wastewater systems in the United States, with approximately 80% of the community water systems serving a population of 3,000 or less.

A fundamental aspect of the Company's growth strategy is to pursue acquisitions of water and/or wastewater systems in geographic proximity to areas where the Company operates its Regulated Businesses, see Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations for additional information. The proximity of acquisition opportunities to the Company's regulated footprint allows it to integrate and manage the acquired systems and operations primarily using the Company's existing management (although the Company typically retains the majority, if not all, of the employees of the acquired systems) and to achieve operational efficiencies and prioritize capital investment needs. The Company's current customer mix of 92% water and 8% wastewater also presents strategic opportunities for wastewater growth and consolidation, allowing the Company to add wastewater customers where it already serves water customers. The Company intends to continue to expand its regulated footprint geographically by acquiring water and wastewater systems in its existing markets and, if appropriate, pursuing acquisition opportunities in certain domestic markets where the Company does not currently operate its Regulated Businesses. Before entering new regulated markets, the Company will evaluate the business and regulatory climates to ensure that it will have the opportunity to achieve an appropriate rate of return on its investment while maintaining its high standards for providing safe, reliable and affordable services to its customers. The Company will also evaluate whether there is a line of sight to grow to sufficient scale in a new regulated market so that it can attain efficiencies after entering a new domestic market.

Increasingly stringent environmental, health and safety, cybersecurity and water quality and water accountability regulations, the amount of infrastructure in need of significant capital investment, financial challenges and industry legislation are several elements, among others, that may drive more municipalities to consider selling their water and wastewater assets.

Sale of New York American Water Company, Inc.

On January 1, 2022, the Company completed the sale of its New York subsidiary to Liberty Utilities (Eastern Water Holdings) Corp. (“Liberty”), an indirect, wholly owned subsidiary of Algonquin Power & Utilities Corp. Under the terms of the Stock Purchase Agreement, dated November 20, 2019, as amended, by and among the Company, the Company’s New York subsidiary and Liberty (the “Stock Purchase Agreement”), Liberty purchased from the Company all of the capital stock of the Company’s New York subsidiary for a purchase price of \$608 million in cash. The sale was approved by the New York State Department of Public Service on December 16, 2021. The Company’s regulated New York operations had approximately 127,000 customers in the State of New York. See Note 5—Acquisitions and Divestitures in the Notes to Consolidated Financial Statements for additional information.

Industry Legislation

On November 15, 2021, the Infrastructure Investment and Jobs Act (the “IIJA”) was signed into law and provides for up to \$55 billion to aid in improving the country’s ailing water infrastructure, including \$23.4 billion for drinking water and wastewater, \$15 billion for lead service line replacement (through the drinking water state revolving fund), and \$10 billion for the treatment of per- and polyfluoroalkyl substances (“PFAS”) and other contaminants of emerging concern. The IIJA also included a low-income assistance program, in which eligible low-income customers who receive their water from public and private entities may participate. The Company has leveraged these funds throughout its service areas to benefit its customers.

In December 2020, Congress passed, and the President signed into law, a \$900 billion COVID-19 relief and \$1.4 trillion U.S. government appropriations package for 2021, which included \$638 million for a low-income water assistance program and \$2.8 billion for capitalization grants under the Clean Water and Drinking Water state revolving funds.

In 2017, New Jersey enacted the Water Quality Accountability Act (the “WQAA”), which sets operational standards for all water utilities in New Jersey, including municipal and investor-owned utilities with more than 500 service connections. This law imposes requirements in areas such as asset management, water quality reporting, remediation of notices of violation, and hydrant and valve maintenance. The WQAA requires the most senior water manager, or either the executive director for municipal utility authorities or the mayor or chief executive officer for municipally owned public water systems, to certify that the system meets the requirements under the WQAA. Enhanced WQAA legislation includes additional enforcement requirements for disclosure of results, requires the sale of systems for prolonged violations and imposes new cybersecurity requirements and asset management plans. The new amendments, which provide for both civil and criminal penalties for falsification of documents, were signed by the Governor with an effective date of November 8, 2021.

In 2018, Indiana passed a law to set minimum operational expectations for all water and wastewater utilities in the state, including municipal and investor-owned utilities. The law requires water and wastewater utilities to conduct rate analyses, develop capital asset management plans and conduct cybersecurity and water loss audits.

In 2020, Missouri enacted the Water Safety and Security Act, which requires small and medium-sized water providers to create cybersecurity, valve inspection and hydrant inspection programs.

The Company’s regulated subsidiaries in California, Illinois, Indiana, Iowa, Kentucky, Maryland, Missouri, New Jersey, Pennsylvania, Tennessee, Virginia and West Virginia have access to utility valuation legislation and regulation for private sector investment in public sector water and wastewater systems. The Company supports full optionality for municipalities, including state legislation that enables the consolidation of the largely fragmented water and wastewater industries through third-party fair market valuations of purchased property. Fair market value assessment of water and wastewater systems is an alternative to the traditional depreciated original cost method of valuation, which allows the Company to offer municipalities a purchase price for their system assets that is reflective of the assets’ fair market value, while providing the Company with increased opportunity to recover the purchase price over the life of the purchased system assets, subject to PUC approval. In 2021, the Tennessee Public Utility Commission implemented acquisition valuation rules that include a methodology to value water and wastewater assets based upon the new replacement cost of the assets less the depreciation, in addition to other valuation methodology options.

Consolidated tariffs use a unified rate structure for systems owned and operated by a single utility, which may or may not be physically interconnected. Consolidated tariff pricing moderates the impact of periodic fluctuations in local costs and promotes a more universal water infrastructure investment in a jurisdiction. As a result, consolidated tariffs can make it easier to incorporate new systems into an existing utility, support economies of scale for even the smallest of systems and prioritize capital needs across the jurisdiction. Overall, the Company believes that consolidated tariffs bring cost-effective, high-quality services to a larger number of customers. Eleven of the Company’s regulated jurisdictions currently have some form of consolidated tariff pricing, including California, Illinois, Indiana, Iowa, Kentucky, Maryland, Missouri, New Jersey, Pennsylvania, Virginia and West Virginia.

Competition

The Company's Regulated Businesses generally do not face direct competition in their existing markets because (i) the Company operates in those markets pursuant to franchises, charters, certificates of public convenience and necessity or similar authorizations (collectively, "CPCNs") issued by state PUCs or other authorities, and (ii) the high cost of constructing a new water and wastewater system in an existing market creates a significant barrier to market entry. However, the Company's Regulated Businesses do face competition from governmental agencies, other investor-owned utilities, large industrial customers with the ability to provide their own water supply/treatment process and strategic buyers that are entering new markets and/or making strategic acquisitions. When pursuing acquisitions, the Company's largest investor-owned competitors, based on a comparison of operating revenues and population served, include Essential Utilities, Inc., American States Water Company and California Water Service Group. From time to time, the Company also faces competition from infrastructure funds, multi-utility companies and others, such as Algonquin Power and Utilities Corp., Eversource Energy, SouthWest Water Company and Corix Infrastructure, Inc.

Condemnation and Eminent Domain

All or portions of the Regulated Businesses' utility assets could be acquired by state, municipal or other government entities through one or more of the following methods: (i) eminent domain (also known as condemnation); (ii) the right of purchase given or reserved by a municipality or political subdivision when the original CPCN was granted; and (iii) the right of purchase given or reserved under the law of the state in which the utility subsidiary was incorporated or from which it received its CPCN. The acquisition consideration related to such a proceeding initiated by a local government may be determined consistent with applicable eminent domain law, or may be negotiated or fixed by appraisers as prescribed by the law of the state or the jurisdiction of the particular CPCN.

As such, the Regulated Businesses are periodically subject to condemnation proceedings in the ordinary course of business. For example, the Monterey water service system assets (the "Monterey system assets") of the Company's California subsidiary ("Cal Am") are the subject of a potential condemnation action by the Monterey Peninsula Water Management District (the "MPWMD") stemming from a November 2018 public ballot initiative. In 2019, the MPWMD issued a preliminary valuation and cost of service analysis report, finding in part that (1) an estimate of the Monterey system assets' total value plus adjustments would be approximately \$513 million, (2) the cost of service modeling results indicate significant annual reductions in revenue requirements and projected monthly water bills, and (3) the acquisition of the Monterey system assets by the MPWMD would be economically feasible. In 2020, the MPWMD certified a final environmental impact report, analyzing the environmental impacts of the MPWMD's project to (1) acquire the Monterey system assets through the power of eminent domain, if necessary, and (2) expand its geographic boundaries to include all parts of this system.

In February 2021, the MPWMD filed an application with the Local Agency Formation Commission of Monterey County ("LAFCO") seeking approval to become a retail water provider and annex approximately 58 parcels of land into the MPWMD's boundaries. In June 2021, LAFCO's commissioners voted to require a third-party independent financial study as to the feasibility of an acquisition by the MPWMD of the Monterey system assets. In December 2021, LAFCO's commissioners denied the MPWMD's application to become a retail water provider, determining that the MPWMD does not have the authority to proceed with a condemnation of the Monterey system assets. On April 1, 2022, the MPWMD filed a lawsuit against LAFCO challenging its decision to deny the MPWMD's application seeking approval to become a retail water provider. For more information on the lawsuit against LAFCO, see Item 3—Legal Proceedings—Proposed Acquisition of Monterey System Assets — Local Area Formation Commission Litigation. By letter dated October 3, 2022, the MPWMD notified Cal Am of a decision to appraise the Monterey system assets and requesting access to a number of Cal Am's properties and documents to assist the MPWMD with such an appraisal. Cal Am responded by letter on October 24, 2022, denying the request for access, stating that the MPWMD does not have the right to appraise Cal Am's system without LAFCO approval to become a retail water provider.

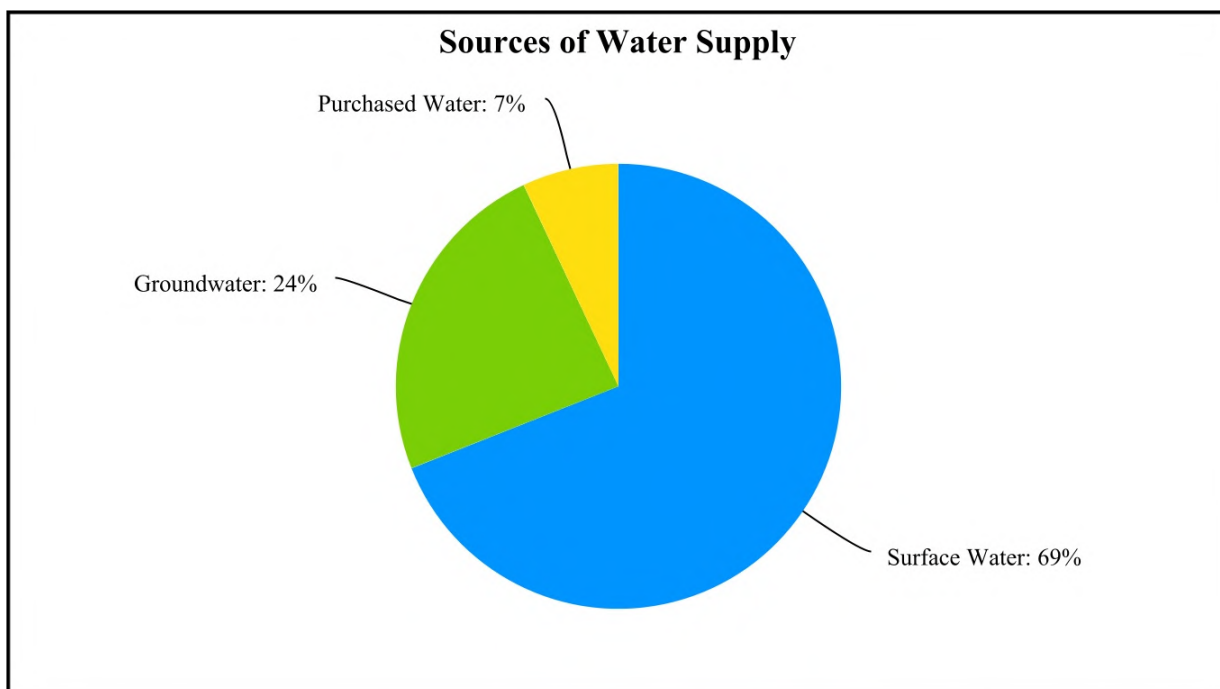
Also, five municipalities in the Chicago, Illinois area (approximately 30,300 customers in total) formed a water agency and filed an eminent domain lawsuit against the Company in January 2013, seeking to condemn the water pipeline that serves those five municipalities. During a valuation trial held in January 2023, the parties settled the lawsuit and the water agency dismissed the eminent domain case, and as a result the Company will retain the pipeline. As part of the dismissal, the Company's Illinois subsidiary and another subsidiary entered into a settlement agreement with the water agency agreeing to, among other things, maintain through December 31, 2027 the utility-specific wholesale water rate passed through to customers of the pipeline, such that the rate, exclusive of other pass-through charges, remains no higher than the current rate.

Furthermore, the law in certain jurisdictions in which the Regulated Businesses operate provides for eminent domain rights allowing private property owners to file a lawsuit to seek just compensation against a public utility, if a public utility’s infrastructure has been determined to be a substantial cause of damage to that property. In these actions, the plaintiff would not have to prove that the public utility acted negligently. In California, for example, lawsuits have been filed in connection with large-scale natural events such as wildfires. Some of these lawsuits have included allegations that infrastructure of certain utilities triggered the natural event that resulted in damage to the property. In some cases, the PUC has allowed certain costs or losses incurred by the utility to be recovered from customers in rates, but in other cases such recovery in rates has been disallowed. Also, the utility may have obtained insurance that could respond to some or all of such losses, although the utility would be at risk for any losses not ultimately subject to rate or insurance recovery or losses that exceed the limits of such insurance.

Water Supply and Wastewater Services

The Company’s Regulated Businesses generally own the physical assets used to store, pump, treat and deliver water to its customers and collect, treat, transport and recycle wastewater. Typically, the Company does not own the water, which is held in public trust and is allocated to the Company through contracts, permits and allocation rights granted by federal and state or multi-state agencies or through the ownership of water rights pursuant to local law. The Company is dependent on defined sources of water supply and obtains its water supply from surface water sources such as reservoirs, lakes, rivers and streams; from groundwater sources, such as wells and aquifers; and water purchased from third-party water suppliers. The level of water treatment the Company applies varies significantly depending upon the quality of the water source and customer stipulations. Surface water sources typically require significant treatment, while groundwater sources often require chemical treatment only.

Presented in the chart below are the Company’s sources of water supply as of December 31, 2022:



Presented in the table below are the percentages of water supply by source type for the Company’s Top Five States for the year ended December 31, 2022:

	Surface Water	Ground Water	Purchased Water
New Jersey	74%	22%	4%
Pennsylvania	91%	7%	2%
Missouri	78%	21%	1%
Illinois	54%	35%	11%
California	—	68%	32%

The Company's ability to meet the existing and future water demands of its customers depends on an adequate water supply. Drought, governmental restrictions, overuse of sources of water, the protection of threatened species or habitats, contamination or other factors may limit the availability of ground and surface water. The Company employs a variety of measures in an effort to obtain adequate sources of water supply, both in the short-term and over the long-term. The geographic diversity of the Company's service areas may mitigate some of the economic effects on the water supply associated with weather extremes the Company might encounter in any particular service territory. For example, in any given summer, some areas may experience drier than average weather, which may reduce the amount of source water available, while other areas the Company serves may experience wetter than average weather.

The Company evaluates quality, quantity, growth needs and alternate sources of water supply as well as transmission and distribution capacity to provide water service to its customers. Water supply is seasonal in nature and weather conditions can have a pronounced effect on supply. In order to ensure that the Company has adequate water supply, it uses long-term planning processes and maintains contingency plans to minimize the potential impact on service caused by climate variability and a wide range of weather fluctuations. The Company reviews current climate science and global models related to temperature, precipitation and sea level rise on an ongoing basis. Where actionable forecasts are available, the Company will use this information in its comprehensive planning studies and asset management plans. These studies and plans, which are used by the Company to develop its asset management and system reliability strategies, assess the climate risk and resiliency of the Company's water and wastewater systems over short-, medium- and long-term time horizons, and include evaluations of the availability of water supplies and system capacity against a number of different factors, projections and estimates.

In connection with supply planning for most surface or groundwater sources, the Company employs models to determine safe yields under different rainfall and drought conditions. Surface and ground water levels are routinely monitored so that supply capacity deficits may, to the extent possible, be predicted and mitigated through demand management and additional supply development. In California, where the state has been experiencing a multi-year drought, the Company utilizes multiple water supply options including numerous ground water wells in multiple aquifers as well as various long-term purchase water agreements with regional water suppliers to optimize supplies while assuring resiliency during dry years. An example of the Company's use of long-term planning to ensure that it has adequate water supply is its involvement in the Monterey Peninsula Water Supply Project (the "Water Supply Project") in California. The Water Supply Project includes the construction of a desalination plant, to be owned by the Company's California subsidiary, and the construction of wells that would supply water to the desalination plant. In addition, the Water Supply Project also includes the California subsidiary's purchase of water from a groundwater replenishment project (the "GWR Project") between Monterey One Water (formerly known as the Monterey Regional Water Pollution Control Agency) and the MPWMD. The Water Supply Project is intended, among other things, to fulfill obligations of the California subsidiary to eliminate unauthorized diversions from the Carmel River as required under orders of the California State Water Resources Control Board (the "SWRCB"). For more information, see Item 3—Legal Proceedings—Alternative Water Supply in Lieu of Carmel River Diversions and Note 16—Commitments and Contingencies—Contingencies—Alternative Water Supply in Lieu of Carmel River Diversions, in the Notes to the Consolidated Financial Statements.

Wastewater services involve the collection of wastewater from customers' premises through sewer lines. The wastewater is then transported through a sewer network to a treatment facility, where it is treated to meet required regulatory standards for wastewater before being returned to the environment. The solid waste by-product of the treatment process is disposed of or recycled in accordance with applicable standards and regulations.

Seasonality

Customer demand for the Company's water service is affected by weather and tends to vary with temperature and amount and frequency of rainfall. Customer demand is generally greater during the warmer months, primarily due to increased water usage for irrigation systems and other outdoor water use. As such, the Company typically expects its operating revenues to be the highest in the third quarter of each year. Weather that is hotter and/or drier than average generally increases operating revenues, whereas, weather that is cooler and/or wetter than average generally suppresses customer water demand and can reduce water operating revenues. Two of the Company's jurisdictions, California and Illinois, have adopted revenue stability mechanisms which permit the Company to collect state PUC-authorized revenue for a given period that is not tied to the volume of water sold during that period, thereby lessening the impact of weather variability. See —Regulation and Rate Making for additional information regarding revenue stability mechanisms.

Other

Other primarily includes the MSG business, which enters into long-term contracts with the U.S. government to provide water and wastewater services on various military installations. The Company also has four contracts with municipal customers to operate and manage water and wastewater facilities and provide other related services through its Contract Services Group (“CSG”). Other also includes CSG, corporate costs that are not allocated to the Company’s Regulated Businesses, interest income related to the seller promissory note and income from the revenue share agreement from the sale of HOS, eliminations of inter-segment transactions and fair value adjustments related to acquisitions that have not been allocated to the Regulated Businesses segment. Previously, the Company provided home services primarily to residential and smaller commercial customers through its former HOS business, which was sold on the Closing Date. As a result of the sale of HOS, the categories which were previously shown as “Market-Based Businesses” and “Other” have been combined and are shown as Other. The businesses included within Other are not subject to regulation by state PUCs and the services provided generally do not require significant capital investment. Operating revenues for Other were \$287 million for 2022, \$546 million for 2021 and \$522 million for 2020, accounting for 8%, 14% and 14%, respectively, of the Company’s total operating revenues for the same periods.

Military Services Group

MSG operates on 18 military installations under 50-year contracts with the U.S. government as part of its Utilities Privatization Program. The scope of these contracts generally includes the operation and maintenance of the installation’s water and wastewater systems and a capital program focused on asset replacement and, in certain instances, systems expansion. The replacement of assets assumed when a contract is awarded to MSG is completed either through a discrete set of projects executed in the first five years of the contract or through the long-term recapitalization program performed over the life of the contract. Traditionally, both of these programs are funded from the contract fee. At times, new assets are required to support the installation’s mission, and the construction of these assets is funded by the U.S. government as separate modifications or amendments to the contract. The capital for these assets historically has not been funded through the Company’s debt or equity issuances; rather, the Company has used limited working capital for short-term needs under these contracts. In April 2018, the U.S. Army instituted a requirement that a bidder must offer financing in its proposal for these new capital projects under existing contracts, but the U.S. Army’s implementation of this requirement on existing contracts has limited the need for such financing. However, recent U.S. Army and Navy Utilities Privatization solicitations have included requirements for the successful bidder to finance discrete initial capital projects over either a five- or ten-year period after project completion. Four of MSG’s current contracts require such capital project financing, which the Company is currently addressing through internal sources of liquidity.

The contract price for four of MSG’s contracts with the U.S. government is subject to redetermination two years after commencement of operations, and every three years thereafter. Price redetermination is a contract mechanism to periodically adjust the service fee in the next period, to reflect changes in contract obligations and anticipated market conditions. The remaining 14 contracts with the U.S. government are subject to annual price adjustments under a mechanism called “Economic Price Adjustment.” All 18 contracts could be terminated, in whole or in part, prior to the end of the 50-year term for convenience of the U.S. government, or as a result of default or non-performance by the MSG subsidiary performing the contract. In either event, pursuant to termination provisions applicable to all of these contracts, MSG would be entitled to recover allowable costs that it may have incurred under the contract, plus the contract profit margin on incurred costs. MSG’s backlog of revenue associated with its contracts with the U.S. government is approximately \$6.9 billion, with an average remaining contract term of 40 years.

Sale of Homeowner Services Group

Prior to the Closing Date, the Company provided various warranty protection programs and other home services primarily to residential and smaller commercial customers through its HOS operations. On the Closing Date, the Company sold all of the equity interests in its HOS subsidiaries to an indirect, wholly owned subsidiary of funds advised by Apax Partners LLP, a global private equity advisory firm (the “Buyer”), for total consideration of approximately \$1.275 billion. See Item 7—Management’s Discussion and Analysis of Financial Condition and Results of Operations and Note 5—Acquisitions and Divestitures in the Notes to Consolidated Financial Statements for additional information.

Competition

MSG faces competition from a number of service providers, including American States Water Company and Veolia Environnement S.A.

Environmental, Health and Safety, Water Quality and Other Regulation

The Company's water and wastewater operations, including the services provided by its Regulated Businesses, MSG and CSG, are subject to extensive federal, state and local laws and regulations governing the protection of the environment, health and safety, the provision of water and wastewater services, particularly with respect to the quality of water the Company delivers to its customers, and the manner in which it collects, treats, discharges, recycles and disposes of wastewater. In the United States, these regulations are developed under federal legislation including the Safe Drinking Water Act, the Reduction of Lead in Drinking Water Act and the Clean Water Act, and under a variety of applicable state laws. Environmental, health and safety, and water quality regulations are complex and may vary from state to state in those instances where a state has adopted a standard that is more stringent than the federal standard. For example, while the EPA has announced the intention to propose drinking water regulations for two PFAS compounds (perfluorooctanoic acid, or PFOA, and perfluorooctane sulfonic acid, or PFOS) and issued non-enforceable lifetime Health Advisory Levels for PFOA, PFOS and two other PFAS compounds, the New Jersey Department of Environmental Protection has already established enforceable drinking water standards for three PFAS compounds (PFOA, PFOS, and perfluorononanoic acid, or PFNA) and the Pennsylvania Department of Environmental Protection also recently announced enforceable drinking water standards for PFOA and PFOS in advance of the federal EPA proposed regulations. The Company is also subject to various federal, state, and local laws and regulations governing the storage of hazardous materials, the management and disposal of hazardous and solid wastes, discharges to air and water, the cleanup of contaminated sites, dam safety and other matters relating to the protection of the environment and health and safety. PUCs also set conditions and standards for the water and wastewater services the Company delivers.

The Company maintains an environmental program that includes responsible business practices focused on compliance with environmental laws and regulations and the effective use of natural resources, recognizing that drinking water standards have generally, over time, increased in number and become increasingly more stringent. As newer or stricter standards are introduced, the Company's capital and operating costs needed to comply with them will likely increase. The Company incurs substantial costs associated with compliance with the environmental, health and safety, and water quality standards to which its operations are subject and the Company invests in technology solutions for enhanced detection and monitoring of water quality issues. The Company estimates that it will make capital expenditures of approximately \$800 million over the next five years, and \$195 million in 2023 for environmental control facilities, which the Company defines for this purpose as any project (or portion thereof) that involves the preservation of air, water or land. The Company believes that its operations are materially in compliance with, and in many cases surpass, minimum standards required by applicable environmental laws and regulations.

The Company's operations also involve the use, storage and disposal of hazardous substances and wastes. For example, the Company's water and wastewater treatment facilities store and use chlorine and other chemicals that generate wastes that require proper handling and disposal under applicable environmental requirements. The Company also could incur remedial costs in connection with any contamination relating to its operations or facilities or its off-site disposal of waste. The Comprehensive Environmental Response, Compensation, and Liability Act of 1980 ("CERCLA"), authorizes the EPA, and comparable state laws authorize state environmental authorities, to issue orders and bring enforcement actions to compel responsible parties to investigate and take remedial actions at any site that is determined to present an actual or potential threat to human health or the environment because of an actual or threatened release of one or more hazardous substances. Parties that generated or transported hazardous substances to such sites, as well as current and former owners and operators of such sites, may be deemed liable, without regard to fault, under CERCLA or comparable state laws. Although the Company is not aware of any material cleanup or decontamination obligations, the discovery of contamination or the imposition of such obligations in the future could result in additional costs to the Company. The Company's facilities and operations are also subject to requirements under the U.S. Occupational Safety and Health Act and inspections thereunder.

Safe Drinking Water Act

The Safe Drinking Water Act and related regulations establish national quality standards for drinking water. The EPA has issued rules governing the levels of numerous, naturally occurring and manufactured chemical and microbial contaminants and radionuclides allowable in drinking water, and continues to propose new rules. These rules also prescribe testing requirements for detecting regulated contaminants, the treatment systems that may be used for removing those contaminants, and other requirements. To date, the EPA has set standards for over 90 contaminants and water quality indicators for drinking water, and there is a process in place to make a regulatory determination on at least five additional compounds every five years.

The process of developing new drinking water standards is long and complex, but the Company actively participates with the EPA and other water industry groups by sharing research and water quality operational knowledge. See —Research and Development—Contaminants of Emerging Concern for additional information.

The Company is within the EPA's time frame for compliance with standards and rules developed under the regulation of the Safe Drinking Water Act, which includes sample collection, data analysis, and, in some instances engineering planning and implementation of treatment enhancements. Further, the EPA is actively considering regulations for a number of contaminants, including strontium, hexavalent chromium, fluoride, nitrosamines, some pharmaceuticals and certain volatile organic compounds. The Company does not anticipate that any such regulations, if enacted, will require implementation in 2023.

Although it is difficult to project the ultimate costs of complying with the above or other pending or future requirements, the Company expects current cost requirements under the Safe Drinking Water Act and other similar laws to be recoverable through the regulatory process and therefore compliance costs are not expected to have a material impact on its operations or financial condition. In addition, capital expenditures and operating costs to comply with environmental mandates have been traditionally recognized by PUCs as appropriate for inclusion in establishing rates. As a result, the Company expects to recover the operating and capital costs resulting from these pending or future requirements.

Lead and Copper Rule and Reduction of Lead in Drinking Water Act

In 1991, the EPA published the Lead and Copper Rule ("LCR") to control lead and copper in drinking water and, since that time, has issued minor revisions in 2000, 2004 and 2007, enhancing monitoring, reporting and public education requirements. In 2011, Congress enacted the Reduction of Lead in Drinking Water Act regarding the use and introduction into commerce of lead pipes, plumbing fittings for fixtures, solder and flux. While these advances have made an impact in reducing lead exposure in drinking water, legacy lead plumbing materials, primarily in building plumbing, still remain in many communities. The failure of certain water systems in the United States to comply with the requirements of the LCR has received recent media attention and scrutiny, and in certain cases, has led to a number of investigations and the imposition of significant penalties and sanctions against the operators of those systems and others. As part of its ongoing water main replacement and service line renewal projects, the Company has started to replace lead service lines ("LSLs") in accordance with current scientific guidance. Also, the Company utilizes appropriate corrosion control techniques as necessary to comply with current water quality regulatory requirements. On December 21, 2021, the EPA announced next steps to strengthen the regulatory framework on lead in drinking water, including implementing the Lead and Copper Rule Revisions ("LCRR") and indicated their intent to finalize a forthcoming Lead and Copper Rule Improvements ("LCRI") prior to October 16, 2024, the initial compliance date in the LCRR. The Company is executing an implementation strategy to comply with the initial LCRR requirement to complete a lead service line inventory. Capital expenditures and operating costs associated with the LCRI will be determined once the EPA finalizes the rule, but as previously noted, costs associated with compliance with federal water quality regulations have been traditionally recognized by PUCs as appropriate for inclusion in establishing rates.

The Company currently estimates that less than 5% of the service lines within its regulated service territories contain lead on either the Company or customer portion of the service line. The Company is replacing LSLs as part of its ongoing water main replacement and service line renewal projects. The Company's goal is to work with the communities it currently serves to replace a significant majority of presently known LSLs in most of its service areas by the end of 2030, at an estimated additional investment range of \$600 million to \$1.2 billion. The Company believes this will be attainable for most of its service areas where public policy is supportive of this goal. The IJA was signed into law in November 2021 and provides for up to \$15 billion for lead service line replacement through drinking water state revolving funds. The Company is awaiting further guidance on eligibility, the application process and the distribution of these funds. With regard to future acquisitions, the Company will work with those communities as part of the acquisition process to set LSL removal goals appropriate for those systems. The prioritization of LSL removal is dependent on several factors, including the Company's planned water main and service line renewal projects, adjacent projects by municipalities or other utilities, LCR compliance monitoring results, and cooperation with its customers with respect to replacing the customer-owned portion of the LSL as necessary. In certain cases, these and other factors may result in a shorter or longer time frame for replacement. Because replacing the external LSL in its entirety is advised by several water industry organizations including the U.S. National Drinking Water Advisory Council, the Lead Service Line Replacement Collaborative, and the American Water Works Association, the Company's preferred approach is to replace the entire external LSL if lead is found on either the Company or customer portion of the service line; full LSL replacement is also consistent with the LCRR. The Lead Service Line Replacement Collaborative is a diverse group of public health, water utility, environmental, labor, consumer and housing organizations from across the country working together to encourage communities to accelerate the full replacement of LSLs through collaborative efforts at the local level.

Clean Water Act

The Clean Water Act regulates discharges from drinking water and wastewater treatment facilities into lakes, rivers, streams and groundwater. In addition to requirements applicable to the Company's wastewater collection systems, its operations require discharge permits under the National Pollutant Discharge Elimination System ("NPDES") permit program established under the Clean Water Act, which must be renewed every five years. Pursuant to the NPDES permit program, the EPA and implementing states set maximum discharge limits for wastewater effluents and overflows from wastewater collection systems. Discharges that exceed the limits specified under NPDES permits can lead to the imposition of fines and penalties, and persistent non-compliance could lead to significant fines and penalties and other compliance costs. In addition, the difficulty of obtaining and complying with NPDES permits, and renewing expiring permits, may impose time and cost burdens on the Company's operations. From time to time, discharge violations occur at the Company's facilities, some of which result in fines. The Company does not expect any such violations or fines to have a material impact on its results of operations or financial condition. The EPA has identified leveraging wastewater discharge permitting and application of biosolids, or sewage sludge, containing PFAS as areas of focus in its PFAS Strategic Roadmap. Individual states may also take action in these areas. As indicated previously, capital expenditures and operating costs to comply with environmental mandates have been traditionally recognized by PUCs as appropriate for inclusion in establishing rates. As a result, the Company expects to recover the operating and capital costs resulting from any new requirements in these areas.

Research and Development

The Company's Research and Development Program

The Company maintains an industry-leading research and development ("R&D") program that is designed to enhance its services, support its compliance activities, improve service quality and operational effectiveness, and provide environmental leadership. For more than three decades from its inception, American Water's R&D program has evolved into an industry-leading effort and has achieved numerous advancements in the science of drinking water, wastewater, and desalination. Through laboratory and industry resources and the team's expertise, efforts are focused on contaminants of emerging concern, including but not limited to COVID-19, PFAS, Legionella, cyanotoxin-forming algal blooms, a variety of pathogens (for example, Cryptosporidium, Giardia, enteric viruses, and various bacteria), microbial indicators and disinfection byproducts. The Company's R&D personnel are located at the Company's corporate headquarters and at two laboratory testing facilities in New Jersey and Illinois, the latter housing its quality control and testing laboratory, which supports the Company's R&D activities through testing and analysis.

The Company continues to leverage its expertise and collaborates with the EPA and state agencies to help establish effective environmental, health and safety, and water quality standards and regulations. This relationship includes the sharing of the Company's research, such as its treatment and distribution system optimization research and its national water quality monitoring data. The Company's engagement with the EPA provides it with early insight into emerging regulatory issues and initiatives, thereby allowing the Company to anticipate and to accommodate its future compliance requirements. The Company also frequently engages with the Centers for Disease Control and Prevention, other state environmental agencies, and national and international water research foundations. The Company believes that continued R&D activities are critical for providing safe, reliable and affordable services, as well as maintaining its leadership position in the industry, which provides the Company with a competitive advantage as it seeks business and operational growth.

Contaminants of Emerging Concern

Contaminants of emerging concern include numerous chemicals such as PFAS, pharmaceuticals, personal care products, pesticides, herbicides, antibiotic resistant bacteria (ARB), antibiotic resistant genes (ARG), endocrine disrupting compounds, microplastics and industrial chemicals, as well as certain naturally occurring microbes, such as bacteria, viruses and parasites, which have been detected in drinking water supplies, for which the risk to the public's health is not fully understood and/or has not been assessed. Technological advances have only recently made it possible to detect many of these contaminants at trace levels. The ability to detect contaminants, even at trace levels, has invited discussion about these contaminants among regulators and government agencies, which in turn shapes the public's perception of drinking water quality.

The Chemicals Abstract Service Registry contains over 203 million registered chemicals, with an estimated 1,400 species of disease-causing microbes that can affect humans. The Company is continually investigating new substances and contaminants, employing a team of scientists, engineers and public health professionals to identify threats to its water supply, to act on emerging regulations and new health advisories, and to evaluate the benefits of alternative or advanced treatment technologies. The Company utilizes water quality testing equipment and implements new and emerging technologies to help detect potential water supply contamination issues. Examples of the Company's efforts include:

- monitoring impacts of environmental pathogen loads and removal through wastewater systems;
- characterizing factors that contribute to the formation of potentially carcinogenic disinfection by-products to define best practices for their mitigation;

- advancing the science on holistic management strategies to improve distribution system water quality further;
- using its research findings to communicate information to its customers regarding potential actions to limit occurrences of Legionella in their buildings; in this regard, the Centers for Disease Control and Prevention statistics indicate that water-associated disease from Legionella is on the rise, with exposure typically associated with customer-owned plumbing systems in large buildings;
- defining a framework to support management or possible future regulation of opportunistic pathogens;
- developing expanded monitoring methods for short-chain and fluorinated replacement PFAS and piloting treatment techniques;
- systematically investigating PFAS removal by treatment processes in a wide range of water matrices;
- leading a PFAS risk communication strategy for the water sector;
- using innovative technologies to detect and manage algal blooms to help prevent taste and odor events and cyanotoxins before they get to the water treatment plant;
- monitoring of taste and odor issues that impact customer satisfaction using expanded analytical methods to detect compounds, and evaluating and recommending treatment practices;
- implementing water source assessment tools, including sensors and data analytics, to evaluate and track chemical storage and aid in the identification of source water contamination events;
- developing methodology and advanced measurement techniques for contaminants of emerging concern to investigate transport, occurrence and treatment; and
- implementing activated carbon, biofiltration and ion exchange treatment to seek to control contaminants of emerging concern.

Service Company and Security

American Water Works Service Company, Inc. (“Service Company”) is a wholly owned subsidiary of the Company that provides support and operational services to the Company and its affiliates. These services are predominantly provided to the Company’s Regulated Businesses under contracts that have been approved by PUCs, where necessary, and are also provided to the MSG and CSG businesses as requested or may otherwise be necessary. Services provided by Service Company may include accounting and finance, administration, business development, communications, compliance, education and training, engineering, health and safety, human resources, information systems, internal audit, investor relations, legal and governance, operations, procurement, R&D, rates and regulatory support, security, risk management and insurance, treasury, and water quality. Service Company also provides customer support to the Company’s Regulated Businesses, which includes call handling, billing, a major accounts program and other related services. Services are provided by Service Company at cost, enabling the Company’s operating subsidiaries to fulfill their responsibilities in a cost-effective manner, while providing them access to in-depth, functional expertise.

The Company’s security team provides oversight and policy guidance on physical, cyber and information security, as well as business continuity, throughout its operations. It is responsible for designing, implementing, monitoring and supporting effective physical and technical security controls for the Company’s physical assets, business systems and operational technologies. Risk assessments are conducted periodically to evaluate the effectiveness of existing security controls and serve as the basis for additional safeguards, security controls and measures. Operational and technical security controls are deployed and integrated as safeguards against unauthorized access to the Company’s information systems. These controls are aimed at (i) assuring the continuity of business processes that are dependent upon automation, (ii) maintaining the integrity of the Company’s data, (iii) supporting regulatory and legislative compliance requirements, and (iv) maintaining safe and reliable service to the Company’s customers. The Company engages in partnerships with U.S. federal, state and local law enforcement agencies to coordinate and improve the security of its water delivery systems and to safeguard its water supply and operations.

Environmental, Social Responsibility and Governance

The Company considers environmental, social responsibility and governance (“ESG”) principles fundamental to its corporate strategy and values. Integration of these principles into the Company’s daily operations emphasizes its belief that “how” a company operates is just as important as “what” a company does.

Delivering a reliable supply of safe, clean and affordable water to customers and treating wastewater has been fundamental to the Company’s business for decades. Within every community in which the Company operates, there is an opportunity to make a sustainable positive impact on the community, reflect the communities served with diverse and skilled employees, and maintain the governance and diligence to meet or exceed service expectations for decades to come.

Key Highlights

Demonstrated ESG Leadership

- The Company's values and actions have achieved prestigious recognition by many leading firms devoted to recognizing companies that demonstrate ESG leadership.
- The Company was ranked fifth in the Energy and Utilities industry category within Newsweek's 2023 list of America's Most Responsible Companies and ranked 19th within Barron's list of the 100 Most Sustainable Companies in 2022.
- The Company was included in the Bloomberg Gender Equality Index for the fifth consecutive year, was recognized as a top-scoring company, for the fourth consecutive year, on the Disability Equality Index (DEI)®, as well as a Military Friendly Employer and Supplier.
- The Company earned the U.S. Department of Homeland Security SAFETY Act Designation for its internal enterprise security program, which includes risk management processes, personnel training and emergency exercises, and security oversight activities. The Company was the first U.S. water and wastewater company and third utility to earn this designation.

Environmental and Sustainability

- Emissions for the Company's Regulated Businesses
 - The Company established medium- and long-term goals that are science-based and aligned with the Paris Agreement, for scope 1 (direct) and scope 2 (indirect, derived from the Company's purchase of power) greenhouse gas emissions reductions.
 - The goals aim to reduce absolute scope 1 and 2 emissions by 50% by 2035 (from a 2020 baseline year) and achieve net zero scope 1 and scope 2 emissions by 2050.
 - These goals complement the Company's existing short-term goal of reducing absolute scope 1 and 2 greenhouse gas emissions by more than 40% by 2025 (from a 2007 baseline year).
 - The Company has also estimated certain of its scope 3 greenhouse gas emissions, including Categories 1 (Purchased Goods and Services), 2 (Capital Goods), 3 (Fuel and Energy Related Activities) and 6 (Business Travel).
- Water Quality & Wastewater
 - The Company employs a team of R&D scientists dedicated to partnering with water research organizations on water quality and technology-based source water monitoring.
 - The Company received 11 drinking water Notices of Violation ("NOVs") in 2022, two of which were related to water quality and maximum contaminant level exceedances. These metrics are determined by counting the overall number of drinking water NOVs and drinking water NOVs related to maximum contaminant level exceedances received by the Company in accordance with internally established procedures, which may exclude NOVs related to newly-acquired systems and associated with third-party violations, among others.
 - The Company invested approximately \$2.3 billion in renewing and improving assets of the Regulated Businesses in 2022 and expects to invest between \$12.5 billion to \$13 billion over the next five years. Nearly 70% of the Company's capital plan is dedicated to infrastructure renewal and improvement, 10% to 12% is allocated to resiliency, and the balance is invested in water quality, operational efficiency, system expansion and other categories.
- Policy Leadership
 - The Company collaborates and partners with federal and state agencies to support effective environmental, health and safety, and water quality and affordability standards and regulations.
 - The Company participates in many industry organizations at the local, state and national level, including: The National Association of Water Companies (NAWC), American Water Works Association (AWWA) and Edison Electric Institute (EEI).

Social Responsibility

• Customers

- The Company's average monthly residential water bills were approximately \$57 in 2022, or 0.77% of the median household income, based on data from the U.S. Census Bureau's American Community Survey. The Company is focused on keeping customer bills affordable compared to income, driving a culture of continuous improvement, diligent cost management, and technology enhancements that help drive affordability.
- The Company supports low-income customer assistance programs across 12 states: California, Illinois, Indiana, Iowa, Kentucky, Maryland, Missouri, New Jersey, Pennsylvania, Tennessee, Virginia and West Virginia.
- To better reflect the customers that the Company serves, the Company increased spend with diverse suppliers and small businesses in 2022 by more than 35% compared to last year.
- For 2022, the Company achieved an aggregate residential customer satisfaction rating in the top half among the Company's industry peer group. We measure performance on Customer Experience through our performance on the J.D. Power U.S. Water Utility Residential Customer Satisfaction Study. The study measures the satisfaction of residential water customers of the 90 largest water utilities in the United States and considers six factors to score companies on a 1,000-point scale: quality and reliability; price; conservation; billing and payment; communications; and customer service.

• Employees

- During 2022, over 117,000 hours of safety training, including physical security and cybersecurity training, were completed by the Company's employees, as well as a mandatory Code of Ethics training requirement.
- The Company has made significant progress toward its zero injuries goal, reducing workplace injuries by 52% since 2017. Through year-end 2022, the Company has further reduced its OSHA recordable injury rate ("ORIR") to 0.85, the lowest in the Company's recorded history, which is approximately two times better than the water industry average.
- During 2022, approximately 83% of the Company's job requisitions had a diverse candidate pool, with approximately 46% of transfers or promotions filled by diverse individuals.

• Communities

- More than \$900,000 was donated in 2022 by the Company's employees and the American Water Charitable Foundation (AWCF), a 501(c)(3) private foundation established by American Water in 2010, of which over \$430,000 was provided by employees through workplace giving campaigns including the United Way, Water For People and other volunteering giving campaigns that supported more than 1,600 public charities nationwide. These efforts were in addition to the \$2.3 million given by the AWCF through the Keep Communities Flowing Grant Program - more than \$3 million combined.

• Stakeholder Engagement

- In 2022, the Company completed a materiality assessment to align ESG efforts with stakeholder priorities. Participants included, among others, regulators, investors, customers, employees, and a member of the Company's Board of Directors. The results of the assessment will be included in the Company's 2021-2022 Sustainability Report, which will be published in 2023.

Governance

• Board and Committees

- The Board of Directors and each of its standing committees are led by an independent, non-executive chair.
- The Board of Directors met 15 times in 2022.
- The Board of Directors' Safety, Environmental, Technology and Operations (SETO) Committee, which oversees several key ESG matters, met four times in 2022.
- The Board of Directors reflects gender, racial and experiential diversity. As of December 31, 2022, approximately 64% of the Company's directors voluntarily self-identified as diverse based on gender, race, disability and military veteran status.
- The Company's average director tenure was approximately 7 years as of December 31, 2022.

- The members of the Company’s Board of Directors have demonstrated expertise, including, among others, experience in utility operations, regulatory matters, sustainability, customer service, cybersecurity, the military, financial services and capital markets, service as a public company CEO, CFO and/or board member, and management of global operations.
- ESG-Related Disclosures and Transparency
 - The Company issued its annual ESG Data Summary on its website, covering sustainability performance for key metrics within the 2022 calendar year.
 - In addition, the Company issued its second annual Inclusion, Diversity & Equity Report and launched a new diversity website, which describes the Company’s inclusion and diversity strategies, practices, policies and programs from across the business. New disclosures include:
 - EEO-1 data for 2020 and 2021;
 - Summary of results and conclusions from the Company’s third-party pay equity studies and internal labor market analyses; and
 - Two new people-related goals in the 2022 Annual Performance Plan (“APP”) meant to increase representation of women and increase ethnic and racial diversity among employees at American Water, adding to existing APP sustainability goals.
 - The Company discloses on its website its Political Contributions Policy, and, on an annual basis, information related to its political contributions, payments to tax-exempt organizations and trade associations, and lobbying expenditures.

Human Capital Resources

Overview

The Company’s people are a critical part of its business, and the Company’s investment in its people begins with the recruitment of qualified and diverse talent and continues throughout employment. The Company’s employee value proposition, called weCARE, is a central part of the Company’s human capital resources mission and focuses on employee experience as an influencer of an employee’s opinions and emotional response about the Company as an employer.

Additionally, the Company believes that representing the communities in which it serves plays a key role in its ability to serve its customers and improves its talent. To support this proposition, the Company promotes an inclusive culture where its employees are given the opportunity to develop to their fullest potential and understand that they directly contribute to the Company’s ability to operate, grow, and serve its customers. The Company also believes that investing in the safety, health and well-being of its employees is a key component of its people and culture goals, and that these investments allow employees to generate great ideas, provide quality customer service and make a difference in the lives of the Company’s customers.

Employee Health and Safety

A longstanding value and strategy of the Company is safety. In this regard, the Company continues to focus on the safety of its employees and contractors so that they may return home from work in the same, or better, condition than when they arrived. The Company strives for all employees to feel emotionally safe, live a healthy lifestyle and be physically safe at work and at home. The Company assesses occupational health and safety to measure performance across the entire organization, with the ultimate goal of achieving zero incidents, injuries and fatalities for the Company’s employees and contractors.

To uphold the Company’s commitment to safety, the Company’s employees completed over 117,000 hours of employee safety training, including physical security and cybersecurity training, during 2022. Additionally, through frequent labor-management meetings, the Company encourages open exchanges to explore new ways to further enhance safety on the job. All employees are empowered to demonstrate safety leadership by taking the time they need to complete a task safely and to use “Stop Work Authority” — the power to stop working immediately whenever they believe a task is unsafe — to personally mitigate the hazard or issue or collaborate with management to create a safe situation. The Company believes that this Stop Work Authority is so important that it is stated on the back of every employee’s identification badge.

For 2022, the Company had its lowest ORIR injury rate in its recorded history, achieving an 18.8% reduction in injuries compared to 2021, taking into account a 7% decrease in labor hours due to the sales of HOS and the Company’s New York subsidiary. Also, the number of Days Away Restricted or Transferred (“DART”) injuries decreased by 36.1% compared to 2021. This decrease shows a significant improvement in those injuries that have a higher severity. For 2022, the Company’s ORIR was 0.85 (52 injuries) and its DART rate was 0.37 (23 injuries), compared to an ORIR of 0.97 (64 injuries) and a DART rate of 0.54 (36 injuries) in 2021.

In 2022, American Water teams led by promoting safety leading indicator activities, including pre-job safety briefings and near miss reporting, and by achieving internal Certified Safe Worker designations. Near miss reports, where employees report potential hazards or incidents in a safe and secure manner, increased by 20% in 2022 over 2021, and 97% of near miss incident corrective actions were completed, with nearly 90% completed within 30 days. The Company utilizes near miss reporting and timely corrective actions as key measurements of employee engagement and safety performance.

The commitment to safety as a strategic imperative also includes building a culture of well-being where all employees can feel emotionally safe and live a healthy lifestyle. Through well-being education, the Company is able to encourage employees to take preventative actions and increase participation in annual well-care exams and cancer screenings, which increased by over 4% during 2022, compared to 2021.

Employee and Workplace Reintegration

As an essential business that provides water and wastewater services, during 2022, the Company continued to focus on the care and safety of its employees, contractors, vendors and others who work at or visit the Company's worksites. The Company launched its employee and workplace reintegration plan to bring its employees safely back to the workplace and in its field operations in the wake of easing of COVID-19-related restrictions by federal, state and local governmental and health authorities. The Company instituted greater workplace flexibility, including hybrid work opportunities, where feasible. The Company supported these reintegration efforts by keeping employees' safety, health and emotional well-being as a top priority and by continuing to follow guidance from the U.S. Centers for Disease Control and Prevention, as well as federal, state and local health authorities. The Company also continued to provide employees with temporary medical and emotional health benefits as needed during 2022. To keep employees informed on the changing conditions during reintegration and to support their emotional well-being, the Company held several all-employee podcasts featuring medical and emotional health speakers who discussed the status of the pandemic, provided updates on vaccine and booster activity, and led sessions focused on workforce and personal change management related to reintegration.

Inclusion, Diversity and Equity

During 2022, the Company continued to focus on creating a culture through its promotion of inclusion, diversity and equity. At all levels, the Company strives to understand, respect, value and provide equal opportunity to each employee, and to foster an environment where employees' differences are embraced and celebrated. The Company holds as an essential concept the right of employees to proudly share their ideas and unique perspectives in an environment built on mutual respect, equity and inclusion. The Company is committed to diversity among its workforce, executive and senior management leadership teams, by reflecting the diversity of the communities in which the Company serves. The Company expects all leaders to lead with inclusion, diversity and equity.

In 2022, the Company included in its APP new workforce diversity performance goals designed to increase the representation of women and ethnic and racial diversity in the Company's workplace. The goals measure the percentage of female and racial/ethnic diversity among the Company's workforce based on voluntary self-identification. In addition, the Company continues to hold its leaders accountable for developing a diverse workforce by maintaining management level representation goals.

In addition, in 2022, the Company introduced its DiversityatAW.com website to provide transparency and communicate progress on the Company's workforce diversity initiatives. This web site currently includes, among other information, the Company's ID&E report, its EEO-1 data for 2021, key employee diversity metrics (which are updated quarterly), and a discussion of the Company's pay equity study and internal labor market analysis.

During 2022, 83.1% of the Company's hiring candidate pools were diverse. Additionally, for 2022, approximately 46.4% of the Company's internal employee transfers and promotions were filled with a diverse individual, reflecting the Company's commitment to employee development and career growth as well as the Company's focus on diversity, inclusion and equity. For purposes of these metrics, diversity refers to gender, race, ethnicity, disability, veteran/military spouse status, and LGBTQ+ status, all based on voluntary, self-identified employee information.

The Company maintains active memberships with groups such as Hiring our Heroes, Military Spouse Employment Partnership, American Corporate Partners, CEO Action for Diversity and Inclusion, Disability: IN, Paradigm for Parity, and Out and Equal, to further enhance its ability to recruit and retain diverse employees. Among this year's recognitions, the Company was designated as a 2022 Military Friendly® Silver Employer and recognized by Military Times for its industry-leading efforts on hiring and supporting U.S. military veterans.

The Company was also a top scorer in the 2022 Disability Equality Index for the fourth consecutive year and was recognized by U.S. Veterans Magazine as a veteran-friendly company and as an organization with a veteran-friendly supplier diversity program. The Company also received the 2022 DiversityInc Top Utility recognition for 2022.

In keeping with the Company's values, the Company does not tolerate discrimination, harassment or retaliation by or toward any employee, vendor, customer or other person in its workplace. All employees are required to complete anti-harassment, workplace respect and dignity, unconscious bias and inclusion and diversity training. In addition, annual Code of Ethics training is provided to all employees, which includes instructions on using the Company's anonymous hotline for reporting potential Code of Ethics violations.

The Company's four Employee Business Resource Groups ("EBRGs"), which represent diverse employee demographics (Women, African American/Black, LGBTQ+ and Disabilities/Caregivers), strive to create measurable and long-lasting positive impacts on employees' careers, as well as the Company's culture and communities in which it serves. EBRG members participate in community events throughout the year, which highlight the importance of supporting community partnerships. For example, employees participated in the annual Juneteenth Unity Walk that supported the National Alliance on Mental Illness, an organization that provides advocacy, education, and support for, and public awareness of, mental illness.

Total Rewards

American Water's health and well-being programs are approached holistically by offering the following benefits, among others: medical, prescription, dental, vision, disability, a retirement savings plan, and life insurance coverage, as well as a health and wellness program and a menu of additional voluntary benefits. The Company's Total Rewards programs are designed to reflect many aspects of employee health and well-being, cultivate an inclusive workforce, and motivate, attract and retain talent to seek to achieve the Company's strategic business priorities.

As part of Total Rewards, the Company provides a comprehensive compensation and benefit program designed to recognize the vital roles the Company's employees play. Further, all the Company's employees, including those who are union-represented, participate in the APP, to promote alignment between performance-based compensation and the Company's short-term performance goals. As part of its commitment to providing an inclusive and equitable culture for all employees, the Company regularly reviews pay equity to make sure pay decisions are based on the responsibilities, talents and skills of our employees, rather than, factors such as gender, race or ethnicity.

All employees who average 30 hours or more per week receive full-time benefits. Approximately 90% of all benefit eligible employees are enrolled in the Company's healthcare benefits. Full-time employees pay approximately 16% of the total cost of medical, dental and vision coverage. Additional medical benefits include coverage for applied behavior analysis, autism treatment, transgender services and hearing aids, as well as a fertility assistance benefit. The Company also offers additional employment benefits, including holiday, vacation and sick time, which are at levels generally greater than or equal to those offered by other companies in the utility industry.

Every five years, the Company negotiates national health and welfare benefits with its union-represented employees. On November 30, 2022, a five-year extension of the Company's national benefits agreement with its union-represented employees was reached and ratified, effective through July 2028. See — Workforce Data below for more information. The extension agreement includes, among other things, a revised benefit cost sharing allocation, six weeks of paid family leave, an increase in the target payout under the APP for covered employees, and coverage for infertility treatment beginning in plan year 2025.

Talent Development

The Company partners with business leaders to understand the key behaviors and competencies required to operate safely and effectively, and to foster professional growth with the goal to create and deploy programs designed to attract, motivate, develop and retain talented employees, and foster a learning culture. The Company also requires every employee, including its union-represented employees, to complete a minimum of 25 hours of training each year. Approximately 96.7% of active full-time employees hired before October 1, 2022, met this requirement for 2022, with over 302,000 hours of total training completed during the year. In addition to required role-based training, managers assist employees to identify professional development opportunities, utilizing a framework of on-the-job learning, social learning, and formal learning, to help them reach their full potential and grow their careers.

Developing talent to provide a pathway to executive leadership is a critical priority for the Company. During 2022, the Company engaged in succession planning activities for the Company's business-critical and business-impact positions. These succession plans aid in providing continued leadership for the growth and future of the Company's business, while also seeking to promote diversity, retention and development. In addition to succession of executive and senior leadership roles, in 2022, the Company initiated talent reviews, which served to identify critical skills and competency areas as well as top and emerging talent with a focus on diversity, and supported a discussion of strengths, gaps and development plans. Talent reviews were conducted for a select group of employees, including employees who are being assessed for senior leadership or other critical roles.

Employee Experience

The Company has established its weCARE employee value proposition that focuses on employee experience as an influencer of an employee's opinions and emotional response about the Company as an employer. weCARE is composed of five elements: deeper connections; personal growth; shared purpose; flexibility; and well-being. weCARE represents the Company's commitment to value its employees and build a safe, healthy and inclusive culture where every employee knows their value and is appreciated for their talents and commitment to supporting the Company's success. The Company offers employees programs covering each of the five components of weCARE. The Company is committed to improving the employee experience by listening to employees through focus group discussions and employee surveys, among other tools. To that end, the Company captures employee feedback, which helps the Company understand how employees are feeling and permits appropriate refinement of the Company's employee programs, benefits and support.

In early 2022, the Company introduced a new development role of Culture Champion. Each Culture Champion is responsible for partnering with their local leadership and managing and communicating local activities and actions that seek to advance the Company's culture.

Workforce Data

As of December 31, 2022, the Company had approximately 6,500 employees. For 2022, the Company's employee turnover rate, which the Company defines as the ratio of the number of separated employees to the 12-month average headcount during 2022, was 12.3%, down from 13.1% in 2021. American Water seeks to reduce regrettable employee turnover by assessing the effectiveness of weCARE and through its efforts to foster the Company's employee experience.

As of December 31, 2022, approximately 47% of the Company's workforce was represented by unions, which include 75 collective bargaining agreements with 14 different unions. In 2022, the Company entered into three new collective bargaining agreements that cover approximately 215 employees, and renegotiated all 21 collective bargaining agreements that were set to expire during the year. During 2023, 18 of the Company's collective bargaining agreements will expire in accordance with their terms and the Company expects to be able to negotiate these agreements during the year. In addition, on November 30, 2022, a five-year extension of the Company's national benefits agreement was ratified through July 31, 2028. This agreement covers approximately 3,000 of the Company's union-represented employees and their families and provides them with healthcare and other benefits. The Company also collaborates with union leadership on topics such as safety, customer, technology and employee benefits in forums such as the Joint Healthcare Committee, National Labor Management Committee and the annual Labor Management Conference.

Board Oversight

The Executive Development and Compensation Committee (ED&CC) of the Board of Directors establishes and reviews the Company's overall compensation philosophy and oversees the compensation and benefits plans and programs for its executive officers. The ED&CC oversees the process of planning for executive officer succession. It also provides oversight of the Company's inclusion, diversity and equity programs and initiatives. Further, the ED&CC is responsible for reviewing and assessing, at least annually, the Company's culture and related culture engagement, its organizational and leadership development plans and programs, and its programs designed to identify, attract and retain high-potential employees.

Information About Our Executive Officers

Presented in the table below are the name, age, offices held and business experience for each of the Company’s executive officers, as of February 15, 2023:

Name	Age	Office and Experience
M. Susan Hardwick	60	President and Chief Executive Officer. Ms. Hardwick has served as President and Chief Executive Officer of the Company since February 2, 2022. She joined the Company in June 2019 as the Company's Executive Vice President—Finance and served as the Company's Chief Financial Officer from July 2019 until May 16, 2022. From December 7, 2021 until January 31, 2022, Ms. Hardwick also served as Interim Chief Executive Officer. Prior to joining the Company, Ms. Hardwick served as the Executive Vice President and Chief Financial Officer of Vectren Corporation, which was sold to CenterPoint Energy, Inc., an electric and natural gas utility, on February 1, 2019. Ms. Hardwick joined Vectren Corporation in January 2000 and served in a variety of positions, including: Vice President, Controller and Assistant Treasurer; Senior Vice President, Finance; Senior Vice President, Chief Financial Officer; and Executive Vice President and Chief Financial Officer. Prior to joining Vectren, Ms. Hardwick was Assistant Corporate Comptroller at Cinergy Corp. She began her career with Arthur Andersen & Co. Ms. Hardwick is a Certified Public Accountant. Since September 2020, Ms. Hardwick has served on the Board of Directors of New Jersey Resources Corporation, a diversified energy services company, where she is currently serving a three-year term expiring in 2024, and since January 1, 2021, she has served as a member of its Audit Committee.
James H. Gallegos	62	Executive Vice President and General Counsel. Mr. Gallegos joined the Company on April 1, 2022 as its Executive Vice President and General Counsel. Prior to joining the Company, since February 2020, Mr. Gallegos served as the Executive Vice President, General Counsel and Corporate Secretary of Alliant Energy Corporation, a regulated, investor-owned public utility holding company, and its two utility subsidiaries (collectively, “Alliant Energy”). From February 2015 to February 2020, Mr. Gallegos served as Senior Vice President, General Counsel and Corporate Secretary of Alliant Energy. Prior to that, Mr. Gallegos served in various positions with U S WEST, Inc., which merged with Qwest Communications International Inc. in 2000.
John C. Griffith	56	Executive Vice President and Chief Financial Officer. Mr. Griffith joined the Company on May 16, 2022 as its Executive Vice President and Chief Financial Officer. Prior to joining the Company, since 2014, Mr. Griffith served as Managing Director, Mergers and Acquisitions, for Bank of America Securities’ Global Regulated Utilities and Renewable Energy practice. Prior to joining Bank of America Securities, from 2008 to 2014, Mr. Griffith served as the Chief Executive Officer of HighWave Energy, a renewable fuels start-up company, and from 1995 to 2008, he served in various capacities of increasing responsibility with Merrill Lynch & Co.
Melanie M. Kennedy	49	Executive Vice President, Chief Human Resources Officer. Ms. Kennedy has served as the Company’s Executive Vice President, Chief Human Resources Officer since December 2021, and as Senior Vice President, Chief Human Resources Officer from December 2020 to December 2021. Prior to that, she served as the Company’s Senior Vice President, Human Resources from March 2017 to December 2020. From August 2014 through February 2017, Ms. Kennedy served as the Company's Vice President, Human Resources, and from August 2012 to August 2014, she served as Director, Human Resources in the Company’s Northeast Division. Ms. Kennedy initially joined the Company in 2007, and before that time, she practiced law for nine years.
Cheryl Norton	58	Executive Vice President and Chief Operating Officer. Ms. Norton has over 30 years of employment with the Company serving in various roles, including operational leadership, environmental stewardship, laboratory management and research. She has been serving as the Company’s Executive Vice President and Chief Operating Officer since March 2021 and served as its Senior Vice President, Chief Environmental Officer from March 2020 to March 2021. She was also the Company’s Senior Vice President, Eastern Division and President of its New Jersey subsidiary from March 2019 to March 2021. Prior to that, Ms. Norton served as President of the Company’s Missouri subsidiary from November 2015 to March 2019, and President of its Kentucky subsidiary from January 2011 until November 2015. In addition, Ms. Norton also serves as a member of the Board of Directors of the Water Research Foundation.

Each executive officer is elected annually by the Board of Directors and serves until their respective successor has been elected and qualified or their earlier death, resignation or removal.

Available Information

The Company is subject to the reporting requirements of the Exchange Act. The Company files or furnishes annual, quarterly and current reports, proxy statements and other information with the SEC. Readers may obtain a copy of the Company's Annual Reports on Form 10-K, its Quarterly Reports on Form 10-Q or its Current Reports on Form 8-K, or any amendments to them, that are filed with or furnished to the SEC, free of charge, from the Investor Relations section of the Company's website, <https://ir.amwater.com>, as soon as reasonably practicable after the Company files or furnishes the information to the SEC.

The Company maintains a website at <https://amwater.com>. Information contained on the Company's website, including its Sustainability Report, its Inclusion, Diversity & Equity Annual Report, and other reports or documents, including the information and data on the Company's diversity website <https://Diversityataw.com>, shall not be deemed incorporated into, or to be a part of, this report, and any website references included herein are not intended to be made through active hyperlinks. The Company recognizes its website as a key channel of distribution to reach public investors and as a means of disclosing information to comply with SEC Regulation FD.

The American Water corporate governance guidelines and the charters for each of the standing committees of the Board of Directors, together with the American Water Code of Ethics and additional information regarding the Company's corporate governance, are available on its Investor Relations website, <https://ir.amwater.com>, and will be made available, without charge, in print to any shareholder who requests such documents from its Investor Relations Department, American Water Works Company, Inc., 1 Water Street, Camden, NJ, 08102.

ITEM 1A. RISK FACTORS

We operate in a market and regulatory environment that involves significant risks, many of which are beyond our control. In addition to the other information included or incorporated by reference in this Annual Report on Form 10-K, the following material factors should be considered in evaluating our business and future prospects. Any of the following risks, either alone or taken together, could materially and adversely affect our business, financial position, results of operations, cash flows and liquidity.

Risks Related to Our Industry and Business Operations

Our Regulated Businesses are subject to extensive regulation by state PUCs and other regulatory agencies, which significantly affects our business, financial condition, results of operations and cash flows. Our Regulated Businesses also may be subject to fines, penalties and other sanctions for an inability to meet these regulatory requirements.

Our Regulated Businesses provide water and wastewater services to our customers through subsidiaries that are subject to regulation by state PUCs. This regulation affects the rates we charge our customers and has a significant impact on our business and operations. Generally, the state PUCs authorize us to charge rates that they determine are sufficient to recover our prudently incurred operating expenses, including, but not limited to, operating and maintenance costs, depreciation, financing costs and taxes, and provide us with the opportunity to earn an appropriate rate of return on invested capital.

Our ability to successfully implement our business plan and strategy depends on the rates authorized by the various state PUCs. We periodically file rate increase applications with state PUCs. The ensuing administrative process may be lengthy and costly. Our rate increase requests may or may not be approved, or may be partially approved, and any approval may not occur in a timely manner. Moreover, a PUC may not approve a rate request in an amount that is sufficient to:

- cover our cost of operations, including: purchased water; chemicals; and fuel, power and other commodities used in our operations;
- cover our operational labor and labor-related expenses, including without limitation costs and expenses associated with our pension and other post-employment benefits;
- enable us to recover our investment; and
- provide us with an opportunity to earn an appropriate rate of return on our investment.

Approval by the PUCs is also required in connection with other aspects of our Regulated Businesses, which are required to have numerous permits, approvals and certificates from the PUCs that regulate their businesses and authorize acquisitions, dispositions, debt and/or equity financing, and, in certain cases, affiliated transactions. Some state PUCs are empowered to impose financial penalties, fines and other sanctions for non-compliance with applicable rules and regulations. Although we believe that each utility subsidiary has obtained or sought renewal of the material permits, approvals and certificates necessary for its existing operations, we are unable to predict the impact that future regulatory activities may have on our business.

In any of these cases, our business, financial condition, results of operations, cash flows and liquidity may be adversely affected. Even if the rates approved are sufficient, we face the risk that we will not achieve the rates of return on our invested capital to the extent permitted by state PUCs. This could occur if certain conditions exist, including, but not limited to, (i) water usage is less than the level anticipated in establishing rates, (ii) customers increase their conservation efforts, (iii) we experience unusual or emergent situations, events or conditions (including with respect to the COVID-19 pandemic), or (iv) our investments or expenses prove to be higher than the levels estimated in establishing rates. It may be difficult to predict the outcome or impact of these events on us or the actions that may be taken by the PUCs or other governmental authorities in response thereto.

Our operations and the quality of water we supply are subject to extensive and increasingly stringent environmental, water quality and health and safety laws and regulations, including with respect to contaminants of emerging concern, compliance with which could impact both our operating costs and capital expenditures, and violations of which could subject us to substantial liabilities and costs, as well as damage to our reputation.

Our water and wastewater operations are subject to extensive federal, state and local laws and regulations. These requirements include, among others, CERCLA, the Clean Water Act, the Safe Drinking Water Act, the LCRR and other federal and state requirements. For example, state PUCs and environmental regulators set conditions and standards for the water and wastewater services we deliver. If we deliver water or wastewater services to our customers that do not comply with regulatory standards, or otherwise violate environmental laws, regulations or permits, or other health and safety and water quality regulations, we could incur substantial fines, penalties or other sanctions or costs, as well as damage to our reputation. In the most serious cases, regulators could reduce requested rate increases or force us to discontinue operations and sell our operating assets to another utility or to a municipality. Given the nature of our business which, in part, involves providing water service for human consumption, any potential non-compliance with, or violation of, environmental, water quality and health and safety laws or regulations would likely pose a more

significant risk to us than to a company not similarly involved in the water and wastewater industry.

In addition, CERCLA authorizes the EPA to issue orders and bring enforcement actions to compel responsible parties to investigate and take remedial actions with respect to actual or threatened releases of hazardous substances, and can impose joint and several liability, without regard to fault, on responsible parties for the costs thereof. We are also required to obtain various environmental permits from regulatory agencies for our operations.

We incur substantial operating and capital costs on an ongoing basis to comply with environmental, water quality and health and safety laws and regulations. These laws and regulations and their enforcement, have become more stringent over time, and new or stricter requirements could increase our costs. Although we may seek to recover ongoing compliance costs in our Regulated Businesses through customer rates, there can be no guarantee that the various state PUCs or similar regulatory bodies that govern our Regulated Businesses would approve rate increases that would enable us to recover such costs or that such costs will not materially and adversely affect our financial condition, results of operations, cash flows and liquidity.

We may also incur liabilities if, under environmental laws and regulations, we are required to investigate and clean up environmental contamination, including potential releases of hazardous chemicals, such as chlorine, which we use to treat water, or at off-site locations where we have disposed of residual waste or caused an adverse environmental impact. The discovery of previously unknown conditions, or the imposition of cleanup obligations in the future, could result in significant costs and could adversely affect our financial condition, results of operations, cash flows and liquidity. Such remediation costs may not be covered by insurance and may make it difficult for us to secure insurance at acceptable rates in the future.

Attention is being given to contaminants of emerging concern, including, without limitation, chemicals and other substances that currently do not have any regulatory standard in drinking water or have been recently created or discovered (including by means of scientific achievements in the analysis and detection of trace amounts of substances). Examples of sources of contaminants include, but are not limited to, newly created chemical compounds (including, for example, manufactured nanomaterials); human and veterinary products; perfluorinated and polyfluorinated compounds; bacteria, microbes, viruses (including COVID-19), amoebae and other pathogens; and residual by-products of disinfection. We rely upon governmental agencies to set appropriate regulatory standards to protect the public from these and other contaminants, and our role is to provide service that meets these standards, if any. In some of our states, PUCs may disapprove of cost recovery, in whole or in part, for implementation of treatment infrastructure for a contaminant in the absence of a regulatory standard. Furthermore, given the rapid pace at which these contaminants are being created and/or discovered, we may not be able to detect and/or mitigate all such substances in our drinking water system or supplies, which could have a material adverse impact on our financial condition, results of operations and reputation. In addition, we believe these contaminants may form the basis for additional or increased federal or state regulatory initiatives and requirements in the future, which could significantly increase the cost of our operations.

Limitations on availability of water supplies or restrictions on our use of water supplies because of government regulation or action may adversely affect our access to sources of water, our ability to supply water to customers or the demand for our water services.

Our ability to meet the existing and future demand of our customers depends on the availability of an adequate supply of water. As a general rule, sources of public water supply, including rivers, lakes, streams, groundwater aquifers and recycled water sources, are held in the public trust and are not generally owned by private interests. As a result, we typically do not own the source water that we use in our operations, and the availability of our water supply is established through allocation rights (determined by legislation or court decisions) and passing-flow requirements set by governmental entities or by entering into water purchase agreements. These requirements, which can change from time to time, and vary by state or region, may adversely impact our water supply. Supply issues, such as drought, overuse of sources of water, the protection of threatened species or habitats, contamination or other factors may limit the availability of ground and surface water. If we are unable to secure available or alternative sources of water, our business, financial condition, results of operations and cash flows could be adversely affected.

For example, in our Monterey County, California operations, we are seeking to augment our sources of water supply, principally to comply with the cease and desist orders issued by the SWRCB in July 1995 and October 2009 (the “1995 Order,” the “2009 Order” and, as amended in July 2016, the “2016 Order” and, collectively, the “Orders”) that require Cal Am to significantly decrease its diversions from the Carmel River in accordance with a reduction schedule that terminated on December 31, 2021. See Item 3—Legal Proceedings—Alternative Water Supply in Lieu of Carmel River Diversions, which includes additional information regarding this matter. We are also required to augment our Monterey County sources of water supply to comply with the requirements of the Endangered Species Act. For 2022, Cal Am complied with the diversion limitations contained in the 2016 Order, but continued compliance with these limitations in 2023 and future years may be impacted by a number of factors, including without limitation continued drought conditions in California and the exhaustion of water supply reserves, and will require successful development of alternate water supply sources sufficient to meet customer demand. While the Company cannot currently predict the likelihood or result of any adverse outcome associated with these matters, further attempts to comply with the Orders may result in material

additional costs or obligations, including fines and penalties against Cal Am in the event of noncompliance with the Orders, which could have a material adverse effect upon us and our business, results of operations and cash flows.

Service disruptions caused by severe weather conditions, climate variability patterns or natural or other disasters may disrupt our operations or reduce the demand for our water services, which could adversely affect our financial condition, results of operations, cash flows and liquidity.

Service interruptions due to severe weather, climate variability patterns and natural or other events are possible across all our businesses. These include, among other things, storms, freezing conditions, high wind conditions, hurricanes, tornadoes, earthquakes, landslides, drought, wildfires, coastal and intercoastal floods or high water conditions, including those in or near designated flood plains, pandemics (including COVID-19) and epidemics, severe electrical storms, sinkholes and solar flares. Weather and other natural events such as these may affect the condition or operability of our facilities, limiting or preventing us from delivering water or wastewater services to our customers, or requiring us to make substantial capital expenditures to repair any damage. Tariffs in place or cost recovery proceedings with respect to our Regulated Businesses may not provide reimbursement to us, in whole or in part, for any of these impacts.

Government restrictions on water use may also result in decreased use of water services, even if our water supplies are sufficient to serve our customers, which may adversely affect our financial condition, results of operations and cash flows. Seasonal and other drought conditions, including, for example, those currently being experienced in California, that may impact our water services are possible across all of our service areas. Governmental restrictions imposed in response to a drought may apply to all systems within a region independent of the supply adequacy of any individual system. Responses may range from voluntary to mandatory water use restrictions, rationing restrictions, water conservation regulations, and requirements to minimize water system leaks. While expenses incurred in implementing water conservation and rationing plans may generally be recoverable provided the relevant PUC determines they were reasonable and prudent, we cannot be certain that any such expenses incurred will, in fact, be fully recovered. Moreover, reductions in water consumption, including those resulting from installation of equipment or changed consumer behavior, may persist even after a drought has ended and restrictions are lifted, which could adversely affect our business, financial condition, results of operations and cash flows.

Climate variability may cause increased volatility in weather and may impact water usage and related revenue or require additional expenditures, all of which may not be fully recoverable in rates or otherwise.

The issue of climate variability is receiving increasing attention nationally and worldwide. There is consensus among climate scientists that there will be worsening of weather volatility in the future associated with climate variability. Many climate variability predictions present several potential challenges to water and wastewater utilities, including us, such as:

- increased frequency and duration of droughts;
- increased precipitation and flooding;
- increased frequency and severity of storms and other weather events;
- challenges associated with changes in temperature or increases in ocean levels;
- potential degradation of water quality;
- decreases in available water supply and changes in water usage patterns;
- increases in disruptions in service;
- increased costs to repair damaged facilities; or
- increased costs to reduce risks associated with the increasing frequency and severity of natural events, including to improve the resiliency and reliability of our water and wastewater treatment and conveyance facilities and systems.

Because of the uncertainty of weather volatility related to climate variability, we cannot predict its potential impact on our business, financial condition, results of operations, cash flows and liquidity. Furthermore, laws and regulations have been enacted or proposed that seek to reduce or limit greenhouse gas emissions and require or would require additional reporting and monitoring, and these regulations may become more pervasive or stringent in light of changing governmental agendas and priorities, although the exact nature and timing of these changes is uncertain. Although some or all potential expenditures and costs associated with the impact of climate variability and related laws and regulations on our Regulated Businesses could be recovered through rates, infrastructure replacement surcharges or other regulatory mechanisms, there can be no assurance that state PUCs would authorize rate increases to enable us to recover such expenditures and costs, in whole or in part.

The current regulatory rate setting process may result in a significant delay, also known as “regulatory lag,” from the time that we invest in infrastructure improvements, incur increased operating expenses as a result of inflation or other factors, incur increased cost of capital, including as a result of increasing short- and long-term rates, or experience declining water usage, to the time at which we can seek to address these events in rate case applications; our inability to mitigate or minimize regulatory lag could adversely affect our business.

There is typically a delay, known as “regulatory lag,” between the time our Regulated Businesses make a capital investment or incur an operating expense increase and the time when those costs are reflected in rates. In addition, billings permitted by state PUCs typically are, to a considerable extent, based on the volume of water usage in addition to a minimum base rate. Thus, we may experience regulatory lag between the time our revenues are affected by declining usage and the time we are able to adjust the rate per gallon of usage to address declining usage. Our inability to mitigate or reduce regulatory lag could have an adverse effect on our financial condition, results of operations, cash flows and liquidity.

We endeavor to mitigate or reduce regulatory lag by pursuing constructive regulatory practices. For example, two of our states have approved revenue stability mechanisms that adjust rates periodically to ensure that a utility’s revenue will be sufficient to cover its costs regardless of sales volume, including recognition of declining sales resulting from reduced consumption, while providing an incentive for customers to use water more efficiently. In addition, 10 of our state PUCs permit rates to be adjusted outside of the general rate case application process through surcharges that address certain capital investments, such as replacement of aging infrastructure. These surcharges are adjusted periodically based on factors such as project completion or future budgeted expenditures, and specific surcharges are eliminated once the related capital investment is incorporated in new PUC approved rates. Furthermore, in setting rates, nine of our state PUCs allow us to use future test years, which extend beyond the date a rate request is filed to allow for current or projected revenues, expenses and investments to be reflected in rates on a more timely basis. Other examples of such regulatory practices include expense mechanisms that allow us to increase rates for certain cost increases that are beyond our control, such as purchased water costs, property or other taxes, or power, conservation, chemical or other expenditures. These mechanisms enable us to adjust rates in less time after costs have been incurred than would be the case under a general rate case application process without the mechanisms.

While these mechanisms have mitigated or reduced regulatory lag in several of our regulated states, we continue to seek approval of regulatory practices to mitigate or reduce regulatory lag in those jurisdictions that have not approved them. Furthermore, PUCs may fail to adopt new surcharges and existing mechanisms may not continue in their current form, or at all, or we may be unable or become ineligible to continue to utilize certain of these mechanisms in the future. Although we intend to continue our efforts to seek state PUC approval of constructive regulatory practices to mitigate or reduce regulatory lag, our efforts may not be successful, or even if partially successful, our business, financial condition, results of operations, cash flows and liquidity may be materially and adversely affected.

Changes in laws and regulations can significantly and materially affect our business, financial condition, results of operations, cash flows and liquidity.

The impact of any future revisions or changes in interpretations of existing regulations or the adoption of new laws and regulations applicable to our Regulated Businesses is uncertain. Changes in laws or regulations, the imposition of additional laws and regulations, changes in enforcement practices of regulators, government policies or court decisions can materially affect our operations, results of operations and cash flows. Certain of the individuals who serve as regulators are elected or political appointees. Therefore, elections which result in a change of political administration or new appointments may also result in changes of the individuals who serve as regulators and changes in the policies of the regulatory agencies that they serve. New laws or regulations, new interpretations of existing laws or regulations, changes in agency policy, including those made in response to shifts in public opinion, or conditions imposed during the regulatory hearing process could have the following consequences, among others:

- making it more difficult for us to increase our rates and, as a consequence, to recover our costs or earn our expected rates of return;
- changing the determination of the costs, or the amount of costs, that would be considered recoverable in rate cases and other regulatory proceedings;
- restricting our ability to terminate our services to customers who owe us money for services previously provided or limiting our bill collection efforts;
- requiring us to provide water or wastewater services at reduced rates to certain customers;
- limiting or restricting our ability to acquire water or wastewater systems, purchase or dispose of assets, or issue long-term debt or equity, or making it less cost-effective for us to do so;
- negatively impacting, among other things: (i) tax rates or positions or the deductibility of expenses under federal or state tax laws, (ii) the availability or amount of, or our ability to comply with the terms and conditions of, tax credits or tax

abatement benefit, (iii) the amount of taxes owed, (iv) the timing of tax effects on rates or (v) the ability to utilize our net operating loss carryforwards;

- changing regulations that affect the benefits we expected to receive when we began offering services in a particular area;
- increasing the associated costs of, or difficulty complying with, environmental, health, safety, consumer privacy, water quality, and water quality accountability laws and regulations to which our operations are subject;
- changing or placing additional limitations on change in control requirements relating to any concentration of ownership of our common stock;
- making it easier for governmental entities to convert our assets to public ownership via condemnation, eminent domain or other similar process, or for governmental agencies or private plaintiffs to assess liability against us for damages under these or similar processes;
- increasing the costs or difficulty of complying with proposed changes to federal contractor affirmative action audits;
- placing limitations, prohibitions or other requirements with respect to the sharing of information and participation in transactions by or between a regulated subsidiary and us or our other affiliates, including Service Company and any of our other subsidiaries;
- restricting or prohibiting our extraction of water from rivers, streams, reservoirs or aquifers; and
- revoking or altering the terms of a CPCN issued to us by a state PUC or other governmental authority.

Regulatory and environmental risks associated with the collection, treatment and disposal of wastewater may impose significant costs and liabilities.

The wastewater collection, treatment and disposal operations of our subsidiaries are subject to substantial regulation and involve environmental risks. If collection, treatment or disposal systems fail, overflow, or do not operate properly, untreated or inadequately treated wastewater or other contaminants could spill onto nearby properties or into nearby streams and rivers, causing damage to persons or property, injury to aquatic life and economic damages. This risk is most acute during periods of substantial rainfall or flooding, which are the main causes of sewer overflow and system failure. Liabilities resulting from such damage could adversely and materially affect our business, financial condition, results of operations and cash flows. Certain of our wastewater systems have commercial and industrial customers that are subject to specific limitations on the type, character and strength of the wastewater they are permitted to discharge into our systems. The failure by these commercial and industrial customers to comply with their respective discharge requirements could, in turn, negatively impact our operations, damage our facilities or cause us to exceed applicable discharge limitations and requirements. Liabilities resulting from such exceedance events could adversely and materially affect our business, financial condition, results of operations and cash flows.

A loss of one or more large industrial or commercial customers could have a material adverse impact upon the results of operations of one or more of our Regulated Businesses.

Adverse economic conditions may cause our customers, particularly industrial and large commercial customers, to curtail operations. A curtailment of operations by such a customer typically results in reduced water usage by that customer. In more severe circumstances, the decline in usage could be permanent. Any decrease in demand resulting from difficult economic conditions affecting these customers could adversely affect our financial condition and results of operations. Tariffs in place with respect to our Regulated Businesses may not reimburse us, in whole or in part, for any of these impacts.

Our Regulated Businesses require significant capital expenditures and may suffer if we fail to secure appropriate funding to make investments, experience increases in short- and long-term interest rates or if we experience delays in completing major capital expenditure projects.

The water and wastewater utility business is capital intensive. We invest significant amounts of capital to add, replace and maintain property, plant and equipment, and to improve aging infrastructure. In 2022, we invested \$2.3 billion in net Company-funded capital improvements. The level of capital expenditures necessary to maintain the integrity of our systems will continue into the future and, we believe, will increase. We expect to fund capital improvement projects using cash generated from operations (including, among other things, a portion of the net proceeds from the sale of HOS) borrowings under our revolving credit facility and commercial paper programs and issuances of long-term debt and equity. We may not be able to access our revolving credit facility or the commercial paper, long-term debt and equity capital markets, when necessary or desirable to fund capital improvements on favorable terms or at all. If we are not able to obtain sufficient financing, we may be unable to maintain our existing property, plant and equipment, fund our capital investment strategies or expand our rate base to enable us to meet our growth targets. Even with adequate financial resources to make required capital expenditures, we face the additional risk that we will not complete our major capital projects on time, as a result of supply chain interruptions, construction delays, permitting delays, labor shortages or other disruptions, environmental restrictions, legal and regulatory challenges, or other obstacles. Each of these outcomes could adversely affect our business, financial condition, results of operations and cash flows.

Aging infrastructure may lead to service disruptions, property damage and increased capital expenditures and O&M expenses and other costs, all of which could negatively impact our financial results.

We have risks associated with aging infrastructure, including water and sewer mains, pumping stations and water and wastewater treatment facilities. Additionally, we may have limited information regarding buried and newly acquired assets, which could challenge our ability to conduct efficient asset management and maintenance practices. Assets that have aged beyond their expected useful lives may experience a higher rate of failure. Failure of aging infrastructure could result in increased capital expenditures and O&M expenses and other costs, and negatively impact our future O&M efficiency ratio. In addition, failure of aging infrastructure may result in property damage, and in safety, environmental and public health impacts. To the extent that any increased costs or expenditures are not fully recovered in rates, our results of operations, liquidity and cash flows could be negatively impacted.

Seasonality could adversely affect the volume of water sold and our revenues.

The volume of water we sell during the warmer months, typically in the summer, is generally greater than during other months, due primarily to increased water usage for irrigation systems, swimming pools, cooling systems and other applications. Throughout the year, and particularly during typically warmer months, the volume of water sold tends to vary with temperature, rainfall levels and rainfall frequency. In the event that temperatures during the typically warmer months are cooler than normal, or if there is more rainfall than normal, the amount of water we sell may decrease and adversely affect our revenues.

Two of our jurisdictions, California and Illinois, currently have revenue stability mechanisms that permit us to recover the revenues authorized in a general rate case, regardless of sales volume. Revenue stability mechanisms are designed to recognize declining sales resulting from reduced consumption, while providing an incentive for customers to use water more efficiently. In those jurisdictions that have not adopted a revenue stability mechanism, our operating results could continue to be affected by seasonality.

Contamination of water supplies or our water service provided to our customers could result in service limitations and interruptions and exposure to substances not typically found in potable water supplies, and could subject us and our subsidiaries to reductions in usage and other responsive obligations, government enforcement actions, damage to our reputation and private litigation.

The water supplies that flow into our treatment plants or are delivered through our distribution system, or the water service that is provided to our customers, may be subject to contamination, including, among other items, contamination from naturally-occurring compounds, chemicals in groundwater systems, pollution resulting from manufactured sources (such as perchlorate, perfluorinated and polyfluorinated compounds, methyl tertiary butyl ether, 1,4-dioxane, lead and other materials, or chemical spills or other incidents that result in contaminants entering the water source), and possible terrorist attacks or other similar incidents. In addition, new categories of contaminants continue to emerge in the water industry. If one of our water supplies or the water service provided to our customers is contaminated, depending on the nature of the contamination, we may have to take responsive actions that could include, among other things (1) limiting use of the water supply under a “Do Not Use” protective order that enables continuation of basic sanitation and essential fire protection, or (2) interrupting the use of that water supply, in whole or in part, potentially impacting basic sanitation and fire protection needs. If service is disrupted, our financial condition, results of operations, cash flows, liquidity and reputation may be adversely affected. In addition, we may incur significant costs in order to treat the contaminated source through the expansion of our current treatment facilities or the development of new sources of supply or new treatment methods. We may be unable to recover costs associated with treating or decontaminating water supplies through insurance, customer rates, tariffs or contract terms, and any recovery of these costs that we are able to obtain through regulatory proceedings or otherwise may not occur in a timely manner. Moreover, we could be subject to claims for damages arising from government enforcement actions or toxic tort or other lawsuits arising out of an interruption of service or human exposure to hazardous substances in our drinking water and water supplies. See Item 3—Legal Proceedings for information on certain pending lawsuits related to interruptions of water service.

Since we are engaged in the business of providing water service to our customers, contamination of the water supply, or the water service provided to our customers, could result in substantial injury or damage to our customers, employees or others and we could be exposed to substantial claims and litigation. Such claims could relate to, among other things, personal injury, loss of life, business interruption, property damage, pollution, and environmental damage and may be brought by our customers or third parties. Litigation and regulatory proceedings are subject to inherent uncertainties and unfavorable rulings can and do occur. We may not be protected from these claims or negative impacts of these claims in whole or in part by tariffs or other contract terms. Negative impacts to our reputation may occur even if we are not liable for any contamination or other environmental damage or the consequences arising out of human exposure to contamination or hazardous substances within the water supply or distributed finished drinking water. In addition, insurance coverage may not cover all or a portion of these losses, and are subject to deductibles and other limitations. Pending or future claims against us could have a material adverse impact on our business, financial condition, results of operations and cash flows.

We are subject to adverse publicity and reputational risks, which make us vulnerable to negative customer perception and could lead to increased regulatory oversight or sanctions.

Our business and operations have a large direct and indirect customer base and, as a result, we are exposed to public criticism regarding, among other things, the reliability of water service, wastewater and related or ancillary services, the quality of water provided, and the amount, timeliness, content, accuracy and format of bills that are provided for such services. Adverse publicity and negative consumer sentiment arising out of our operations may render legislatures and other governing bodies, state PUCs and other regulatory authorities, and government officials less likely to view us in a favorable light, and may cause us to be susceptible to less favorable legislative, regulatory and economic outcomes, as well as increased regulatory or other oversight and more stringent regulatory or economic requirements. Unfavorable regulatory and economic outcomes may include the enactment of more stringent laws and regulations governing our operations and less favorable economic terms in our agreements related to MSG, as well as fines, penalties or other sanctions or requirements. The imposition of any of the foregoing could have a material negative impact on us and our financial condition, results of operations and cash flows.

The failure of, or the requirement to repair, upgrade or dismantle, any of our dams may adversely affect our financial condition, results of operations, cash flows and liquidity.

The properties of our Regulated Businesses segment include 73 dams, the majority of which are earthen dams. The failure of any of these dams could result in personal injury and property damage, including without limitation downstream property damage, for which we may be liable. The failure of a dam would also adversely affect our ability to supply water in sufficient quantities to our customers and could adversely affect our financial condition and results of operations. Any losses or liabilities incurred due to a failure of one of our dams might not be covered by insurance policies or be recoverable in rates, and such losses may make it difficult for us to secure insurance at acceptable rates in the future.

We also are required from time to time to decommission, repair or upgrade the dams that we own. The cost of such repairs or upgrades can be and has been material. The federal and state agencies that regulate our operations may adopt rules and regulations requiring us to dismantle our dams, which also could entail material costs. Although in most cases the PUC has permitted recovery of expenses and capital investment related to dam rehabilitation, we might not be able to recover costs of repairs, upgrades or dismantling through rates in the future. The inability to recover these costs or delayed recovery of the costs as a result of regulatory lag can affect our financial condition, results of operations, cash flows and liquidity.

Any failure of our network of water and wastewater pipes, water mains and water reservoirs could result in losses and damages that may affect our financial condition and reputation.

Our operating subsidiaries distribute water and collect wastewater through an extensive network of pipes, water mains and storage systems located across the United States. A failure of major pipes, mains or reservoirs could result in injuries, property and other damage for which we may be liable. The failure of major pipes, mains and reservoirs may also result in the need to shut down some facilities or parts of our network in order to conduct repairs. Such failures and shutdowns may limit our ability to supply water in sufficient quantities to our customers and to meet the water and wastewater delivery requirements prescribed by government regulators, including state PUCs with jurisdiction over our operations, and adversely affect our financial condition, results of operations, cash flows, liquidity and reputation. Any business interruption or other losses might not be covered by insurance policies or be recoverable in rates, and such losses may make it difficult for us to secure insurance at acceptable rates in the future. Moreover, to the extent such business interruptions or other losses are not covered by insurance, they may not be recovered through rate adjustments.

An important part of our growth strategy is the acquisition of water and wastewater systems, which involves risks, including competition for acquisition opportunities from other regulated utilities, governmental entities and other buyers, which may hinder or limit our ability to grow our business.

An important element of our growth strategy is the acquisition and optimization of water and wastewater systems in order to broaden our current, and move into new, service areas. We may not be able to acquire other systems or businesses if we cannot identify suitable acquisition opportunities or reach mutually agreeable terms with acquisition candidates, and whether or not any particular acquisition is successfully completed, these activities are expensive and time consuming and are subject to the availability of capital and personnel resources to complete such acquisitions.

Further, competition for acquisition opportunities from other regulated utilities, governmental entities and other strategic and financial buyers may hinder our ability to expand our business. As consolidation activity increases in the water and wastewater industries and competition for acquisitions continues to increase, the prices for suitable acquisition candidates may increase and limit our ability to expand through acquisitions.

The negotiation and execution of potential acquisitions as well as the integration of acquired systems or businesses with our existing operations could require us to incur significant costs, cause diversion of our management's time and resources and have a material adverse impact on our results of operations. Future acquisitions by us could result in, among other things:

- unanticipated capital expenditures;
- unanticipated acquisition-related expenses;
- incurrence or assumption of debt, contingent liabilities and environmental liabilities and obligations, including liabilities that were unknown or undisclosed at the time of acquisition;
- failure to recover acquisition adjustments or premiums due to unfavorable decisions by PUCs and other governmental authorities;
- failure to maintain effective internal control over financial reporting;
- recording goodwill and other intangible assets at values that ultimately may be subject to impairment charges;
- fluctuations in quarterly and/or annual results;
- failure to realize anticipated benefits and synergies, such as cost savings and revenue enhancements; and
- difficulties in integrating or assimilating acquired systems' operations, personnel, benefits, services and systems and water quality, cybersecurity and infrastructure protection measures.

Some or all of these items could have a material adverse effect on our business. The systems and businesses we acquire in the future may not achieve anticipated revenue, return on equity or profitability, or other perceived synergies, and any difficulties we encounter in the integration process could interfere with our operations, reduce our net income and profitability or adversely affect our internal control over financial reporting.

Our Regulated Businesses are subject to condemnation and other proceedings through eminent domain or other similar authorized process, which could materially and adversely affect their results of operations and financial condition.

Municipalities and other government subdivisions have historically been involved in the provision of water and wastewater services in the United States, and organized efforts may arise from time to time in one or more of the service areas in which our Regulated Businesses operate to convert our assets to public ownership and operation through exercise of the governmental power of eminent domain, or another similar authorized process. A municipality, other government subdivision or a citizen group may seek to acquire our assets through eminent domain or such other process, either directly or indirectly as a result of a citizen petition.

For example, in November 2018, Monterey, California ballot Measure J, which was added by a citizens group, was certified as having been approved by a public vote, requiring the MPWMD to conduct a study and submit a written plan concerning the feasibility of a potential purchase of the Monterey system assets without an additional public vote. The public vote led to the issuance by the MPWMD of (i) a preliminary report finding, among other things, that the acquisition of the Monterey system assets by the MPWMD would be economically feasible, and (ii) a final environmental impact report analyzing the environmental impacts of such an acquisition through the power of eminent domain. See Item 1—Business—Regulated Businesses—Condemnation and Eminent Domain and Item 3—Legal Proceedings—Proposed Acquisition of Monterey System Assets — Local Area Formation Commission Litigation, which includes additional information regarding these matters.

Furthermore, the law in certain jurisdictions in which our Regulated Businesses operate provides for eminent domain rights allowing private property owners to file a lawsuit to seek just compensation against a public utility, if the public utility's infrastructure has been determined to be a substantial cause of damage to that property. In these actions, the plaintiff would not have to prove that the public utility acted negligently. In California, lawsuits have been filed in connection with large-scale natural events such as wildfires. Some of these lawsuits have included allegations that infrastructure of certain utilities triggered the natural event that resulted in damage to the property. In some cases, the PUC has disallowed recovery in rates of losses incurred by these utilities as a result of such lawsuits.

Contesting an exercise of condemnation, eminent domain or other similar process, or responding to a citizen petition, may result in costly legal proceedings and may divert the attention of management. Moreover, our efforts to resist the condemnation, eminent domain or other process may not be successful, which may require us to sell the operations at issue in a condemnation proceeding or to pay a private property owner compensation for the property damage suffered. If a municipality or other government subdivision succeeds in acquiring the assets of one or more of our Regulated Businesses through eminent domain or other process, there is a risk that we will not receive adequate compensation for the business, that we will not be able to keep the compensation, or that we will not be able to divest the business without incurring significant charges. Any of these outcomes may have a material adverse effect on our business, results of operations, financial condition, cash flows and liquidity.

We may be subject to physical and cyber attacks.

As operators of critical infrastructure, we may face a heightened risk of physical and cyber attacks from internal or external sources. Our water and wastewater systems may be vulnerable to disability or failures as a result of physical or cyber attacks, acts of

war or terrorism, vandalism or other causes. Our operational and technology systems throughout our businesses may be vulnerable to unauthorized external or internal access, due to hacking, viruses, acts of violence, war or terrorism, and other causes. Unauthorized access to confidential information located or stored on these systems could negatively and materially impact our reputation, customers, employees, suppliers and other third parties. Further, third parties, including vendors, suppliers and contractors, who perform certain services for us or administer and maintain our sensitive information, could also be targets of cyber attacks and unauthorized access to their operational or technology systems. While we have instituted safeguards to protect our operational and technology systems, those safeguards may not always be effective due to the evolving nature of cyber attacks and cyber vulnerabilities. We cannot guarantee that such protections will be completely successful in the event of a cyber attack.

If, despite our security measures, a significant physical attack or cyber breach occurred, our operations could be disrupted, property damaged, and customer and other confidential information lost or stolen; we could experience substantial loss of revenues, response costs and other financial loss; we could suffer a loss of management time, attention and resources from our regular business operations; we may be subject to increased regulatory requirements; and we may experience litigation and damage to our reputation, any of which could have a negative impact on our business, results of operations and cash flows. Experiencing a physical or cyber security incident could also cause us to be non-compliant with applicable laws and regulations or contracts that require us to report cybersecurity incidents or breaches or securely maintain confidential data, causing us to incur costs related to legal claims or proceedings and regulatory fines or penalties. These types of events, either impacting our facilities or the industry in general, could also cause us to incur additional security and insurance related costs. In addition, in the ordinary course of business, we collect and retain sensitive information, including personally identifiable information, about our customers and employees. In many cases, we outsource administration of certain functions to vendors that have been and will continue to be targets of cyber attacks. Any theft, loss or fraudulent use of customer, employee or proprietary data as a result of a cyber attack on us or a vendor could also subject us to significant litigation, liability and costs, as well as adversely impact our reputation with customers and regulators, among others.

We have obtained insurance to provide coverage for a portion of the losses and damages that may result from a physical attack, cyber attack or a security breach, but such insurance is subject to a number of exclusions and may not cover the total loss or damage caused by an attack or a breach. Furthermore, the market for cybersecurity insurance is relatively new and coverage available for cybersecurity events will likely evolve as the industry matures. In the future, adequate insurance may not be available at rates that we believe are reasonable, and the costs of responding to and recovering from a physical attack, cyber attack or security breach incident may not be covered by insurance or recoverable in rates.

Our business is subject to complex and evolving federal, state and local laws and regulations regarding consumer privacy and the protection or transfer of data relating to individuals, which could result in, among other things, public disclosure of incidents, private or governmental claims or litigation against us, changes to our business practices, monetary penalties, reputational harm and increased cost of operations.

Laws and regulations are changing and increasing rapidly with respect to data and consumer privacy, security and protection. We are subject to an increasing number of complex and continually evolving data and consumer privacy, security and protection laws and regulations administered by various federal, state and local governments, including, for example, the California Consumer Privacy Act of 2018, together with its amendments and implementing regulations, the Virginia Consumer Data Protection Act and the Cyber Incident Reporting for Critical Infrastructure Act of 2022. New laws and regulations may require us to disclose incidents to authorities, regulators and/or the public, when we otherwise may not have been required to disclose such incidents under previous laws and regulations, and such disclosures could negatively and materially impact our reputation, customers, employees, suppliers and other third parties. Federal and state governments have also adopted or are proposing other limitations on, or requirements regarding, the collection, distribution, use, security and storage of personally identifiable information. In addition, the Federal Trade Commission and state attorneys general are applying federal and state consumer protection laws to impose standards on the collection, use and dissemination of data. Moreover, we expect that current laws, regulations and industry standards concerning privacy, data protection and information security in the United States will continue to evolve and increase, and we cannot determine the impact that compliance with such future laws, regulations or standards will have on us or on our business. Any failure or perceived failure by us to comply with current or future federal, state, or local data or consumer privacy or security laws, regulations, policies, guidance, industry standards, or legal obligations, or any incident resulting in unauthorized access to, or the acquisition, release, or transfer of, personally identifiable information or other data relating to our customers, employees and others, may result in private or governmental enforcement actions, litigation or other claims against us, fines and penalties, or adverse perception or publicity about us and our businesses, which could have a material adverse effect on our reputation and business and could result in us incurring substantial costs. These events could also require us to change our business practices, and the events or such changes may result in significant diversions of resources, distract management and divert the focus and attention of our security and technical personnel from other critical activities. Any of the foregoing consequences could have a material adverse effect on our business, financial

condition, results of operations, cash flows and liquidity.

We may sustain losses that exceed or are excluded from our insurance coverage or for which we are self-insured.

We maintain insurance coverage, some of which may be self-insured, as part of our overall legal and risk management strategy to minimize potential liabilities arising from our Regulated Businesses, as well as the operations of MSG and CSG. Our insurance programs have varying coverage limits, exclusions and maximums, and insurance companies may seek to deny claims we might make. Generally, our insurance policies cover property damage, worker's compensation, employer's liability, general liability, cybersecurity, terrorism risks and automobile liability. Each policy includes deductibles or self-insured retentions and policy limits for covered claims. As a result, we may sustain losses that exceed or that are excluded from our insurance coverage, or for which we are self-insured and must therefore utilize our own financial resources to cover such losses. Although in the past we have been generally able to obtain insurance coverage related to our business, there can be no assurance that we can secure all necessary or appropriate insurance in the future, or that such insurance can be economically secured. For example, catastrophic events can result in decreased coverage limits, more limited coverage, increased premium costs or deductibles.

We rely on technology to facilitate the management of our business as well as our customer and supplier relationships, and a failure or disruption of implemented technology could materially and adversely affect our business.

Technology is an integral part of our business and operations, and any failure or disruption of the technology or related systems we implement could significantly limit our ability to manage and operate our business effectively and efficiently, which, in turn, could cause our business and competitive position to suffer and adversely affect our results of operations. We use technology systems to, among other things, bill customers, process orders, provide customer service, manage certain plant operations and construction projects, create and manage our financial records and other operational data, track assets, remotely monitor our plants and facilities, and manage human resources, supply chain, inventory, and accounts receivable collections. As a specific example, we depend on water meters to record and communicate the amount of water our customers use, which information in turn is used to generate customer bills, and in recent years, we have experienced greater than expected performance failures with certain water meters used in the Regulated Businesses. When failures occur, we work with meter manufacturers to determine and address the cause of such failures. While these and other failures that we have experienced have not to date had a material adverse effect on our operations, there can be no assurance that efforts to address performance failures or other issues we may experience with water meters or other implemented technology will be successful in the future and that these or future failures of water meters or other technological issues will not have a material adverse effect on us.

Although we do not believe that the technology we have implemented or may in the future implement is at a materially greater risk of failure than that used by other similar organizations, our technology and operations that use or rely on technology remain vulnerable to damage or interruption from, among other things: failure or interruption of the technology or its related systems; loss or failure of power, internet, telecommunications or data network systems; and operator error or improper operation by, the negligent or improper supervision of, or the intentional acts of, employees, contractors and other third parties. Any or all of these events could have a material adverse impact on our business, results of operations, financial condition and cash flows.

An inability to successfully develop and implement new technologies poses substantial risks to our business and operational excellence strategies, which could have a material adverse effect on our business and financial results.

A significant part of our long-term strategic plan focuses on safety, operational excellence, cost and expense efficiency (including O&M expense efficiency), water quality and affordability, asset and capital management and the customer experience. For example, we have made and plan to continue to make significant investments in developing, deploying, integrating and maintaining customer-facing technologies, applications to support field service and customer service operations, water source sensor and evaluation technologies, meter data management and analytics, and intelligent automation technologies. There can be no assurance that we will be successful in designing, developing, deploying, integrating or maintaining these new technologies. Because these efforts can be long-term in nature, these new technologies may be more costly or time-consuming than expected to design, develop, integrate and complete and may not ultimately deliver the expected or desired benefits upon completion. While we have and will continue to seek to recover costs and earn a return on capital expenditures with respect to the costs and expenses of development and deployment of these new technologies in our Regulated Businesses, there can be no assurance that we will be able to do so in every instance or at all, and our inability to do so may adversely affect our ability to achieve intended cost and expense, including O&M expense, efficiencies or other key performance results and, ultimately, could materially and adversely impact our business, financial condition, results of operations and cash flows.

Our inability to efficiently upgrade and improve our operational and technology systems, or implement new systems, could result in higher than expected costs or otherwise adversely impact our internal controls environment, operations and profitability.

Upgrades and improvements to computer systems and networks, or the implementation of new systems, may require substantial amounts of management's time and financial resources to complete, and may also result in system or network defects or operational errors due to multiple factors, including employees' ability to effectively use the new or upgraded system. We continue to implement technology to improve our business processes and customer interactions, and have installed new, and upgraded existing, technology

systems. Any technical or other difficulties in upgrading and improving existing or implementing new technology systems may increase costs beyond those anticipated and have an adverse or disruptive effect on our operations and reporting processes, including our internal control over financial reporting. We may also experience difficulties integrating current systems with new or upgraded systems, which may impact our ability to serve our customers effectively or efficiently. Although we make efforts to minimize any adverse impact on our controls, business and operations, we cannot assure that all such impacts have been or will be mitigated, and any such impacts could harm our business (individually or collectively) and have a material adverse effect on our results of operations, financial condition and cash flows.

Disruptions in our supply chain related to goods, such as pipe, chemicals, power and other fuel, equipment, water and other raw materials, and services, could adversely impact our operations and our ability to serve our customers, as well as our financial results.

Our ability to serve our customers and operate our business in compliance with regulatory requirements is dependent upon purchasing or securing necessary goods and services from our suppliers and vendors. These items include but are not limited to contracted services, chemicals, pipe, valves, hydrants, fittings, equipment (including personal protective equipment), water, and power and other fuel. Examples of supply chain disruptions include reduced quantities of goods available in the marketplace, delays in manufacturing or shipping goods, labor shortages at our suppliers or vendors, natural or other disasters and operational impacts to some of our suppliers or vendors. Disruptions in our supply chain related to goods and services have occurred and we anticipate will continue to occur into the foreseeable future. For example, a recent fire at a plant owned by the sole supplier of permanganate in the Western Hemisphere has severely limited the U.S. supply of potassium and sodium permanganate, two chemicals used by water utilities to treat water. The Company is seeking to utilize alternative methods of treatment and to manage its existing supplies of permanganate, but any inability to source sufficient quantities of these chemicals or utilize alternative chemicals may have a material adverse effect on the Company's ability to comply with applicable environmental and regulatory requirements.

Supply chain disruptions may cause us to be unable to purchase or otherwise obtain needed goods or services at a reasonable price or at all, and may significantly increase the price of goods and services we may obtain from suppliers and vendors. This, in turn, may adversely impact our operations and our ability to serve our customers in compliance with regulatory requirements, as well as our associated results of operations, cash flows and financial condition. While we attempt to plan for and have contingencies in place to address supply chain disruptions, our mitigation efforts may not be successful or may have further negative impacts on us.

Our business has inherently dangerous work sites. If we fail to maintain safe work sites, we may experience workforce or customer injuries or loss of life, and be exposed to financial losses, including penalties and other liabilities.

Safety is a core value and a strategy at American Water. Our safety performance and progress to our ultimate desired goal of zero injuries are critical to our ability to carry out our operations effectively and to serve our customers, and thereby, to support our reputation. We maintain health and safety practices to protect our employees, customers, contractors, vendors and the public. Eliminating all hazards all of the time is extremely challenging, but through strict adherence to our health and safety practices, and empowering employees to be safety leaders who are instructed to and expected to stop work if deemed "unsafe," we believe we can achieve an injury-free workplace.

At our business sites, including construction and maintenance sites, our employees, contractors and others are often in close proximity to large mechanical operating equipment, moving vehicles, pressurized water, electric and gas utility lines, below grade trenches and vaults, electrical and pneumatic hazards, fall from height hazards, suspended loads, hazardous chemicals and other regulated materials. On many sites, we are responsible for safety and, accordingly, must implement important safety procedures and practices above governmental regulatory requirements. As an essential business that provides water and wastewater services, we are focused on the health and safety of our employees, contractors, vendors, customers and others who work at or visit our worksites. If the procedures we implement are ineffective or are not followed by our employees or others, or we fail to implement procedures, our employees, contractors and others may experience illness, or minor, serious or fatal injuries. Unsafe work sites have the potential to increase employee turnover, expose us to litigation and raise our operating costs. Any of the foregoing could result in financial losses, which could have a material adverse impact on our business, financial condition, results of operations and cash flows.

In addition, our operations can involve the delivery, handling, storage, use and disposal of hazardous chemicals, which, if improperly delivered, handled, stored, used or disposed of, could result in serious injury, death, environmental damage or property damage, and could subject us to penalties or other liabilities. We are also subject to various environmental, transportation and occupational health and safety regulations. Although we maintain functional employee groups whose primary purpose is to implement effective environmental health and safety work procedures and practices throughout our organization, including construction sites and operating facilities, the failure to comply with these regulations or procedures could subject us to liability.

Work stoppages and other labor relations matters could adversely affect our results of operations and the ability to serve our customers.

As of December 31, 2022, approximately 47% of our workforce was represented by unions, and we had 75 collective bargaining agreements in place with 14 different unions representing our unionized employees. These collective bargaining agreements, 18 of which will expire during 2023, are subject to periodic renewal and renegotiation. We may not be able to successfully renew or renegotiate these labor contracts, or enter into new agreements, on terms that are acceptable to us. Any negotiations or dispute resolution processes undertaken in connection with our labor contracts could be delayed or affected by labor actions or work stoppages. Labor actions, work stoppages or the threat of work stoppages, and our failure to obtain favorable labor contract terms during renegotiations, may disrupt our operations, negatively impact the ability to serve our customers, and result in higher labor costs, which could adversely affect our reputation, financial condition, results of operations, cash flows and liquidity. While we have developed contingency plans to be implemented as necessary if a work stoppage or strike does occur, a strike or work stoppage may have a material adverse impact on our financial position, results of operations and cash flows.

Financial, Economic and Market-Related Risks

Our indebtedness could adversely affect our business and limit our ability to plan for or respond to changes in our business, and we may be unable to generate sufficient cash flows to satisfy our liquidity needs.

As of December 31, 2022, our aggregate long-term and short-term debt balance (including preferred stock with mandatory redemption requirements) was \$12.4 billion, and our working capital (defined as current assets less current liabilities) was in a deficit position. Our indebtedness could have important consequences, including:

- limiting our ability to obtain additional financing to fund future working capital requirements or capital expenditures;
- exposing us to interest rate risk with respect to the portion of our indebtedness that bears interest at variable rates;
- limiting our ability to pay dividends on our common stock or make payments in connection with our other obligations;
- impairing our access to the capital markets for debt and equity;
- requiring that an increasing portion of our cash flows from operations be dedicated to the payment of the principal and interest on our debt, thereby reducing funds available for future operations, dividends on our common stock or capital expenditures;
- limiting our ability to take advantage of significant business opportunities, such as acquisition opportunities, and to react to changes in market or industry conditions; and
- placing us at a competitive disadvantage compared to those of our competitors that have less debt.

During 2022, we utilized existing sources of liquidity, such as our current cash balances, cash flows from operations and borrowings under our commercial paper program, to meet our short-term liquidity requirements. We believe that existing sources of liquidity will be sufficient to meet our cash requirements for the foreseeable future. In order to meet our capital expenditure and other operational needs, however, we may be required to borrow additional funds under the revolving credit facility. In the event of a sustained market deterioration, we may need to obtain additional sources of liquidity, which would require us to evaluate available alternatives and take appropriate actions. Moreover, additional borrowings may be required to repay or refinance outstanding indebtedness. Debt maturities and sinking fund payments in 2023, 2024 and 2025 will be \$281 million, \$476 million and \$598 million, respectively. We can provide no assurance that we will be able to access the debt or equity capital markets on favorable terms, if at all, to repay or refinance this debt. Moreover, as new debt is added to our current debt levels, the related risks we now face could intensify, limiting our ability to repay or refinance existing debt on favorable terms.

We have in the past entered into, and in the future may enter into, financial derivative instruments, including without limitation, interest rate swaps, forward starting swaps and U.S. Treasury lock agreements. See Item 7A—Quantitative and Qualitative Disclosures About Market Risk. However, these efforts may not be effective to fully mitigate interest rate risk, and may expose us to other risks and uncertainties, including quarterly “mark to market” valuation risk associated with these instruments, that could negatively and materially affect our financial condition, results of operations and cash flows.

Our ability to pay our expenses and satisfy our debt service obligations depends in significant part on our future performance, which will be affected by the financial, business, economic, competitive, legislative (including tax initiatives and reforms, and other similar legislation or regulation), regulatory and other risk factors described in this section, many of which are beyond our control. If we do not have sufficient cash flows to pay the principal and interest on our outstanding debt, we may be required to refinance all or part of our existing debt, reduce capital investments, sell assets, borrow additional funds or sell additional equity. In addition, if our business does not generate sufficient cash flows from operations, or if we are unable to incur indebtedness sufficient to enable us to fund our liquidity needs, we may be unable to plan for or respond to changes in our business, which could cause our financial condition, operating results and prospects to be affected materially and adversely.

Our inability to access the debt or equity capital or financial markets or other events could affect our ability to meet our long-term commitments or liquidity needs at reasonable cost, which could adversely affect our financial condition and results of operations.

In addition to cash from operations, during 2022, we relied primarily on a revolving credit facility, which was increased from \$2.25 billion to \$2.75 billion in October 2022, a commercial paper program, which was increased from \$2.10 billion to \$2.60 billion in October 2022, and the debt capital markets, to satisfy our liquidity needs. The revolving credit facility currently expires in accordance with its terms in October 2027. Historically, we have regularly used our commercial paper program rather than the revolving credit facility as a principal source of short-term borrowing due to the generally more attractive rates we generally could obtain in the commercial paper market. As of December 31, 2022, there were no outstanding borrowings under the revolving credit facility, \$1,177 million of commercial paper outstanding and \$78 million in outstanding letters of credit. There can be no assurance that we will be able to continue to access this commercial paper program or revolving credit facility, when, as and if desired, or that the amount of capital available thereunder will be sufficient to meet all of our liquidity needs at a reasonable, or any, cost.

Our ability to comply with covenants in our revolving credit facility and our other consolidated indebtedness is subject to various risks and uncertainties, including events beyond our control. For example, under the terms of the revolving credit facility, our consolidated debt cannot exceed 70% of our consolidated capitalization, as determined under the terms of the facility. If our equity were to decline or debt were to increase to a level that causes us to exceed this limit, lenders under the facility would be entitled to refuse any further extension of credit and to declare all of the outstanding debt thereunder immediately due and payable. Events that could cause a reduction in equity include, without limitation, a significant write-down of our goodwill. To avoid such a default, a waiver or renegotiation of this covenant would be required, which would likely increase funding costs and could result in additional covenants that would restrict our operational and financing flexibility. Even if we are able to comply with this or other covenants, the limitations on our operational and financial flexibility could harm our business by, among other things, limiting our ability to incur indebtedness or reduce equity in connection with financings or other corporate opportunities that we may believe would be in our best interests or the interests of our shareholders to complete.

In order to meet our capital expenditure needs, we intend to issue a combination of short-term and long-term debt securities and/or additional equity shares of common stock. Disruptions in the debt or equity capital markets or changes in our credit ratings or other events could limit our ability to access capital on terms favorable to us or at all. While the lending banks that participate in the revolving credit facility have to date honored their commitments under those facilities, disruptions in the credit markets, changes in our credit ratings, or deterioration of the banking industry's financial condition could discourage or prevent lenders from meeting their existing lending commitments, extending the terms of such commitments, or agreeing to new commitments. In such a case, we may not be able to access the commercial paper, debt or equity capital markets, or other sources of potential liquidity, in the future on terms acceptable to us or at all. Furthermore, our inability to maintain, renew or replace commitments under our revolving credit facility could materially increase our cost of capital and adversely affect our financial condition, results of operations and liquidity. Short- or long-term disruptions or volatility in the debt or equity capital and credit markets as a result of economic, legislative, political or other uncertainties, including as a result of changes in U.S. tax and other laws, reduced financing alternatives, or failures of significant financial institutions could adversely affect our access to the capital necessary to provide adequate liquidity for our business. Significant volatility or disruptions in the debt or equity capital or credit markets, or financial institution failures, could require us to take measures to conserve cash until the market stabilizes or until alternative financing can be arranged. Such measures could include delaying or deferring capital expenditures, reducing or suspending dividend payments, and reducing other discretionary expenditures. Finally, even absent significant volatility or disruptions in the capital markets, there can be no assurance that we will be able to access markets to obtain capital or financing when necessary or desirable and on terms that are reasonable or acceptable to us.

The occurrence of any of these circumstances could expose us to increased interest or other expense, require us to institute cash or liquidity conservation measures or otherwise adversely and materially affect our business, financial condition, results of operations, cash flows and liquidity, which may limit or impair our ability to achieve our strategic, business and operational goals and objectives.

Parent company may be unable to meet its ongoing and future financial obligations and to pay dividends on its common stock if its subsidiaries are unable to pay upstream dividends or repay funds.

Parent company is a holding company and, as such, it has no substantive operations of its own. Substantially all of our consolidated assets are held by subsidiaries. Parent company's ability to meet its financial obligations and to pay dividends on its common stock is primarily dependent on the net income and cash flows of its subsidiaries and their ability to pay upstream dividends or repay indebtedness to parent company. Prior to paying dividends to parent company, our regulated subsidiaries must comply with applicable regulatory restrictions and financial obligations, including, for example, debt service and preferred and preference stock dividends, as well as applicable corporate, tax and other laws and regulations and agreements, and our covenants and other agreements. Our subsidiaries are separate legal entities and have no obligation to pay or upstream dividends to parent company. A failure or inability of any of these subsidiaries to pay such dividends or repay intercompany obligations could have a material adverse impact on our liquidity and parent company's ability to pay dividends on its common stock and meet its other obligations.

We have a significant amount of goodwill and intangible and other assets, and we may be required to record impairments or changes in fair value to these assets, which may negatively affect our financial condition and results of operations.

Our assets as of December 31, 2022 included \$1.1 billion of goodwill and \$347 million of total assets measured and recorded at fair value on a recurring basis. The goodwill is primarily associated with the acquisition of American Water by an affiliate of our previous owner in 2003. Goodwill represents the excess of the purchase price the purchaser paid over the fair value of the net tangible and other intangible assets acquired. Goodwill is recorded at fair value on the date of an acquisition and is reviewed annually or more frequently if changes in circumstances indicate the carrying value may not be recoverable. As required by the applicable accounting rules, in the past, we have taken significant non-cash charges to operating results for impairments to goodwill or other intangible assets, and have recorded changes in fair value of financial instruments and other assets. We may be required to recognize in the future an impairment of goodwill or a change in fair value of financial instruments or certain other assets due to market conditions, other factors related to our performance or the performance of an acquired business, or other circumstances that may impact the fair value of a financial instrument or the other asset. See Note 18—Fair Value of Financial Information in the Notes to the Consolidated Financial Statements for information on the fair value of financial and other assets. These market conditions could include a decline over a period of time of our stock price, a decline over a period of time in valuation multiples of comparable water utilities, market price performance of our common stock that compares unfavorably to our peer companies, decreases in control premiums, or other circumstances. A decline in the results forecasted in our business plan due to events such as changes in rate case results, capital investment budgets or interest rates, could also result in an impairment charge. Recognition of impairments of goodwill and changes in fair value of certain of our other assets would result in a charge to income in the period in which the impairment or change occurred, which may negatively affect our financial condition, results of operations and total capitalization. The effects of any such impairment or change could be material and could make it more difficult to maintain our credit ratings, secure financing on attractive terms, maintain compliance with debt covenants and meet the expectations of our regulators.

Market volatility and other conditions may impact the value of benefit plan assets and liabilities, as well as assumptions related to the benefit plans, which may require us to provide significant additional funding.

The performance of the capital markets affects the values of the assets that are held in trust to satisfy significant future obligations under our pension and postretirement benefit plans. The value of these assets is subject to market fluctuations and volatility, which may cause investment returns to fall below our projected return rates. A decline in the market value of our pension and postretirement benefit plan assets as of the measurement date or a change in the projection of the future return on plan assets can increase the funding requirements under our pension and postretirement benefit plans. Additionally, our pension and postretirement benefit plan liabilities are sensitive to changes in interest rates. Interest rates have experienced volatility and are subject to potential further adjustments based on the actions of the U.S. Federal Reserve, and others. If interest rates are lower at the current measurement date than the prior measurement date, our liabilities would increase, potentially increasing benefit expense and funding requirements. Further, changes in assumptions, such as increases in life expectancy assumptions and increasing trends in health care costs may also increase our funding requirements. Future increases in pension and other postretirement costs as a result of reduced plan assets may not be fully recoverable in rates, in which case our results of operations and financial position could be negatively affected. In addition, market factors can affect assumptions we use in determining funding requirements with respect to our pension and postretirement plans. For example, a relatively modest change in our assumptions regarding discount rates can materially affect our calculation of funding requirements. To the extent that the discount rate used in our assumptions is reduced, our benefit obligations could be materially increased, which could adversely affect our financial position, results of operations and cash flows.

Additional Risks Related to Other Businesses

Parent company provides performance guarantees with respect to certain of the obligations of our Other businesses, including financial guarantees or deposits, which may adversely affect parent company if the guarantees are successfully enforced.

Under the terms of certain agreements under which our Other businesses, primarily MSG, provide water and wastewater services to municipalities and federal governmental entities, parent company provides guarantees of specified performance obligations, including financial guarantees or deposits. In the event these obligations are not performed, the entity holding the guarantees may seek to enforce the performance commitments against parent company or proceed against the deposit. In that event, our financial condition, results of operations, cash flows and liquidity could be adversely affected. At December 31, 2022, we had remaining performance commitments, as measured by remaining contract revenue, totaling approximately \$6.9 billion related to MSG's contracts, and this amount is likely to increase if the number of military bases served by MSG increases. The presence of these commitments may adversely affect our financial condition and make it more difficult for us to secure financing on attractive terms.

MSG's operations are subject to various risks associated with doing business with the U.S. government.

MSG enters into contracts with the U.S. government for the operation and maintenance of water and wastewater systems, which contracts may be terminated, in whole or in part, prior to the end of the 50-year term for convenience of the U.S. government or as a result of default or non-performance by the subsidiary performing the contract. In addition, the contract price for each of these military contracts is typically subject to either an annual economic price adjustment, or a price redetermination two years after commencement

of operations and every three years thereafter. Annual economic price adjustment is an inflation index-based contract price increase mechanism. Price redetermination is a contract mechanism to periodically adjust the service fee in the next period to reflect changes in contract obligations and market conditions. Any early contract termination or unfavorable annual economic price adjustment or price redetermination could adversely affect our financial condition, results of operations and cash flows. Moreover, entering into contracts with the U.S. government subjects us to a number of operational and compliance risks, including dependence on the level of government spending and compliance with and changes in governmental procurement and security regulations. We are subject to potential government investigations of our business practices and compliance with government procurement and security regulations, which are complex, and compliance with these regulations can be expensive and burdensome. If we were charged with wrongdoing as a result of an investigation, we could be suspended or debarred from bidding on or receiving awards of new contracts with the U.S. government or our existing contracts could be terminated, which could have a material adverse effect on our results of operations and cash flows.

General Risk Factors

New accounting standards or changes to existing accounting standards could materially impact how we report our results of operations, cash flows and financial condition.

Our Consolidated Financial Statements are prepared in accordance with GAAP. The SEC, the Financial Accounting Standards Board or other authoritative bodies or governmental entities may issue new pronouncements or new interpretations of existing accounting standards that may require us to change our accounting policies or critical accounting estimates. These changes are beyond our control, can be difficult to predict and could materially impact how we report our results of operations, cash flows and financial condition. We could be required to apply a new or revised standard retroactively, which could also adversely affect our previously reported results of operations, cash flows and financial condition.

Undetected errors in internal controls and information reporting could result in the disallowance of cost recovery and noncompliant disclosure.

Our internal controls, accounting policies and practices and internal information systems are designed to enable us to capture and process transactions and information in a timely and accurate manner in compliance with GAAP, taxation requirements, federal securities laws and regulations and other laws and regulations applicable to us. We have also implemented corporate governance, internal control and accounting policies and procedures in connection with the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act") and relevant SEC rules, as well as other applicable regulations. Such internal controls and policies have been and continue to be closely monitored by our management and Board of Directors to ensure continued compliance with these laws, rules and regulations. Management is also responsible for establishing and maintaining internal control over financial reporting and is required to assess annually the effectiveness of these controls. While we believe these controls, policies, practices and systems are adequate to verify data integrity, unanticipated or unauthorized actions of employees or temporary lapses in internal controls due to shortfalls in oversight or resource constraints could lead to undetected errors that could result in the disallowance of cost recovery and non-compliant disclosure and reporting. The consequences of these events could have a negative impact on our results of operations, cash flows and financial condition. The inability of management to certify as to the effectiveness of these controls due to the identification of one or more material weaknesses in these controls could also harm our reputation, increase financing costs or adversely affect our ability to access the capital markets.

Our continued success is dependent upon our ability to attract, hire and retain highly qualified, skilled and/or diverse talent.

The success of our business is dependent upon our ability to attract, hire and retain highly qualified, skilled and/or diverse talent, including engineers, licensed operators, water quality and management professionals who have the desired experience and expertise. Similar to other organizations, the Company may have challenges implementing its human capital management and employee succession plans to attract and retain such talent based on a number of factors including, among others, market conditions, retirements and geography. If we are unable to meet these human capital resource challenges, our business, financial condition, results of operations and cash flows may be materially and adversely impacted.

Our business may be adversely affected by the intentional misconduct of our employees and contractors.

Our Code of Ethics requires employees and contractors to make decisions ethically and in compliance with applicable law and regulatory requirements, and our Code of Ethics and its underlying policies, practices and procedures. All employees are required to complete training on and review the Code of Ethics on an annual basis, and violations of the Code of Ethics could result in disciplinary actions up to, and including, termination. Despite these efforts to prevent misconduct, it is possible for employees or contractors to engage in intentional misconduct and violate laws and regulations through, among other things, theft, fraud, misappropriation, bribery, corruption and engaging in conflicts of interest or related person transactions, or otherwise committing serious breaches of our Code of Ethics and our policies, practices and procedures. Intentional misconduct by employees or contractors could result in substantial liability, higher costs, increased regulatory scrutiny and significant reputational harm, any of which could have a material adverse effect on our financial condition, results of operations and cash flows.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The Company's properties consist primarily of (i) water and wastewater treatment plants, (ii) mains and pipes used for transmission, distribution and collection of water and wastewater, (iii) wells and other sources of water supply, such as reservoirs, (iv) water and wastewater pumping stations, (v) meters and fire hydrants, (vi) general structures, including buildings, dams and treated water storage facilities, (vii) land and easements, (viii) vehicles, (ix) software rights, and (x) other equipment and facilities, the majority of which are used directly in the operation of its systems. Substantially all of the Company's properties are owned by its subsidiaries, with a large percentage subject to liens of its mortgage bonds. A wholly owned subsidiary of parent company owns the Company's corporate headquarters, located in Camden, New Jersey, and the Company and its operating subsidiaries lease office space, equipment and furniture from certain of the Company's wholly owned subsidiaries. These properties are utilized by the Company's directors, officers and staff in the conduct of the business.

The properties of the Company's Regulated Businesses consist mainly of approximately:

- 80 surface water treatment plants;
- 490 groundwater treatment plants;
- 175 wastewater treatment plants;
- 53,500 miles of transmission, distribution and collection mains and pipes;
- 1,100 groundwater wells;
- 1,700 water and wastewater pumping stations;
- 1,100 treated water storage facilities; and
- 73 dams.

The Company has ongoing infrastructure renewal programs in all states in which its Regulated Businesses operate. These programs consist of both the rehabilitation of existing mains and equipment, and the replacement of mains and equipment that have been damaged or have reached, or are near, the end of their useful service lives. The properties within Other consist mainly of office furniture and IT equipment. Approximately 51% of all properties that the Company owns are located in New Jersey and Pennsylvania.

The Company maintains property insurance against loss or damage to its properties by fire or other perils, subject to certain exceptions. For insured losses, the Company is self-insured to the extent that any losses are within the policy deductible or exceed the amount of insurance maintained.

The Company believes that its properties are generally maintained in good operating condition and in accordance with current standards of good water and wastewater industry practice.

ITEM 3. LEGAL PROCEEDINGS

Set forth below is information related to the Company's material pending legal proceedings as of February 15, 2023, other than ordinary routine litigation incidental to the business, required to be disclosed in this Annual Report on Form 10-K. The information below should be read together with Note 16—Commitments and Contingencies in the Notes to the Consolidated Financial Statements. In accordance with the SEC's disclosure rules, the Company has elected to disclose environmental proceedings involving the Company and a governmental authority if the amount of potential monetary sanctions, exclusive of interest and costs, that the Company reasonably believes will result from such proceeding is \$1 million or more.

Alternative Water Supply in Lieu of Carmel River Diversions***Compliance with SWRCB Orders to Reduce Carmel River Diversions***

Under the 2009 Order, Cal Am is required, among other things, to decrease significantly its yearly diversions of water from the Carmel River according to a set reduction schedule. See Item 1—Business—Regulated Businesses—Water Supply and Wastewater Services and Item 1A—Risk Factors. The 2009 Order responded to claims that Cal Am had not sufficiently implemented actions to terminate its unpermitted diversions of water from the Carmel River as required by the 1995 Order issued by the SWRCB. In July 2016, at the request of Cal Am and several Monterey County government agencies, the SWRCB issued the 2016 Order approving a deadline of December 31, 2021 for Cal Am's compliance with the 2009 Order.

The 2009 Order includes a condition prohibiting Cal Am from diverting water from the Carmel River for new service connections or for any increased use of water at existing service addresses resulting from a change in zoning or use. In 2011, the California Public Utilities Commission (the “CPUC”) issued a decision directing modifications in Cal Am’s tariffs to recognize the moratorium mandated by the 2009 Order, and directing Cal Am to seek written guidance from the SWRCB with respect to any unresolved issues of interpretation or implementation of this condition. In 2012, the Deputy Director of the SWRCB sent a letter to Cal Am providing an interpretation as to the calculation of a baseline to determine increases in use of water at existing service addresses. In March 2018, the MPWMD adopted a resolution directing Cal Am to interpret the baseline in a manner that conflicts with the SWRCB’s written interpretation. In May 2018, Cal Am notified the MPWMD and the SWRCB that it intends to seek declaratory relief concerning the conflicting regulatory interpretations under the 2009 Order. In an attempt to resolve these conflicting interpretations prior to seeking judicial intervention, Cal Am has met with the MPWMD and the SWRCB several times. The SWRCB agreed to circulate revisions to its 2012 interpretive letter, which would be subject to a public comment period. Any failure to follow the MPWMD’s resolution or the SWRCB’s written interpretation, despite these conflicting interpretations, could potentially result in fines, penalties and other actions against Cal Am.

Following issuance by the Coastal Commission in November 2022 of a coastal development permit, as described below, Cal Am continues to work constructively with all appropriate agencies to obtain the remaining required permits for the Water Supply Project. However, there can be no assurance that the Water Supply Project in its current configuration will be completed on a timely basis, if ever. For the year ended December 31, 2022, Cal Am has complied with the diversion limitations contained in the 2016 Order. Continued compliance with the diversion limitations in 2023 and future years may be impacted by a number of factors, including without limitation continued drought conditions in California and the exhaustion of water supply reserves, and will require successful development of alternate water supply sources sufficient to meet customer demand. The 2009 Order and the 2016 Order remain in effect until Cal Am certifies to the SWRCB, and the SWRCB concurs, that Cal Am has obtained a permanent supply of water to substitute for past unauthorized Carmel River diversions. While the Company cannot currently predict the likelihood or result of any adverse outcome associated with these matters, further attempts to comply with the 2009 Order and the 2016 Order in the future may result in material additional costs and obligations to Cal Am, including fines and penalties against Cal Am in the event of noncompliance with the 2009 Order and the 2016 Order.

Monterey Peninsula Water Supply Project

CPUC Final Approval of Water Supply Project

Cal Am’s ability to move forward on the Water Supply Project is and has been subject to extensive administrative review by the CPUC and other government agencies, obtaining necessary permits, and intervention from other parties. In 2016, the CPUC unanimously approved a final decision to authorize Cal Am to enter into a water purchase agreement for the GWR Project and to construct a pipeline and pump station facilities and recover up to the incurred \$50 million in associated costs plus AFUDC, subject to meeting certain criteria.

In 2018, the CPUC unanimously approved another final decision finding that the Water Supply Project meets the CPUC’s requirements for a CPCN and an additional procedural phase was not necessary to consider alternative projects. The CPUC’s 2018 decision concludes that the Water Supply Project is the best project to address estimated future water demands in Monterey, and, in addition to the cost recovery approved in its 2016 decision, adopts Cal Am’s cost estimates for the Water Supply Project, which amounted to an aggregate of \$279 million plus AFUDC at a rate representative of Cal Am’s actual financing costs. The 2018 final decision specifies the procedures for recovery of all of Cal Am’s prudently incurred costs associated with the Water Supply Project upon its completion, subject to the frameworks included in the final decision related to cost caps, O&M costs, financing, ratemaking and contingency matters. The reasonableness of the Water Supply Project costs will be reviewed by the CPUC when Cal Am seeks cost recovery for the Water Supply Project. Cal Am is also required to implement mitigation measures to avoid, minimize or offset significant environmental impacts from the construction and operation of the Water Supply Project and comply with a mitigation monitoring and reporting program, a reimbursement agreement for CPUC costs associated with that program, and reporting requirements on plant operations following placement of the Water Supply Project in service. Cal Am has incurred \$206 million in aggregate costs as of December 31, 2022, related to the Water Supply Project, which includes \$51 million in AFUDC.

In September 2021, Cal Am, Monterey One Water and the MPWMD reached an agreement on Cal Am’s purchase of additional water from an expansion to the GWR Project, which is not expected to produce additional water until 2024 at the earliest. The amended and restated water purchase agreement for the GWR Project expansion is subject to review and approval of the CPUC, and in November 2021, Cal Am filed an application with the CPUC that sought review and approval of the amended and restated water purchase agreement. Cal Am also requested rate base treatment of the additional capital investment for certain Cal Am facilities required to maximize the water supply from the expansion to the GWR Project and a related Aquifer Storage and Recovery Project, totaling approximately \$81 million. This requested amount was in addition to, and consistent in regulatory treatment with, the prior \$50 million of cost recovery for facilities associated with the original water purchase agreement, which was approved by the CPUC in its unanimous 2016 final decision.

On December 5, 2022, the CPUC issued a final decision that authorizes Cal Am to enter into the amended water purchase agreement, and specifically to increase pumping capacity and reliability of groundwater extraction from the Seaside Groundwater Basin. The final decision sets the cost cap for the proposed facilities at approximately \$62 million. Cal Am may seek recovery of amounts above the cost cap in a subsequent rate filing or general rate case. Additionally, the final decision authorizes AFUDC at Cal Am's actual weighted average cost of debt for most of the facilities.

On December 30, 2022, Cal Am filed with the CPUC an application for rehearing of the CPUC's December 5, 2022 final decision. Cal Am is requesting inclusion in the cost cap all infrastructure costs for the GWR Project expansion that were not included in the final decision. Cal Am believes that the December 5, 2022 final decision is contrary to the CPUC's precedent and that obtaining recovery of these infrastructure costs is a key component of the GWR Project expansion and Cal Am's ability to meet the future water supply needs of its customers in Monterey. This application remains pending.

While Cal Am believes that its expenditures to date have been prudent and necessary to comply with the 2009 Order and the 2016 Order, as well as the CPUC's 2016 and 2018 final decisions, Cal Am cannot currently predict its ability to recover all of its costs and expenses associated with the Water Supply Project and there can be no assurance that Cal Am will be able to recover all of such costs and expenses in excess of the \$112 million in aggregate construction costs, plus applicable AFUDC, previously approved by the CPUC in its 2016 and December 2022 final decisions. See Note 16—Commitments and Contingencies in the Notes to the Consolidated Financial Statements for further discussion.

Coastal Development Permit Application

In 2018, Cal Am submitted a coastal development permit application (the "Marina Application") to the City of Marina (the "City") for those project components of the Water Supply Project located within the City's coastal zone. Members of the City's Planning Commission, as well as City councilpersons, have publicly expressed opposition to the Water Supply Project. In May 2019, the City issued a notice of final local action based upon the denial by the Planning Commission of the Marina Application. Thereafter, Cal Am appealed this decision to the Coastal Commission, as permitted under the City's code and the California Coastal Act. At the same time, Cal Am submitted an application (the "Original Jurisdiction Application") to the Coastal Commission for a coastal development permit for those project components located within the Coastal Commission's original jurisdiction. After Coastal Commission staff issued reports recommending denial of the Original Jurisdiction Application, noting potential impacts on environmentally sensitive habitat areas and wetlands and possible disproportionate impacts to communities of concern, in September 2020, Cal Am withdrew the Original Jurisdiction Application in order to address the staff's environmental justice concerns. The withdrawal of the Original Jurisdiction Application did not impact Cal Am's appeal of the City's denial of the Marina Application, which remains pending before the Coastal Commission. In November 2020, Cal Am refiled the Original Jurisdiction Application.

On October 5, 2022, Cal Am announced a phasing plan for the proposed desalination plant component of the Water Supply Project. The desalination plant and slant wells originally approved by the CPUC would produce up to 6.4 million gallons of desalinated water per day. Under the phased approach, the facilities would initially be constructed to produce up to 4.8 million gallons per day of desalinated water, enough to meet anticipated demand through about 2030, and would limit the number of slant wells initially constructed. As demand increases in the future, desalination facilities would be expanded to meet the additional demand. The phased approach seeks to meet near-term demand by allowing for additional supply as it becomes needed, while also providing an opportunity for regional future public participation and was developed by Cal Am based on feedback received from the community.

On November 18, 2022, the Coastal Commission approved the Marina Application and the Original Jurisdiction Application with respect to the phased development of the proposed desalination plant, subject to compliance with a number of conditions, all of which Cal Am expects to satisfy. Cal Am continues to seek the remaining permits necessary to construct the Water Supply Project.

On December 29, 2022, the City, Marina Coast Water District ("MCWD"), MCWD's groundwater sustainability agency ("GSA"), and the MPWMD jointly filed a petition for writ of mandate in Monterey County Superior Court against the Coastal Commission, alleging that the Coastal Commission violated the California Coastal Act and the California Environmental Quality Act in issuing a coastal development permit to Cal Am for construction of the MPWSP slant wells. Cal Am is named as a real party in interest. This matter remains pending.

Subject to the impact or resolution of this litigation, construction of the desalination plant is expected to begin in 2024 and the desalination plant is estimated to be in-service by the end of 2027.

Desalination Plant Development Permit

The proposed desalination plant for the Water Supply Project is to be located in an unincorporated portion of Monterey County, California, on a site owned by CEMEX, Inc. ("CEMEX"), and requires a combined development permit from Monterey County prior to commencement of construction. In April 2019, Monterey County's Planning Commission voted to approve the permit. In July 2019, the Board of Supervisors heard appeals filed by MCWD and a public advocacy group, at which time it denied the appeals and

approved the permit. In August 2019, MCWD filed a petition in Monterey County Superior Court challenging Monterey County's approval of Cal Am's combined development permit application and seeking injunctive relief to enjoin Monterey County and Cal Am from commencing construction of the desalination plant. In October 2019, after a hearing, the court denied, without prejudice, MCWD's motion for a preliminary injunction, but issued a stay of Monterey County's approval of the combined development permit, precluding commencement of physical construction of the desalination plant, but allowing Cal Am to continue to obtain permits needed for the desalination plant's construction. In January 2021, the court issued its decision granting in part and denying in part MCWD's petition. The court found that Monterey County did not completely comply with all of the requirements necessary to approve the combined development permit and set aside its approval so that Monterey County could come into compliance. The court denied all of MCWD's other claims. The court also lifted its stay on physical construction at the plant site.

In May 2021, Cal Am filed a notice of appeal as to the Monterey County Superior Court's January 2021 decision, seeking to challenge the court's decision on Monterey County's statement of overriding considerations. Monterey County filed a notice of appeal as to the same issue in May 2021. In June 2021, MCWD filed cross-appeals on its claims that had been denied by the court. These appeals remain pending.

Proposed Zoning Changes at CEMEX Site for Slant Wells

In August 2018, the City circulated a public review draft of proposed amendments to its local coastal program and zoning ordinance, and placed the matter for consideration on the Planning Commission's agenda for its September 2018 meeting. The proposed amendments would change zoning at the CEMEX site to open space and restrict future uses, including with respect to Cal Am's planned use of the site for the slant wells for the Water Supply Project. Any change to the City's local coastal program must ultimately be approved by the Coastal Commission. Cal Am, CEMEX and the Coastal Commission each submitted letters opposing the proposed amendments. At its November 2018 meeting, the Planning Commission adopted a resolution recommending that the Marina City Council consider approving the amendments.

In December 2018, the Marina City Council considered the proposed amendments. Cal Am, CEMEX and the Coastal Commission again submitted letters opposing the proposed changes, but the City Council unanimously adopted a resolution amending its local coastal plan and a draft amendment to its zoning ordinance. Changes to the ordinance require a second reading before becoming final, which occurred at the City's December 2018 meeting. The changes to the local coastal plan must be submitted to the Coastal Commission for approval and are not effective until such approval is obtained.

Test Slant Well Permitting

A preliminary step to building the Water Supply Project desalination plant is the construction and operation of a test slant well to confirm the suitability of the property on which intake wells will be located to draw water from under Monterey Bay. In November 2014, the Coastal Commission approved coastal development permits for the test slant well, enabling Cal Am to construct and operate the test slant well. Effective February 28, 2018, test slant well pumping ceased, except for minimal maintenance pumping activities, in accordance with Cal Am's coastal development permits. Because Cal Am may use the test slant well as one of the slant wells for the Water Supply Project, Cal Am sought and obtained from the Coastal Commission permit amendments to allow the test slant well to remain in place and be maintained until February 28, 2024. A required lease obtained from the California State Lands Commission, as amended, expired on December 16, 2022. Cal Am has filed an applications for extension of the State Lands Commission lease. This application remains pending.

Water Supply Project Land Acquisition and Slant Well Site Use

In July 2017, the Coastal Commission adopted a consent agreement and cease and desist order requiring sand mining operations on the property owned by CEMEX on which intake wells for the Water Supply Project will be located, to cease by the end of 2020 and the property to be sold to either a non-profit or governmental entity. The consent agreement strictly limits future use of the property but preserves Cal Am's existing property rights and allows uses consistent with existing easements and other rights of record. A permanent easement granted by CEMEX to Cal Am was recorded in June 2018 to allow Cal Am access to the property and to construct, operate and maintain the Water Supply Project intake wells. In November 2019, the City notified CEMEX that, based on this permanent easement and Cal Am's proposed use of the site for the intake wells, CEMEX has breached or will soon breach a prior 1996 annexation agreement (to which Cal Am was not a party). The City states that it intends to seek declaratory relief from CEMEX and Cal Am ordering that Cal Am's extraction is limited to 500 acre-feet per year of groundwater, that Cal Am cannot export extracted water out of the basin, and that the permanent easement granted by CEMEX to Cal Am is void. CEMEX has denied the City's claims and requested indemnification from Cal Am under the terms of the permanent easement. Cal Am and CEMEX believe that there is no valid limitation under the annexation agreement on Cal Am's right to pump brackish groundwater and seawater at the site for desalination and use by Cal Am's customers.

In May 2020, the City filed a lawsuit in Monterey County Superior Court, naming Cal Am and CEMEX as defendants, and MCWRA and MCWD as real parties in interest. The lawsuit, as amended, alleges a claim for breach of contract against CEMEX and seeks declaratory relief to void the permanent easement and prohibiting extraction of water by Cal Am's slant wells at the CEMEX

site in excess of 500 acre-feet per year and the export of such water outside the groundwater basin. In November 2020, Cal Am, CEMEX and MCWRA filed demurrers, which were overruled by the court at a hearing held in February 2021.

In August 2020, MCWD filed a cross-complaint in the May 2020 lawsuit against Cal Am, CEMEX and MCWRA, alleging claims for specific performance of certain provisions of the 1996 annexation agreement related to the property owned by CEMEX on which intake wells for the Water Supply Project will be located, as well as claims of water rights, nuisance and unreasonable water use, and seeking additional declaratory relief. Following various rulings on demurrers filed by Cal Am, CEMEX and MCWRA, in February 2021, the court sustained, without leave to amend, the demurrer to MCWD's nuisance claim and overruled the remainder of the demurrers. In October 2021, the court granted a motion filed by Cal Am related to MCWD's cross-complaint, which motion requested a referral of certain issues related to MCWD's water rights and unreasonable use claims to the SWRCB for its expert advisory opinion. The SWRCB has scheduled hearings on the referred issues before its Administrative Hearing Officer, which took place in the fourth quarter of 2022 and are set to continue into early 2023. The Monterey County Superior Court has set a trial date of October 23, 2023, for the City's lawsuit.

Challenges Related to Compliance with California's Sustainable Groundwater Management Act

Under California's Sustainable Groundwater Management Act ("SGMA") enacted in 2015, groundwater basins designated by the state as critically overdrafted must be managed by a GSA by 2020 in accordance with an approved groundwater sustainability plan ("GSP") designed to achieve sustainability by 2040. Under the SGMA, GSAs have broad powers to achieve sustainability including, but not limited to, regulating groundwater extraction by imposing fees on groundwater extractions and controlling groundwater extractions by regulating, limiting or suspending extractions from wells. The 400-acre CEMEX site overlies a small portion of the 180/400 Subbasin of the Salinas Valley Groundwater Basin; the 84,000-acre 180/400 Subbasin has been designated by the state as critically overdrafted, mainly due to seawater intrusion into the subbasin.

In late 2016, the Salinas Valley Basin Groundwater Sustainability Agency (the "SVBGSA") was formed as a joint powers authority to become the GSA for the Salinas Valley Groundwater Basin and prepare a GSP. In April 2018, the City filed a notice to become the GSA for the CEMEX site, creating an overlap with the SVBGSA's filing for the 180/400 Subbasin. In 2016, the SVBGSA commenced preparation of a GSP covering the entire 180/400 subbasin, including the CEMEX site, but in August 2019 the City filed a notice that it intends to prepare its own GSP for the CEMEX site with the intent to severely limit or prohibit groundwater pumping at that site. The State Department of Water Resources ("SDWR") has taken the position that until the overlap is resolved, it will not accept the GSP from either agency, placing the subbasin at risk of being placed in a probationary status and subject to state management. In December 2019, the County of Monterey filed its own notice to become the exclusive GSA at the CEMEX site in order to resolve the overlap, which is permitted under SGMA. SDWR accepted Monterey County's filing in December 2019, and now lists Monterey County as the exclusive GSA for the site.

In December 2019, the City filed a lawsuit in Monterey County Superior Court challenging Monterey County's filing, and SDWR's acceptance of the filing, as the exclusive GSA for the CEMEX site. The City has named Monterey County and its Board of Supervisors, its GSA, and SDWR and its director as defendants, and the SVBGSA and its Board of Directors as real parties. The City seeks to invalidate Monterey County's filing, as well as injunctive relief to preserve the City's status as a GSA for the site. To protect its interest in the matter, Cal Am filed an application to intervene in this lawsuit, which was granted. Monterey County filed cross-claims against the City and SDWR. After a hearing, in August 2021, the court denied the claims brought by the City and granted Monterey County's cross-claims, finding that the City's GSA notice was untimely, the Monterey County GSA was the exclusive GSA for the CEMEX site, and the SVBGSA's GSP was properly adopted for the entire 180/400 subbasin, including the CEMEX site. In November 2021, the City appealed this decision, and in December 2021, Monterey County appealed the court's decision as to the finding that the City's action creating a GSA was not void.

In September 2020, Cal Am filed a separate but related complaint in Monterey County Superior Court challenging the validity of actions taken by the City and its GSA in adopting a groundwater sustainability plan for the CEMEX site, and the validity of the provisions of such plan. Due to the overlap of issues in the City's lawsuit with those in the validation action, the parties stipulated to a stay of the validation action pending determination of the claims in the City's action, which was approved by the court in December 2020.

In February 2021, the City filed a separate but related *in rem* reverse validation complaint challenging the adoption by Monterey County of a GSP for the CEMEX site. This complaint remains pending. Currently, both validation actions remain stayed during the pendency of the City's appeals.

Proposed Acquisition of Monterey System Assets — Local Area Formation Commission Litigation

In November 2018, voters in Monterey, California passed "Measure J," which decided that the MPWMD should conduct a feasibility study concerning the potential purchase of Cal Am's Monterey system assets, and, if feasible, to proceed with a purchase of

those assets without an additional public vote. This service territory represents approximately 40,000 customers. See Item 1—Business—Regulated Businesses—Condemnation and Eminent Domain for more information on this matter.

In February 2021, the MPWMD filed an application with LAFCO seeking approval to become a retail water provider and annex approximately 58 parcels of land into the MPWMD's boundaries. In December 2021, LAFCO's commissioners denied the MPWMD's application to become a retail water provider, determining that the MPWMD does not have the authority to operate the Monterey system assets, a result that precludes the MPWMD from proceeding with a condemnation thereof. On April 1, 2022, the MPWMD filed a lawsuit against LAFCO challenging its denial. On June 17, 2022, the court granted, with conditions, a motion by Cal Am to intervene in the MPWMD's lawsuit against LAFCO. On December 13, 2022, the court sustained in part, and denied in part, demurrers that had been filed by LAFCO seeking to dismiss the MPWMD's lawsuit. This matter remains pending.

West Virginia Elk River Freedom Industries Chemical Spill

See Note 16—Commitments and Contingencies—Contingencies—West Virginia Elk River Freedom Industries Chemical Spill in the Notes to Consolidated Financial Statements for information regarding the final court approval of the global settlement with respect to the January 2014 Freedom Industries, Inc. chemical spill.

Dunbar, West Virginia Water Main Break Class Action Litigation

On the evening of June 23, 2015, a 36-inch pre-stressed concrete transmission water main, installed in the early 1970s, failed. The water main is part of the West Relay pumping station located in the City of Dunbar, West Virginia and owned by West Virginia-American Water Company, the Company's West Virginia subsidiary ("WVAWC"). The failure of the main caused water outages and low pressure for up to approximately 25,000 WVAWC customers. In the early morning hours of June 25, 2015, crews completed a repair, but that same day, the repair developed a leak. On June 26, 2015, a second repair was completed and service was restored that day to approximately 80% of the impacted customers, and to the remaining approximately 20% by the next morning. The second repair showed signs of leaking but the water main was usable until June 29, 2015, to allow tanks to refill. The system was reconfigured to maintain service to all but approximately 3,000 customers while a final repair was being completed safely on June 30, 2015. Water service was fully restored on July 1, 2015, to all customers affected by this event.

On June 2, 2017, a complaint captioned *Jeffries, et al. v. West Virginia-American Water Company* was filed in West Virginia Circuit Court in Kanawha County on behalf of an alleged class of residents and business owners who lost water service or pressure as a result of the Dunbar main break. The complaint alleges breach of contract by WVAWC for failure to supply water, violation of West Virginia law regarding the sufficiency of WVAWC's facilities and negligence by WVAWC in the design, maintenance and operation of the water system. The *Jeffries* plaintiffs seek unspecified alleged damages on behalf of the class for lost profits, annoyance and inconvenience, and loss of use, as well as punitive damages for willful, reckless and wanton behavior in not addressing the risk of pipe failure and a large outage.

In February 2020, the *Jeffries* plaintiffs filed a motion seeking class certification on the issues of breach of contract and negligence, and to determine the applicability of punitive damages and a multiplier for those damages if imposed. In July 2020, the Circuit Court entered an order granting the *Jeffries* plaintiffs' motion for certification of a class regarding certain liability issues but denying certification of a class to determine a punitive damages multiplier. In August 2020, WVAWC filed a Petition for Writ of Prohibition in the Supreme Court of Appeals of West Virginia seeking to vacate or remand the Circuit Court's order certifying the issues class. In January 2021, the Supreme Court of Appeals remanded the case back to the Circuit Court for further consideration in light of a decision issued in another case relating to the class certification issues raised on appeal. On July 5, 2022, the Circuit Court entered an order again certifying a class to address at trial certain liability issues but not to consider damages. On August 26, 2022, WVAWC filed another Petition for Writ of Prohibition in the Supreme Court of Appeals of West Virginia challenging the West Virginia Circuit Court's July 5, 2022 order. The Writ Petition has been supported by an amicus brief filed by certain water and utility industry trade groups. On February 9, 2023, the Supreme Court of Appeals accepted the Writ Petition by issuing a Rule to Show Cause and scheduling oral argument for April 26, 2023.

The Company and WVAWC believe that WVAWC has meritorious defenses to the claims raised in this class action complaint and WVAWC will continue to vigorously defend itself against these allegations.

Chattanooga, Tennessee Class Action Litigation

On September 12, 2019, Tennessee-American Water Company, the Company's Tennessee subsidiary ("TAWC"), experienced a leak in a 36-inch water transmission main, which caused service fluctuations or interruptions to TAWC customers and the issuance of a boil water notice. TAWC repaired the main by early morning on September 14, 2019, and restored full water service by the afternoon of September 15, 2019, with the boil water notice lifted for all customers on September 16, 2019.

On September 17, 2019, a complaint captioned *Bruce, et al. v. American Water Works Company, Inc., et al.* was filed in the Circuit Court of Hamilton County, Tennessee against TAWC, the Company and Service Company (collectively, the “Tennessee-American Water Defendants”), on behalf of a proposed class of individuals or entities who lost water service or suffered monetary losses as a result of the Chattanooga incident (the “Tennessee Plaintiffs”). The complaint alleged breach of contract and negligence against the Tennessee-American Water Defendants, as well as an equitable remedy of piercing the corporate veil. In the complaint as originally filed, the Tennessee Plaintiffs were seeking an award of unspecified alleged damages for wage losses, business and economic losses, out-of-pocket expenses, loss of use and enjoyment of property and annoyance and inconvenience, as well as punitive damages, attorneys’ fees and pre- and post-judgment interest. In September 2020, the court dismissed all of the Tennessee Plaintiffs’ claims in their complaint, except for the breach of contract claims against TAWC, which remain pending. In October 2020, TAWC answered the complaint, and the parties have been engaging in discovery. On January 12, 2023, after hearing oral argument, the court issued an oral ruling denying the Tennessee Plaintiffs’ motion for class certification. On February 9, 2023, the Tennessee Plaintiffs sought reconsideration of the ruling by the court, and any final ruling is appealable to the Tennessee Court of Appeals, as allowed under Tennessee law.

TAWC and the Company believe that TAWC has meritorious defenses to the claims raised in this class action complaint, and TAWC is vigorously defending itself against these allegations.

Other Matters

In April 2021, American Water Resources, LLC (“AWR”), which, prior to the December 9, 2021 sale of the Company’s former HOS business was one of the indirect, wholly owned subsidiaries comprising that business, received a grand jury subpoena in connection with an investigation by the U.S. Attorney’s Office for the Eastern District of New York (the “EDNY”). The subpoena seeks documents regarding AWR’s operations and its contractor network in the New York City metropolitan area. On September 9, 2022, a former employee of AWR pled guilty in U.S. District Court to two felony counts in connection with the matters being investigated by the EDNY. The Company has been fully cooperating with the EDNY investigation and continues to do so, and continues to believe that the investigation is not focused on the Company.

In connection with the sale of the HOS operations (including all of the Company’s equity interests in AWR), in December 2021, the Company and AWR entered into an agreement with the buyer of the HOS operations, which facilitates a common defense for, and the sharing of information concerning, the EDNY investigation and any legal or regulatory inquiries or proceedings related to or resulting from it or the subject matter in the subpoena (collectively, the “Covered Matters”). The Company, on behalf of AWR, is required to defend any Covered Matter, using commercially reasonable efforts to resolve it on a reasonably expedient basis. Further, the Company is required to consult with the buyer in specified circumstances and obtain its prior written consent (which consent may not be unreasonably withheld, conditioned or delayed) before entering into any resolution of any Covered Matter that imposes non-monetary provisions or undertakings or any other terms for which there will be no indemnification under this agreement. In addition, until March 9, 2025, the Company is required to indemnify the buyer for any monetary losses or out-of-pocket damages (as described in the agreement) incurred by the buyer or certain of the HOS subsidiaries to the extent directly arising in connection with, or directly resulting from, any Covered Matter.

While it is not possible at this time to predict the outcome of the investigation or determine the amount, if any, of fines, penalties or other liabilities that may be incurred in connection with it, the Company does not currently believe that the investigation will have a material adverse effect on the Company’s results of operations, financial condition or liquidity.

General

Periodically, the Company is involved in other proceedings or litigation arising in the ordinary course of business. Other than those proceedings described in this Item 3—Legal Proceedings, the Company does not believe that the ultimate resolution of these matters will materially affect its financial position or results of operations. However, litigation and other proceedings are subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. It is possible that some litigation and other proceedings could be decided unfavorably to the Company, and that any such unfavorable decisions could have a material adverse effect on its business, financial condition, results of operations and cash flows.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II**ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

Since April 23, 2008, the Company’s common stock has traded on the New York Stock Exchange (“NYSE”) under the symbol “AWK.” As of January 31, 2023, there were 181,858,619 shares of common stock outstanding held by approximately 2,234 record holders. Holders of the Company’s common stock are entitled to receive dividends when they are declared by its Board of Directors. See Note 9—Shareholders’ Equity in the Notes to Consolidated Financial Statements for additional information regarding the Company’s dividends.

In February 2015, the Board of Directors authorized an anti-dilutive stock repurchase program to mitigate the dilutive effect of shares issued through the Company’s dividend reinvestment, employee stock purchase and executive compensation activities. The program allows the Company to purchase up to 10 million shares of its outstanding common stock over an unrestricted period of time in the open market or through privately negotiated transactions. The program is conducted in accordance with Rule 10b-18 of the Exchange Act, and, to facilitate these repurchases, the Company enters into Rule 10b5-1 stock repurchase plans with a third-party broker, which allow the Company to repurchase shares of its common stock at times when it otherwise might be prevented from doing so under insider trading laws or because of self-imposed trading blackout periods. Subject to applicable regulations, the Company may elect to amend or cancel the program or the stock repurchase parameters at its discretion to manage dilution.

From April 1, 2015, the date repurchases under the anti-dilutive stock repurchase program commenced, through December 31, 2022, the Company repurchased an aggregate of 4,860,000 shares of its common stock under the program, leaving an aggregate of 5,140,000 shares available for repurchase under this program. There were no repurchases of common stock in 2022.

ITEM 6. [RESERVED]

ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read together with the Consolidated Financial Statements and the Notes thereto included elsewhere in this Annual Report on Form 10-K. This discussion contains forward-looking statements that are based on management’s current expectations, estimates and projections about the Company’s business, operations and financial performance. The cautionary statements made in this Form 10-K should be read as applying to all related forward-looking statements whenever they appear in this Form 10-K. The Company’s actual results may differ materially from those currently anticipated and expressed in such forward-looking statements as a result of a number of factors, including those that are discussed under “Forward-Looking Statements,” Item 1A—Risk Factors and elsewhere in this Form 10-K. The Company has a disclosure committee consisting of members of senior management and other key employees involved in the preparation of the Company’s SEC reports. The disclosure committee is actively involved in the review and discussion of the Company’s SEC filings. For a discussion and analysis of the Company’s financial statements for fiscal 2021 compared to fiscal 2020, please refer to Item 7—Management’s Discussion and Analysis of Financial Condition and Results of Operations in the Company’s Annual Report on Form 10-K for the year ended December 31, 2021, filed with the SEC on February 16, 2022.

Overview

American Water is the largest and most geographically diverse, publicly-traded water and wastewater utility company in the United States, as measured by both operating revenues and population served. The Company employs approximately 6,500 professionals who provide drinking water, wastewater and other related services to over 14 million people in 24 states. The Company’s primary business involves the ownership of utilities that provide water and wastewater services to residential, commercial, industrial, public authority, fire service and sale for resale customers, collectively presented as the “Regulated Businesses.” The Company’s utilities operate in approximately 1,600 communities in 14 states in the United States, with 3.4 million active customers with services provided by its water and wastewater networks. Services provided by the Company’s utilities are subject to regulation by PUCs. The Company also operates other businesses not subject to economic regulation by state PUCs that provide water and wastewater services to the U.S. government on military installations, as well as municipalities, collectively presented throughout this Form 10-K within “Other.” See Item 1—Business for additional information.

Selected Financial Data

This selected financial data below should be read in conjunction with the Company’s Consolidated Financial Statements and related Notes in this Annual Report on Form 10-K as well as the remainder of this Item 7—Management’s Discussion and Analysis of Financial Condition and Results of Operations.

(In millions, except per share data)	For the Years Ended December 31,				
	2022	2021	2020	2019	2018
Statement of Operations data:					
Operating revenues	\$ 3,792	\$ 3,930	\$ 3,777	\$ 3,610	\$ 3,440
Net income attributable to common shareholders	820	1,263	709	621	567
Net income attributable to common shareholders per basic common share	4.51	6.96	3.91	3.44	3.16
Net income attributable to common shareholders per diluted common share	4.51	6.95	3.91	3.43	3.15
Balance Sheet data:					
Total assets	\$ 27,787	\$ 26,075	\$ 24,766	\$ 22,682	\$ 21,223
Long-term debt and redeemable preferred stock at redemption value	10,929	10,344	9,333	8,644	7,576
Other data:					
Cash dividends declared per common share	\$ 2.62	\$ 2.41	\$ 2.20	\$ 2.00	\$ 1.82
Net cash provided by operating activities	1,108	1,441	1,426	1,383	1,386
Net cash used in investing activities	(2,127)	(1,536)	(2,061)	(1,945)	(2,036)
Net cash provided by (used in) financing activities	1,000	(345)	1,120	494	726
Capital expenditures included in net cash used in investing activities	(2,297)	(1,764)	(1,822)	(1,654)	(1,586)

Financial Results

For the years ended December 31, 2022, 2021 and 2020, diluted earnings per share (GAAP) were \$4.51, \$6.95 and \$3.91, respectively. The 2021 financial results included a pre-tax gain of \$748 million relating to the sale of HOS and a \$45 million pre-tax contribution to the American Water Charitable Foundation, a consolidated net impact of \$2.70 diluted earnings per share. After excluding the gain related to the sale of HOS and charitable contribution in 2021, diluted earnings per share increased \$0.26 in 2022 as compared to 2021. This increase was primarily driven by continued growth in the Regulated Businesses from infrastructure investment and acquisitions, as well as organic growth, offset somewhat by impacts from inflationary pressures on production costs and higher interest costs along with higher depreciation expenses from the growth of the business. Results for 2022 also reflect the favorable impact of weather, estimated at \$0.06 per share, primarily due to hot and dry weather in the third quarter of 2022 as compared to a \$0.02 per share favorable impact in 2021. Also, included in the results for 2022 are \$0.24 per share from interest income earned on the seller note and income earned on revenue share agreements, which compares to HOS operating results for 2021 of \$0.31 per share. Lastly, the operating results for the Company's New York subsidiary, which was sold on January 1, 2022, were \$0.12 per share in 2021. See Note 5—Acquisitions and Divestitures in the Notes to Consolidated Financial Statements for additional information.

Growth Through Capital Investment in Infrastructure and Regulated Acquisitions

The Company continues to grow its businesses, with the majority of its growth to be achieved in the Regulated Businesses through (i) continued capital investment in the Company's infrastructure to provide safe, reliable and affordable water and wastewater services to its customers, and (ii) regulated acquisitions to expand the Company's services to new customers. In 2022, the Company invested \$2.6 billion, primarily in the Regulated Businesses, as discussed below:

Regulated Businesses Growth and Optimization

- \$2.3 billion capital investment in the Regulated Businesses, the substantial majority for infrastructure improvements and replacements; and
- \$315 million to fund acquisitions in the Regulated Businesses, which added approximately 70,000 customers during 2022, in addition to approximately 18,500 customers added through organic growth during 2022. This includes the Company's Pennsylvania subsidiary's acquisition of the wastewater system assets from the York City Sewer Authority and the City of York on May 27, 2022, for a cash purchase price of \$235 million, \$20 million of which was funded as a deposit to the seller in April 2021 in connection with the execution of the acquisition agreement.

On October 11, 2022, the Company's Pennsylvania subsidiary entered into an agreement to acquire the wastewater assets of the Butler Area Sewer Authority for a total purchase price of \$232 million in cash, subject to adjustment as provided for in the Asset Purchase Agreement. This system provides wastewater service for approximately 14,700 customer connections. The Company expects to close this acquisition by the end of 2023, pending regulatory approval.

On March 29, 2021, the Company's New Jersey subsidiary entered into an agreement to acquire the water and wastewater assets of Egg Harbor City for \$22 million. The water and wastewater systems currently serve approximately 1,500 customers each, or 3,000 combined, and are being sold through the New Jersey Water Infrastructure Protection Act process. The Company expects to close this acquisition in early 2023.

As of December 31, 2022, the Company has entered into agreements for 21 pending acquisitions in the Regulated Businesses, including the two agreements discussed above, to add approximately 32,400 additional customers.

Sale of Homeowner Services Group

On December 9, 2021, the Company sold all of the equity interests in subsidiaries that comprised the Company's HOS to a wholly owned subsidiary of funds advised by Apax Partners LLP, a global private equity advisory firm (the "Buyer"), for total consideration of approximately \$1.275 billion, resulting in pre-tax gain of \$748 million during the fourth quarter of 2021. The consideration was comprised of \$480 million in cash, a seller promissory note issued by the Buyer in the principal amount of \$720 million, and a contingent cash payment of \$75 million payable upon satisfaction of certain conditions on or before December 31, 2023. See Note 18—Fair Value of Financial Information for additional information relating to the seller promissory note and contingent cash payment. For the year ended December 31, 2022, the Company recorded post-close adjustments, primarily related to working capital, of pre-tax income of \$20 million, which is included in Gain on sale of businesses on the Consolidated Statements of Operations.

The seller note has a five-year term, is payable in cash, and bears interest at a rate of 7.00% per year during the term. The Company recognized \$50 million of interest income during the year ended December 31, 2022, from the seller note.

The Company and the Buyer also entered into revenue share agreements, pursuant to which the Company is to receive 10% of the revenue generated from customers who are billed for home warranty services through an applicable Company subsidiary (an “on-bill” arrangement), and 15% of the revenue generated from any future on-bill arrangements entered into after the closing. Unless earlier terminated, this agreement has a term of up to 15 years, which may be renewed for up to two five-year periods. The Company recognized \$9 million of income during the year ended December 31, 2022, from the revenue share agreements, which is included in Other, net on the Consolidated Statements of Operations. See Note 5—Acquisitions and Divestitures in the Notes to Consolidated Financial Statements for additional information.

Sale of New York American Water Company, Inc.

On January 1, 2022, the Company completed the previously disclosed sale of its regulated utility operations in New York to Liberty Utilities (Eastern Water Holdings) Corp. (“Liberty”), an indirect, wholly owned subsidiary of Algonquin Power & Utilities Corp. Liberty purchased from the Company all of the capital stock of the Company’s New York subsidiary for a purchase price of \$608 million in cash. See Note 5—Acquisitions and Divestitures in the Notes to Consolidated Financial Statements for additional information.

Sale of Michigan American Water Company

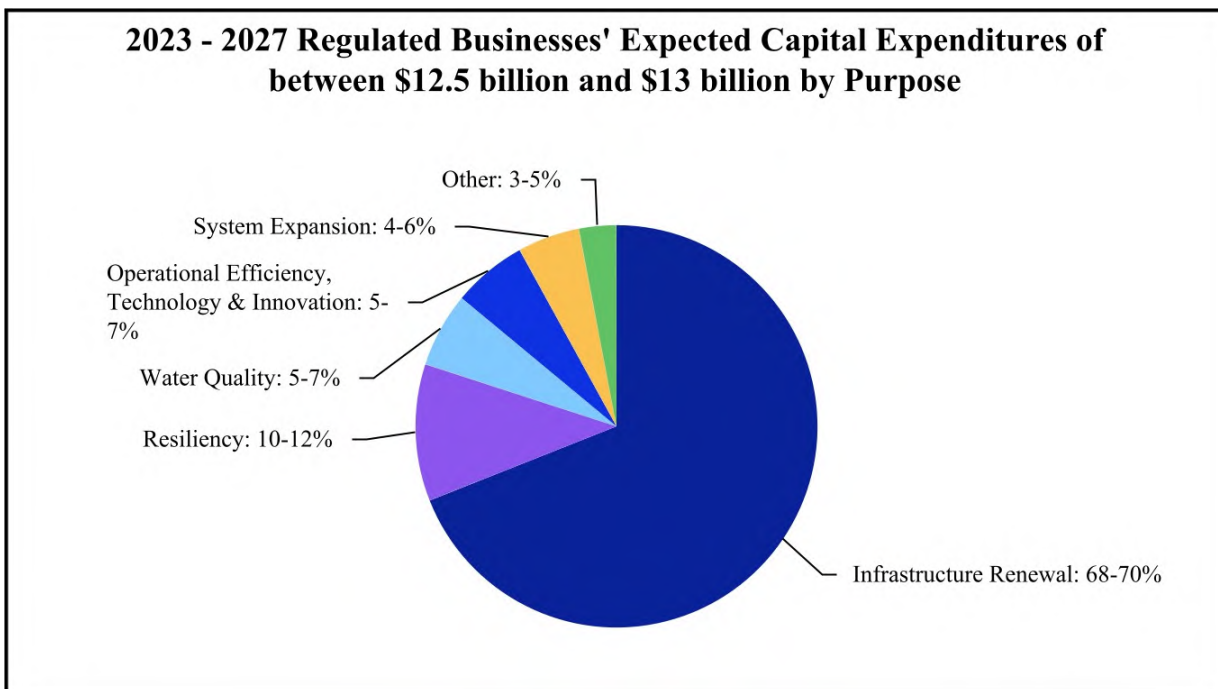
On February 4, 2022, the Company completed the sale of its operations in Michigan for \$6 million in cash.

Future Growth

The Company expects to invest between \$14 billion to \$15 billion over the next five years, and between \$30 billion to \$34 billion over the next 10 years, including \$2.9 billion in 2023. The Company’s expected future investments include:

- capital investment for infrastructure improvements in the Regulated Businesses between \$12.5 billion to \$13 billion over the next five years, and between \$27 billion to \$30 billion over the next 10 years, including \$2.5 billion expected in 2023; and
- growth from acquisitions in the Regulated Businesses to expand the Company’s water and wastewater customer base of between \$1.5 billion to \$2 billion over the next five years, and between \$3 billion to \$4 billion over the next 10 years, including \$400 million expected in 2023.

Presented in the following chart is the estimated allocation of the Company’s expected capital investment for infrastructure improvements in its Regulated Businesses over the next five years, by purpose:



Other Matters*Military Services Group*

On June 30, 2022, MSG was awarded a contract for the ownership, operation, maintenance and replacement of the wastewater utility system assets at Naval Station Mayport in Jacksonville, Florida. The contract was effective July 1, 2022, and its total revenue is approximately \$341 million over a 50-year period, subject to an annual economic price adjustment. The performance start date for operation is scheduled for March 1, 2023. MSG operates and maintains water and/or wastewater systems and related capital programs as part of the U.S. government's Utilities Privatization Program. This contract represents the 18th installation in MSG's footprint and the first contract with respect to a U.S. Navy installation.

Permanganate Supply Disruption

In January 2023, a fire occurred at a plant owned by the sole supplier of permanganate in the Western Hemisphere, which has severely limited the U.S. supply of potassium and sodium permanganate, two chemicals used by water utilities to treat water. The Company is seeking to utilize alternative methods of treatment and to manage its existing supplies of permanganate, but any inability to source sufficient quantities of these chemicals or utilize alternative chemicals may have a material adverse effect on the Company's ability to comply with applicable environmental and regulatory requirements.

Operational Excellence

The Company's adjusted regulated O&M efficiency ratio was 33.7% for the year ended December 31, 2022, compared to 34.1% for the year ended December 31, 2021. The ratio reflects an increase in operating revenues for the Regulated Businesses, after considering the adjustment for the amortization of the excess accumulated deferred income taxes ("EADIT") shown in the table below, as well as the continued focus on operating costs.

The Company's adjusted regulated O&M efficiency ratio is a non-GAAP measure and is defined by the Company as its operation and maintenance expenses from the Regulated Businesses, divided by the operating revenues from the Regulated Businesses, where both operation and maintenance expenses and operating revenues were adjusted to eliminate purchased water expense. Operating revenues were further adjusted to exclude reductions for the amortization of the EADIT. Also excluded from operation and maintenance expenses is the allocable portion of non-O&M support services costs, mainly depreciation and general taxes, which is reflected in the Regulated Businesses segment as operation and maintenance expenses, but for consolidated financial reporting purposes, is categorized within other line items in the accompanying Consolidated Statements of Operations. The items discussed above were excluded from the O&M efficiency ratio calculation as they are not reflective of management's ability to increase the efficiency of the Regulated Businesses.

The Company evaluates its operating performance using this ratio, and believes it is useful to investors because it directly measures improvement in the operating performance and efficiency of the Regulated Businesses. This information is derived from the Company's consolidated financial information but is not presented in its financial statements prepared in accordance with GAAP. This information supplements and should be read in conjunction with the Company's GAAP disclosures, and should be considered as an addition to, and not a substitute for, any GAAP measure. The Company's adjusted regulated O&M efficiency ratio (i) is not an accounting measure that is based on GAAP; (ii) is not based on a standard, objective industry definition or method of calculation; (iii) may not be comparable to other companies' operating measures; and (iv) should not be used in place of the GAAP information provided elsewhere in this Annual Report on Form 10-K.

Presented in the table below is the calculation of the Company's adjusted regulated O&M efficiency ratio and a reconciliation that compares operation and maintenance expenses and operating revenues, each as determined in accordance with GAAP, to those amounts utilized in the calculation of its adjusted O&M efficiency ratio:

(Dollars in millions)	For the Years Ended December 31,		
	2022	2021	2020
Total operation and maintenance expenses	\$ 1,589	\$ 1,777	\$ 1,622
Less:			
Operation and maintenance expenses—Other	244	452	364
Total operation and maintenance expenses—Regulated Businesses	1,345	1,325	1,258
Less:			
Regulated purchased water expenses	154	153	149
Allocation of non-operation and maintenance expenses	31	34	41
Adjusted operation and maintenance expenses—Regulated Businesses (i)	\$ 1,160	\$ 1,138	\$ 1,068
Total operating revenues	\$ 3,792	\$ 3,930	\$ 3,777
Less:			
Operating revenues—Other	287	546	522
Total operating revenues—Regulated Businesses	3,505	3,384	3,255
Less:			
Regulated purchased water revenues (a)	154	153	149
Revenue reductions from the amortization of EADIT	(89)	(104)	(7)
Adjusted operating revenues—Regulated Businesses (ii)	\$ 3,440	\$ 3,335	\$ 3,113
Adjusted O&M efficiency ratio—Regulated Businesses (i) / (ii)	33.7 %	34.1 %	34.3 %

(a) The calculation assumes regulated purchased water revenues approximate regulated purchased water expenses.

Regulatory Matters

General Rate Cases

Presented in the table below are annualized incremental revenues, including reductions for the amortization of EADIT that are generally offset in income tax expense, assuming a constant water sales volume and customer count, resulting from general rate case authorizations that became effective during 2022:

(In millions)	Effective Date	Amount
General rate cases by state:		
New Jersey	September 1, 2022	\$ 46
Hawaii	July 1, 2022	2
West Virginia	February 25, 2022	13
California, Step Increase	January 1, 2022	9
Pennsylvania, Step Increase	January 1, 2022	20
Total general rate case authorizations		\$ 90

Presented in the table below are annualized incremental revenues, including reductions for the amortization of EADIT that are generally offset in income tax expense, assuming a constant water sales volume and customer count, resulting from general rate case authorizations that became effective on or after January 1, 2023:

(In millions)	Effective Date	Amount
General rate cases by state:		
Pennsylvania	January 28, 2023	\$ 138
Illinois	January 1, 2023	67
California, Step Increase	January 1, 2023	13
Total general rate case authorizations		\$ 218

On December 15, 2022, the Illinois Commerce Commission issued an order approving the adjustment of base rates requested in a rate case filed on February 10, 2022, by the Company's Illinois subsidiary. As updated in the Illinois subsidiary's June 29, 2022 rebuttal filing, the request sought \$83 million in additional annualized revenues excluding previously recovered infrastructure surcharges. The general rate case order approved a \$67 million annualized increase in water and wastewater system revenues excluding previously recovered infrastructure surcharges, effective January 1, 2023, based on an authorized return on equity of 9.8%, authorized rate base of \$1.64 billion, a common equity ratio of 49.0% and a debt ratio of 51.0%. The annualized revenue increase is being driven primarily by significant water and wastewater system capital investments since the Illinois subsidiary's 2017 rate case order that have been completed or are planned through December 31, 2023, expected higher pension and other postretirement benefit costs, and increases in production costs, including chemicals, fuel and power costs.

On December 8, 2022, the Pennsylvania Public Utility Commission issued an order approving the joint settlement of the rate case filed on April 29, 2022, by the Company's Pennsylvania subsidiary. The general rate case order approved a \$138 million annualized increase in water and wastewater revenues and authorizes implementation of the new water and wastewater rates effective January 28, 2023. The rate case proceeding was resolved through a "black box" settlement agreement and did not specify an approved return on equity ("ROE"). The annualized revenue increase is driven primarily by significant incremental capital investments since the Pennsylvania subsidiary's 2021 rate case order that will be completed through December 31, 2023, increases in pension and other postretirement benefits expense and those amounts included in base rates. The deferral period for this regulatory asset or liability will be two years or, if earlier, will end at the conclusion of the Company's New Jersey subsidiary's next general rate case. The Company's New Jersey subsidiary also withdrew its request, without prejudice, to recover its existing authorized COVID-19-related regulatory asset in the general rate case and will seek recovery in a separate proceeding within the process established in the New Jersey Board of Public Utilities' (the "NJBP") generic COVID-19-related proceeding.

On August 17, 2022, the Company's New Jersey subsidiary was authorized additional annual revenues of \$46 million in its general rate case, effective September 1, 2022, based on an authorized return on equity of 9.6%, authorized rate base of \$4.15 billion, a common equity ratio of 54.6% and a long-term debt ratio of 45.4%. The request incorporated updated estimates of production costs, including chemicals, fuel and power costs. Beginning January 1, 2023, the Company's New Jersey subsidiary will defer as a regulatory asset or liability, as appropriate, the difference between its pension expense and other postretirement benefits expense and those amounts included in base rates. The deferral period for this regulatory asset or liability will be two years or, if earlier, will end at the conclusion of the Company's New Jersey subsidiary's next general rate case. The Company's New Jersey subsidiary also withdrew its request, without prejudice, to recover its existing authorized COVID-19-related regulatory asset in the general rate case and will seek recovery in a separate proceeding within the process established in the New Jersey Board of Public Utilities' (the "NJBP") generic COVID-19-related proceeding.

On February 24, 2022, WVAVC was authorized additional annual revenues of \$13 million in its general rate case, effective February 25, 2022, based on an authorized return on equity of 9.8%, authorized rate base of \$734 million and a common equity ratio of 47.9%. Staff of the Public Service Commission of West Virginia moved for reconsideration of the final order on several grounds. WVAVC filed its response to the Staff's Petition for Reconsideration on March 28, 2022, in support of the authorized revenue requirement. On October 21, 2022, the Public Service Commission of West Virginia denied the motion for reconsideration.

Pending General Rate Case Filings

On July 1, 2022, the Company's California subsidiary filed a general rate case requesting an increase in 2024 revenue of \$56 million and a total increase in revenue over the 2024 to 2026 period of \$95 million, with all increases compared against 2022 revenues. The Company updated its filing in January 2023 to capture the authorized step increase effective January 1, 2023. The filing was also updated to incorporate a decoupling proposal and a revision to the Company's sales and associated variable expense forecast. The revised requested additional annualized revenues for the test year 2024 is now \$37 million, compared against 2023 revenues. This excludes the proposed step rate and attrition rate increase for 2025 and 2026 of \$20 million and \$19 million, respectively. The total revenue requirement request for the three-year rate case cycle, incorporating updates to present rate revenues and forecasted demand, is \$76 million.

On July 1, 2022, the Company's Missouri subsidiary filed a general rate case requesting \$105 million in additional annualized revenues.

On November 15, 2021, the Company's Virginia subsidiary filed a general rate case requesting \$14 million in additional annualized revenues. Interim rates were effective on May 1, 2022, and the difference between interim and final approved rates is subject to refund. On September 26, 2022, a settlement agreement, supported by all parties except one, was filed with the Virginia State Corporation Commission for a \$11 million annual revenue increase. Public hearings were held on September 27 and 28, 2022. A final decision on this matter is expected in the first quarter of 2023.

The Company's California subsidiary submitted its application on May 3, 2021, to set its cost of capital for 2022 through 2024. According to the CPUC's procedural schedule, a decision setting the authorized cost of capital is expected to be issued in the first quarter of 2023.

Infrastructure Surcharges

A number of states have authorized the use of regulatory mechanisms that permit rates to be adjusted outside of a general rate case for certain costs and investments, such as infrastructure surcharge mechanisms that permit recovery of capital investments to replace aging infrastructure. Presented in the table below are annualized incremental revenues, assuming a constant water sales volume and customer count, resulting from infrastructure surcharge authorizations that became effective during 2022:

(In millions)	Effective Date	Amount
Infrastructure surcharges by state:		
New Jersey	(a)	\$ 11
Pennsylvania	(b)	19
Missouri	(c)	30
Tennessee	August 8, 2022	3
Kentucky	July 1, 2022	3
Indiana	March 21, 2022	8
West Virginia	March 1, 2022	3
Illinois	January 1, 2022	6
Total infrastructure surcharge authorizations		\$ 83

- (a) In 2022, \$1 million was effective December 30 and \$10 million was effective June 27.
- (b) In 2022, \$8 million was effective on October 1, \$9 million was effective July 1 and \$2 million was effective April 1.
- (c) In 2022, \$18 million was effective August 11 and \$12 million was effective February 1.

Presented in the table below are annualized incremental revenues, assuming a constant water sales volume and customer count, resulting from infrastructure surcharge authorizations that became effective on or after January 1, 2023:

(In millions)	Effective Date	Amount
Infrastructure surcharge filings by state:		
Missouri	January 16, 2023	\$ 15
West Virginia	January 1, 2023	7
Pennsylvania	January 1, 2023	3
Total infrastructure surcharge filings		\$ 25

Pending Infrastructure Surcharge Filings

On January 20, 2023, the Company’s Indiana subsidiary filed an infrastructure surcharge proceeding requesting \$21 million in additional annualized revenue

On November 18, 2022, the Company’s Indiana subsidiary filed an infrastructure surcharge proceeding requesting \$7 million in additional annualized revenues.

Other Regulatory Matters

In September 2020, the CPUC released a decision under its Low-Income Rate Payer Assistance program rulemaking that required the Company’s California subsidiary to file a proposal to alter its water revenue adjustment mechanism in its next general rate case filing in 2022, which would become effective in January 2024. On October 5, 2020, the Company’s California subsidiary filed an application for rehearing of the decision and following the CPUC’s denial of its rehearing application in September 2021, the Company’s California subsidiary filed a petition for writ of review with the California Supreme Court on October 27, 2021. On May 18, 2022, the California Supreme Court issued a writ of review for the Company’s California subsidiary’s petition and the petitions filed by other entities challenging the decision. Independent of the judicial challenge, California passed Senate Bill 1469, which allows the CPUC to consider and authorize the implementation of a mechanism that separates the water corporation’s revenue and its water sales. Legislation was signed by the Governor on September 30, 2022, and became effective on January 1, 2023. In response to the legislation, on January 27, 2023, the Company’s California subsidiary filed an updated application requesting the CPUC to consider a Water Resources Sustainability Plan decoupling mechanism in its pending 2022 general rate case, which would be effective 2024 through 2026.

On March 2, 2021, an administrative law judge (“ALJ”) in the Office of Administrative Law of New Jersey filed an initial decision with the NJBPU that recommended denial of a petition filed by the Company’s New Jersey subsidiary, which sought approval of acquisition adjustments in rate base of \$29 million associated with the acquisitions of Shorelands Water Company, Inc. in 2017 and the Borough of Haddonfield’s water and wastewater systems in 2015. On July 29, 2021, the NJBPU issued an order adopting the ALJ’s initial decision without modification. The Company’s New Jersey subsidiary filed a Notice of Appeal with the New Jersey Appellate Division on September 10, 2021. The Company’s New Jersey subsidiary filed its brief in support of the appeal on March 4, 2022. Response and Reply briefs were filed on June 22, 2022, and August 4, 2022, respectively. There is no financial impact to the Company as a result of the NJBPU’s order, since the acquisition adjustments are currently recorded as goodwill on the Consolidated Balance Sheets.

Consolidated Results of Operations

Presented in the table below are the Company's consolidated results of operations:

	For the Years Ended December 31,		
	2022	2021	2020
(In millions)			
Operating revenues	\$ 3,792	\$ 3,930	\$ 3,777
Operating expenses:			
Operation and maintenance	1,589	1,777	1,622
Depreciation and amortization	649	636	604
General taxes	281	321	303
Total operating expenses, net	2,519	2,734	2,529
Operating income	1,273	1,196	1,248
Other income (expense):			
Interest expense	(433)	(403)	(397)
Interest income	52	4	2
Non-operating benefit costs, net	77	78	49
Gain on sale of businesses	19	747	—
Other, net	20	18	22
Total other income (expense)	(265)	444	(324)
Income before income taxes	1,008	1,640	924
Provision for income taxes	188	377	215
Net income attributable to common shareholders	\$ 820	\$ 1,263	\$ 709

Segment Results of Operations

The Company's operating segments are comprised of its businesses which generate revenue, incur expense and have separate financial information which is regularly used by management to make operating decisions, assess performance and allocate resources. The Company operates its business primarily through one reportable segment, the Regulated Businesses segment. Other primarily includes MSG, which does not meet the criteria of a reportable segment in accordance with GAAP. Other also includes corporate costs that are not allocated to the Regulated Businesses segment, interest income related to the seller promissory note and income from the revenue share agreement from the sale of HOS, eliminations of inter-segment transactions and fair value adjustments related to acquisitions that have not been allocated to the Regulated Businesses segment. This presentation is consistent with how management assesses the results of these businesses. For a discussion and analysis of the Company's financial statements for fiscal 2021 compared to fiscal 2020, please refer to Item 7 —Management's Discussion and Analysis of Financial Condition and Results of Operations in the Company's Annual Report on Form 10-K for the year ended December 31, 2021, filed with the SEC on February 16, 2022.

As a result of the sale of HOS, the categories which were previously shown as "Market-Based Businesses" and "Other" have been combined and shown as Other. Segment results for the year ended December 31, 2021, have been adjusted retrospectively to reflect this change.

Regulated Businesses Segment

Presented in the table below is financial information for the Regulated Businesses:

	For the Years Ended December 31,		
	2022	2021	2020
(In millions)			
Operating revenues	\$ 3,505	\$ 3,384	\$ 3,255
Operation and maintenance	1,345	1,325	1,258
Depreciation and amortization	633	601	562
General taxes	264	301	285
Other operating expenses	—	1	(3)
Other income (expense)	(220)	(195)	(221)
Income before income taxes	1,042	962	932
Provision for income taxes	188	172	217
Net income attributable to common shareholders	<u>\$ 854</u>	<u>\$ 789</u>	<u>\$ 715</u>

Operating Revenues

Presented in the tables below is information regarding the main components of the Regulated Businesses' operating revenues:

	For the Years Ended December 31,		
	2022	2021	2020
(In millions)			
Water services:			
Residential	\$ 1,941	\$ 1,935	\$ 1,895
Commercial	710	676	627
Fire service	147	151	147
Industrial	153	141	133
Public and other	267	239	226
Total water services	<u>3,218</u>	<u>3,142</u>	<u>3,028</u>
Wastewater services:			
Residential	174	151	134
Commercial	45	37	34
Industrial	4	4	3
Public and other	19	16	14
Total wastewater services	<u>242</u>	<u>208</u>	<u>185</u>
Other (a)	45	34	42
Total operating revenues	<u>\$ 3,505</u>	<u>\$ 3,384</u>	<u>\$ 3,255</u>

(a) Includes other operating revenues consisting primarily of miscellaneous utility charges, fees and rents.

	For the Years Ended December 31,		
	2022	2021	2020
(Gallons in millions)			
Billed water services volumes:			
Residential	162,105	173,644	178,753
Commercial	77,627	77,476	75,875
Industrial	37,265	35,738	34,875
Fire service, public and other	51,966	51,957	49,031
Total billed water services volumes	328,963	338,815	338,534

Included in operating revenues for 2021, was \$127 million related to the Company's New York operations. Excluding the Company's New York operations, for 2022, operating revenues increased \$248 million, primarily due to: (i) a \$180 million increase from authorized rate increases, including infrastructure surcharges, principally to fund infrastructure investment in various states; (ii) a \$36 million increase from water and wastewater acquisitions, as well as organic growth in existing systems; (iii) a \$17 million net increase as a result of reduced amortization of EADIT, primarily in the Company's New Jersey subsidiary; and (iv) a \$13 million estimated net increase primarily due to warmer and drier than normal weather in the third quarter of 2022 in the Company's New Jersey and Missouri service territories, which was partially offset by warmer and drier than normal weather in the second quarter of 2021 in the Northeast.

Operation and Maintenance

Presented in the table below is information regarding the main components of the Regulated Businesses' operating and maintenance expense:

	For the Years Ended December 31,		
	2022	2021	2020
(In millions)			
Employee-related costs	\$ 505	\$ 522	\$ 495
Production costs	387	353	335
Operating supplies and services	242	245	242
Maintenance materials and supplies	96	93	84
Customer billing and accounting	59	66	58
Other	56	46	44
Total	\$ 1,345	\$ 1,325	\$ 1,258

Employee-Related Costs

	For the Years Ended December 31,		
	2022	2021	2020
(In millions)			
Salaries and wages	\$ 395	\$ 402	\$ 382
Group insurance	59	66	65
Pensions	21	25	20
Other benefits	30	29	28
Total	\$ 505	\$ 522	\$ 495

Included in employee-related costs for 2021, was \$16 million related to the Company's New York operations. After excluding the Company's New York operations, for 2022, employee-related costs remained consistent compared to 2021. In 2022, the Regulated Businesses experienced an increase in salaries and wages due to merit increases and higher headcount to support growth, which was offset by higher capitalized labor and overhead rates, as well as lower pension service costs.

Production Costs

	For the Years Ended December 31,		
	2022	2021	2020
(In millions)			
Purchased water	\$ 154	\$ 153	\$ 149
Fuel and power	104	97	88
Chemicals	78	59	57
Waste disposal	51	44	41
Total	\$ 387	\$ 353	\$ 335

Included in production costs for 2021, was \$8 million related to the Company's New York operations. Excluding the Company's New York operations, for 2022, production costs increased \$42 million, primarily due to inflationary pressures which resulted in increased fuel, power and chemical costs.

Customer Billing and Accounting

In 2022, as compared to 2021, customer billing and accounting decreased \$7 million primarily due to the sale of the Company's New York operations and lower uncollectible customer accounts expense.

Other

In 2022, as compared to 2021, other increased \$10 million primarily due to increase to the insurance other than group reserve which had an unfavorable claims experience compared to prior year.

Depreciation and Amortization

In 2022, as compared to 2021, depreciation and amortization increased \$32 million primarily due to additional utility plant placed in service from capital infrastructure investments and acquisitions.

General Taxes

In 2022, as compared to 2021, general taxes decreased \$37 million, primarily related to the sale of the Company's New York operations.

Other Income (Expense)

In 2022, as compared to 2021, other expenses increased \$25 million primarily due to higher interest expense as a result of an \$800 million long-term debt issuance in May 2022 and higher interest rates on short-term debt due to macroeconomic market conditions.

Provision for Income Taxes

In 2022, as compared to 2021, the Regulated Businesses' provision for income taxes increased \$16 million. The Regulated Businesses' effective income tax rate was 18.0% and 17.9% for the years ended December 31, 2022 and 2021, respectively. The increase was primarily due to the decrease in the amortization of EADIT due to the completion of stub period amortization, pursuant to regulatory orders. The amortization of EADIT is generally offset with reductions in revenue.

Other

Presented in the table below is information for Other:

	For the Years Ended December 31,		
	2022	2021	2020
(In millions)			
Operating revenues	\$ 287	\$ 546	\$ 522
Operation and maintenance	244	452	364
Depreciation and amortization	16	35	42
Gain on sale of businesses	19	748	3
Income before income taxes	(34)	678	(8)
Provision for income taxes	—	205	(2)
Net (loss) income attributable to common shareholders	<u>\$ (34)</u>	<u>\$ 474</u>	<u>\$ (6)</u>

Operating Revenues

In 2022, operating revenues decreased \$259 million primarily due to the sale of HOS, which had operating revenues of \$293 million in 2021. Excluding the Company's HOS operations, for 2022, operating revenues increased \$34 million, largely driven by an increase in capital and O&M projects in MSG, primarily at Joint Base Lewis-McChord and the United States Military Academy at West Point, New York.

Operation and Maintenance

Presented in the table below is information regarding the main components of Other's operating and maintenance expense:

	For the Years Ended December 31,		
	2022	2021	2020
(In millions)			
Operating supplies and services	\$ 120	\$ 191	\$ 118
Maintenance materials and supplies	35	123	114
Employee-related costs	73	109	111
Production costs	10	7	6
Other	6	22	15
Total	<u>\$ 244</u>	<u>\$ 452</u>	<u>\$ 364</u>

Operating Supplies and Services

Included in operating supplies and services for 2021, was \$39 million related to the Company's HOS operations and a \$45 million pre-tax contribution to the AWCF. Excluding the Company's HOS operations and AWCF contribution, for 2022, operating supplies and services increased \$13 million, primarily driven by costs associated with increased capital and O&M projects in MSG, as discussed above.

Maintenance Materials and Supplies

Included in maintenance materials and supplies for 2021, was \$96 million related to the Company's HOS operations. Excluding the Company's HOS operations, for 2022, operating supplies and services increased \$8 million, primarily due to an increase in CSG costs related to contract with the City of Camden, New Jersey.

Employee-Related Costs

In 2022, as compared to 2021, employee-related costs decreased \$36 million primarily due to the sale of HOS.

Depreciation and Amortization

In 2022, as compared to 2021, depreciation and amortization decreased \$19 million primarily due to the sale of HOS.

Gain on Sale of Businesses

During the fourth quarter of 2021, the Company recognized a pre-tax gain of \$748 million relating to the sale of HOS. In 2022, the Company recorded post-closing adjustments, primarily related to working capital, of pre-tax income of \$20 million, which increased the total gain related to the sale of HOS. See Note 5—Acquisitions and Divestitures in the Notes to Consolidated Financial Statements for additional information.

Provision for Income Taxes

In 2022, as compared to 2021, provision for income taxes decreased \$205 million primarily due to the sale of HOS. See Note 5—Acquisitions and Divestitures in the Notes to Consolidated Financial Statements for additional information.

Tax Matters

On August 16, 2022, President Biden signed into law the Inflation Reduction Act of 2022 (the “IRA”). The IRA contains a Corporate Alternative Minimum Tax (“CAMT”) provision, effective January 1, 2023. To determine if a company is considered an applicable corporation subject to CAMT, the company’s average adjusted financial statement income (“AFSI”) for the three consecutive years preceding the tax year must exceed \$1 billion. An applicable corporation must make several adjustments to AFSI when determining CAMT under the new law. Initial guidance regarding the application of the CAMT was issued on December 27, 2022, and additional guidance is forthcoming. The Company is continuing to assess the impact of the initial guidance and will continue to monitor as additional guidance is released.

On July 8, 2022, Pennsylvania Governor Tom Wolf signed into law Act 53 of 2022, which reduces the Pennsylvania State Income Tax Rate in yearly increments starting January 1, 2023, with an initial rate of 8.99% and ending effective January 1, 2031, with a rate of 4.99%. Under Accounting Standards Codification Topic 740, Income Taxes (“ASC 740”), the tax effects of changes in tax laws must be recognized in the period in which the law is enacted. ASC 740 also requires deferred tax assets and liabilities to be measured at the enacted tax rate expected to apply when temporary differences are to be realized or settled. As such, the Company’s accumulated deferred income tax (“ADIT”) balances for its Pennsylvania subsidiary were remeasured during the quarter ended September 30, 2022, to estimate the impacts of the recently enacted tax rate. The remeasurement reduced the ADIT liability by \$159 million as of December 31, 2022 and created a corresponding regulatory liability since the EADIT is expected to be returned to customers in a future rate case. However, since the rate is declining in yearly increments, the total EADIT will be subject to change.

On September 27, 2022, Iowa’s Department of Revenue announced a reduction in the state’s top corporate rate from 9.8% to 8.4% effective January 1, 2023. As such, the Company’s ADIT balances for its Iowa subsidiary were remeasured during the quarter ended September 30, 2022, to estimate the impacts of the recently enacted tax rate. The remeasurement reduced the ADIT liability by \$2 million as of December 31, 2022 and created a corresponding regulatory liability since the EADIT is expected to be returned to customers in a future rate case.

Federal Net Operating Loss

The Company had no federal NOL carryover balance as of December 31, 2021.

Legislative Updates

During 2022, the Company’s regulatory jurisdictions enacted the following legislation that has been approved and is effective as of February 15, 2023:

- Indiana passed Senate Enrolled Act 272, which requires public reporting of a non-jurisdictional utility’s asset management programs. Non-jurisdictional utilities are exempt from the jurisdiction of the Indiana Utility Regulatory Commission (the “IURC”). The legislation also creates a water and wastewater research and extension program at a state university to serve as a repository for data collected from utilities. Additionally, the legislation establishes oversight and a receivership program in the IURC for non-jurisdictional utilities with violations that create environmental or human health and safety issues. Legislation was signed by the Governor on March 7, 2022, and became effective on July 1, 2022.
- Indiana passed water and wastewater utility asset financing legislation, Senate Enrolled Act 273, which authorizes the recovery of property tax in Distribution System Improvement Charge filings. The legislation also permits the IURC to allow recovery through tracking mechanisms for changes in property tax and for costs attributable to referenda or action by elected or appointed individuals. Legislation was signed by the Governor on March 10, 2022, and became effective on July 1, 2022.

- Virginia passed Senate Bill 500 and House Bill 182, which requires the Virginia State Corporation Commission, in any future ratemaking proceeding for an investor-owned water/wastewater utility, to evaluate the utility on a stand-alone basis and utilize the utility's actual end-of-test period capital structure and cost of capital without regard to the cost of capital, capital structure, or investments of any other entities with which the utility may be affiliated. Legislation was signed by the Governor on April 11, 2022, and became effective on July 1, 2022.
- Illinois passed House Bill 900/Public Act 102-0698, which contains appropriations to the Department of Commerce and Economic Opportunity of \$3 million for the purposes of the Water and Sewer Finance Assistance Act (H.B. 414/Public Act 102-0262) and \$55 million for the purposes of the federal Low-Income Household Water Assistance Program (LIHWAP). Legislation was signed by the Governor on April 19, 2022, with these provisions of the bill taking effect on July 1, 2022.
- Tennessee passed Senate Bill 2282 and House Bill 2346, which requires all utilities to implement a cyber security plan and update it every two years to provide for the protection of the utility's facilities from unauthorized use, alteration, ransom, or destruction of electronic data. The relevant regulatory body will verify if a utility has complied or impose reasonable sanctions if out of compliance. Utility compliance will be required by July 1, 2023. Legislation was signed by the Governor on June 1, 2022, and became effective immediately.
- The Missouri General Assembly passed state and local property tax tracker legislation, Senate Bill 745, which requires a utility to defer to a regulatory asset or liability account any difference in what was actually paid in state or local property taxes and what was used to set the revenue requirement in the utility's most recently completed general rate case. Legislation was signed by the Governor on June 29, 2022, and became effective on August 28, 2022.
- California passed Senate Bill 1469, which allows the CPUC to consider and authorize the implementation of a mechanism that separates the water corporation's revenue and its water sales. Legislation was signed by the Governor on September 30, 2022 and became effective on January 1, 2023.

Liquidity and Capital Resources

The Company uses its capital resources, including cash, primarily to (i) fund operating and capital requirements, (ii) pay interest and meet debt maturities, (iii) pay dividends, (iv) fund acquisitions, (v) fund pension and postretirement benefit obligations, and (vi) to pay federal income taxes. The Company invests a significant amount of cash on regulated capital projects where it expects to earn a long-term return on investment. Additionally, the Company operates in rate regulated environments in which the amount of new investment recovery may be limited, and where such recovery generally takes place over an extended period of time, and certain capital recovery is also subject to regulatory lag. See Item 1—Business—Regulated Businesses—Regulation and Rate Making for additional information. The Company expects to fund future maturities of long-term debt through a combination of external debt and, to the extent available, cash flows from operations. Since the Company expects its capital investments over the next few years to be greater than its cash flows from operating activities, the Company currently plans to fund the excess of its capital investments over its cash flows from operating activities for the next five years through a combination of long-term debt and equity in addition to the remaining proceeds from the sale of HOS. The remaining proceeds from the sale of HOS include receipt of a seller promissory note, plus interest, and a contingent cash payment payable upon satisfaction of certain conditions on or before December 31, 2023. If necessary, the Company may delay certain capital investments or other funding requirements or pursue financing from other sources to preserve liquidity. In this event, the Company believes it can rely upon cash flows from operations to meet its obligations and fund its minimum required capital investments for an extended period of time.

The Company regularly evaluates and monitors its cash requirements for capital investments, acquisitions, operations, commitments, debt maturities, interest and dividends. The Company's business is capital intensive, with a majority of this capital funded by cash flows from operations. The Company also obtains funds from external sources, primarily in the debt markets and through short-term commercial paper borrowings, and may also access the equity capital markets as needed or desired to support capital funding requirements. In order to meet short-term liquidity needs, American Water Capital Corp. ("AWCC"), the wholly owned finance subsidiary of parent company, issues commercial paper that is supported by its revolving credit facility. The Company's access to external financing on reasonable terms may depend on, as appropriate, any or all of the following: current business conditions, including that of the utility and water utility industry in general; conditions in the debt or equity capital markets; the Company's credit ratings; and conditions in the national and international economic and geopolitical arenas. Disruptions in the credit markets may discourage lenders from extending the terms of such commitments or agreeing to new commitments. Market disruptions may also limit the Company's ability to issue debt and equity securities in the capital markets.

If these unfavorable business, market, financial and other conditions deteriorate to the extent that the Company is no longer able to access the commercial paper and/or capital markets on reasonable terms, AWCC has access to an unsecured revolving credit facility. AWCC's revolving credit facility is used principally to support its commercial paper program, to provide additional liquidity support, and to provide a sublimit for the issuance of up to \$150 million in letters of credit. On October 26, 2022, AWCC and certain lenders amended and restated the credit agreement with respect to the revolving credit facility to, among other things, increase the maximum commitments under the facility from \$2.25 billion to \$2.75 billion and to extend the expiration date of the facility from March 2025 to October 2027. Subject to satisfying certain conditions, the credit agreement also permits AWCC to increase the maximum commitment under the facility by up to an aggregate of \$500 million and to request extensions of its expiration date for up to two one-year periods. Also, effective October 26, 2022, the maximum aggregate principal amount of short-term borrowings authorized under AWCC's commercial paper program was increased from \$2.10 billion to \$2.60 billion. As of December 31, 2022, AWCC had no outstanding borrowings and \$78 million of outstanding letters of credit under its revolving credit facility, with \$1.50 billion available to fulfill its short-term liquidity needs and to issue letters of credit.

The Company believes that its ability to access the debt and equity capital markets, the revolving credit facility and cash flows from operations will generate sufficient cash to fund the Company's short-term requirements. The Company believes it has sufficient liquidity and the ability to manage its expenditures, should there be a disruption of the capital and credit markets. However, there can be no assurance that the lenders will be able to meet existing commitments to AWCC under the revolving credit facility, or that AWCC will be able to access the commercial paper or loan markets in the future on acceptable terms or at all.

Cash Flows from Operating Activities

Cash flows from operating activities primarily result from the sale of water and wastewater services and, due to the seasonality of demand, are generally greater during the warmer months. The Company's future cash flows from operating activities will be affected by, among other things: customers' ability to pay for service in a timely manner, economic utility regulation, inflation, compliance with environmental, health and safety standards, production costs, maintenance costs, customer growth, declining customer usage of water, employee-related costs, including pension funding, weather and seasonality, taxes, and overall economic conditions.

Operating cash flows can be negatively affected by changes in the Company's rate regulated environments, changes in the economy, interest rates, the timing of tax payments, and the Company's customers' ability to pay for service in a timely manner, among other items. The Company can provide no assurance that its customers' historical payment pattern will continue in the future. The Company's current liabilities may exceed current assets mainly from debt maturities due within one year and the use of short-term debt as a funding source, primarily to meet scheduled maturities of long-term debt, fund acquisitions and construction projects, as well as cash needs, which can fluctuate significantly due to the seasonality of the business and other factors. The Company addresses cash timing differences primarily through its short-term liquidity funding mechanisms.

Presented in the table below is a summary of the major items affecting the Company's cash flows from operating activities:

(In millions)	For the Years Ended December 31,		
	2022	2021	2020
Net income	\$ 820	\$ 1,263	\$ 709
Add (less):			
Depreciation and amortization	649	636	604
Deferred income taxes and amortization of investment tax credits (c)	80	230	207
Other non-cash activities (a)	(16)	(27)	—
Changes in working capital (b)	(355)	126	(55)
Pension and non-pension postretirement benefit contributions	(51)	(40)	(39)
(Gain) or loss on sale of businesses	(19)	(747)	—
Net cash provided by operating activities	\$ 1,108	\$ 1,441	\$ 1,426

(a) Includes provision for losses on accounts receivable, pension and non-pension postretirement benefits and other non-cash, net. Details of each component can be found on the Consolidated Statements of Cash Flows.

(b) Changes in working capital include changes to receivables and unbilled revenues, income tax receivable, accounts payable and accrued liabilities, accrued taxes and other current assets and liabilities, net.

(c) The decrease in the 2022 deferred tax activity is primarily due to the settlement of the deferred tax liability related to New York American Water, sold in January 2022.

In 2022, cash flows provided by operating activities decreased \$333 million. The changes were driven by \$338 million of estimated tax payments primarily for taxable gains on the sales of the Company's HOS business and its New York regulated operations, as well as the contribution of \$45 million to the American Water Charitable Foundation. Partially offsetting these changes was a decrease due to the gain recognized from the sale of HOS in 2021.

The Company expects to make pension contributions to the plan trusts of \$39 million in 2023. Actual amounts contributed could change materially from this estimate as a result of changes in assumptions and actual investment returns, among other factors.

Cash Flows from Investing Activities

Presented in the table below is a summary of the major items affecting the Company's cash flows from investing activities:

(In millions)	For the Years Ended December 31,		
	2022	2021	2020
Capital expenditures	\$ (2,297)	\$ (1,764)	\$ (1,822)
Acquisitions, net of cash acquired	(315)	(135)	(135)
Proceeds from sale of assets, net of cash on hand	608	472	2
Removal costs from property, plant and equipment retirements, net	(123)	(109)	(106)
Net cash used in investing activities	\$ (2,127)	\$ (1,536)	\$ (2,061)

In 2022, cash flows used in investing activities increased \$591 million primarily due to increased payments for capital expenditures and acquisitions partially offset by proceeds of \$608 million received from the sale of the Company's New York operations. The Company continues to invest across all infrastructure categories, mainly replacement and renewal of transmission and distribution and services, meter and fire hydrants infrastructure in the Company's Regulated Businesses, as discussed below.

The Company's infrastructure investment plan consists of both infrastructure renewal programs, where the Company replaces mains, services, meters, hydrants and valves, as needed, and major capital investment projects, where the Company constructs new water and wastewater treatment and delivery facilities to meet new customer growth and water quality regulations. The Company's projected capital expenditures and other investments are subject to periodic review and revision to reflect changes in economic conditions and other factors.

Presented in the table below is a summary of the Company's capital expenditures by category:

(In millions)	For the Years Ended December 31,		
	2022	2021	2020
Transmission and distribution	\$ 901	\$ 749	\$ 704
Treatment and pumping	190	197	306
Services, meter and fire hydrants	546	366	333
General structure and equipment	380	251	299
Sources of supply	95	64	54
Wastewater	185	137	126
Total capital expenditures	\$ 2,297	\$ 1,764	\$ 1,822

In 2022, the Company's capital expenditures increased \$533 million due to an increase across most infrastructure categories.

The Company also grows its business primarily through acquisitions of water and wastewater systems. These acquisitions are generally located in geographic proximity to the Company's existing Regulated Businesses and support continued geographical diversification and growth of its operations. Generally, acquisitions are funded initially with short-term debt, and later refinanced with long-term financing. During 2022, the Company paid \$315 million for the acquisition of 26 water and wastewater systems, representing in the aggregate approximately 70,000 customers.

As previously noted, over the next five years the Company expects to invest between \$14 billion to \$15 billion, with \$12.5 billion to \$13 billion for infrastructure improvements in the Regulated Businesses, and the Company expects to invest between \$30 billion to \$34 billion over the next 10 years. In 2023, the Company expects to invest \$2.9 billion, consisting of \$2.5 billion for infrastructure improvements and \$400 million for acquisitions in the Regulated Businesses.

Cash Flows from Financing Activities

Presented in the table below is a summary of the major items affecting the Company's cash flows from financing activities:

(In millions)	For the Years Ended December 31,		
	2022	2021	2020
Proceeds from long-term debt	\$ 822	\$ 1,118	\$ 1,334
Repayments of long-term debt	(15)	(372)	(342)
(Repayments of) proceeds from term loan	—	(500)	500
Net short-term borrowings (repayments) with maturities less than three months	591	(198)	(5)
Dividends paid	(467)	(428)	(389)
Other financing activities, net (a)	69	35	22
Net cash provided by (used in) financing activities	\$ 1,000	\$ (345)	\$ 1,120

(a) Includes proceeds from issuances of common stock under various employee stock plans and the Company's dividend reinvestment plan, net of taxes paid, advances and contributions in aid of construction, net of refunds, and debt issuance costs and make-whole premiums on early debt redemption.

In 2022, cash flows provided by financing activities increased \$1,345 million, primarily due to an increase in commercial paper borrowings, the repayment in full at maturity of the \$500 million term loan in 2021 and repayments of long-term debt due to the prepayment of \$327 million in aggregate principal amount of AWCC's outstanding senior notes in 2021, with no comparable repayments in 2022. These changes were partially offset by lower proceeds from long-term debt.

The Company's financing activities are primarily focused on funding regulated infrastructure expenditures, regulated acquisitions and payment of dividends. These activities included the issuance of long-term and short-term debt, primarily through AWCC. Based on the needs of the Regulated Businesses and the Company, AWCC may borrow funds or issue its debt in the capital markets and then, through intercompany loans, provide those borrowings to the Regulated Businesses and parent company. The Regulated Businesses and parent company are obligated to pay their portion of the respective principal and interest to AWCC, in the amount necessary to enable AWCC to meet its debt service obligations. Parent company's borrowings are not a source of capital for the Regulated Businesses, therefore, parent company is not able to recover the interest charges on its debt through regulated water and wastewater rates. As of December 31, 2022, AWCC has made long-term fixed rate loans and commercial paper loans to the Regulated Businesses amounting to \$7.6 billion. Additionally, as of December 31, 2022, AWCC has made long-term fixed rate loans and commercial paper loans to parent company amounting to \$3.6 billion.

On May 5, 2022, AWCC issued \$800 million aggregate principal amount of its 4.45% senior notes due 2032. At closing, AWCC received, after deduction of underwriting discounts and before deduction of offering expenses, net proceeds of approximately \$792 million. AWCC used the net proceeds of the offering: (i) to lend funds to parent company and its regulated subsidiaries; (ii) to repay AWCC's commercial paper obligations; and (iii) for general corporate purposes.

One of the principal market risks to which the Company is exposed is changes in interest rates. In order to manage the exposure, the Company follows risk management policies and procedures, including the use of derivative contracts such as treasury lock agreements. The Company also reduces exposure to interest rates by managing commercial paper and debt maturities. The Company does not enter into derivative contracts (through AWCC) for speculative purposes and does not use leveraged instruments. The derivative contracts entered into are for periods consistent with the related underlying exposures. The Company is exposed to the risk that counterparties to derivative contracts will fail to meet their contractual obligations. The Company minimizes the counterparty credit risk on these transactions by dealing only with leading, creditworthy financial institutions, having long-term credit ratings of "A" or better.

In April 2022, the Company entered into several 10-year treasury lock agreements, with notional amounts totaling \$400 million, and an average fixed interest rate of 2.89%. The Company designated these treasury lock agreements as cash flow hedges, with their fair value recorded in accumulated other comprehensive gain or loss. In May 2022, the Company terminated the treasury lock agreements, realizing a net gain of approximately \$4 million, to be amortized through interest, net over a 10-year period, in accordance with the tenor of the debt issuance on May 5, 2022.

In November and December 2022, the Company entered into four 10-year treasury lock agreements, with notional amounts totaling \$100 million, to reduce interest rate exposure on debt expected to be issued in 2023. These treasury lock agreements terminate in January 2024, and have an average fixed rate of 3.56%. In January 2023, the Company entered into three additional 10-year treasury lock agreements, with notional amounts totaling \$100 million, to reduce interest rate exposure on debt expected to be issued in 2023. These treasury lock agreements terminate in January 2024, and have an average fixed rate of 3.35%. The Company designated these treasury lock agreements as cash flow hedges, with their fair value recorded in accumulated other comprehensive gain or loss. Upon termination, the cumulative gain or loss recorded in accumulated other comprehensive gain or loss will be amortized through interest, net over the term of the new debt.

No ineffectiveness was recognized on hedging instruments for the years ended December 31, 2022, 2021 or 2020.

In February 2021, parent company and AWCC filed with the SEC a universal shelf registration statement that enables the Company to meet its capital needs through the offer and sale to the public from time to time of an unlimited amount of various types of securities, including American Water common stock, preferred stock, and other equity and hybrid securities, and AWCC debt securities, all subject to market conditions and demand, general economic conditions, and as applicable, rating status. The shelf registration statement will expire in February 2024. During 2022, 2021 and 2020, \$800 million, \$1.10 billion, and \$1.00 billion, respectively, of debt securities were issued under this and predecessor registration statements.

Presented in the table below are the issuances of long-term debt in 2022:

Company	Type	Rate	Weighted Average Rate	Maturity	Amount (in millions)
AWCC (a)	Senior notes—fixed rate	4.45%	4.45%	2032	\$ 800
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate	0.00%-1.75%	1.03%	2027-2042	22
Total issuances					<u>\$ 822</u>

(a) This indebtedness is considered “debt” for purposes of a support agreement between parent company and AWCC, which serves as a functional equivalent of a full and unconditional guarantee by parent company of AWCC’s payment obligations under such indebtedness. See “—Issuer and Guarantor of Senior Notes” below.

Presented in the table below are the retirements and redemptions of long-term debt in 2022 through sinking fund provisions, optional redemption or payment at maturity:

Company	Type	Rate	Weighted Average Rate	Maturity	Amount (in millions)
AWCC	Private activity bonds and government funded debt—fixed rate	1.79%-2.31%	2.24%	2024-2031	\$ 1
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate	0.00%-5.50%	1.50%	2022-2051	13
Other American Water subsidiaries	Mandatorily redeemable preferred stock	8.49%	8.49%	2022	1
Total retirements and redemptions					<u>\$ 15</u>

From time to time and as market conditions warrant, the Company may engage in long-term debt retirements through make-whole redemptions, tender offers, open market repurchases or other viable alternatives.

Issuer and Guarantor of Senior Notes

The outstanding senior notes issued by AWCC have been issued under two indentures, each by and between AWCC and Computershare Trust Company, N.A., as successor to Wells Fargo Bank, National Association, as trustee, providing for the rights and obligations of the parties thereto and the holders of the notes issued thereunder. The senior notes also have been issued with the benefit of a support agreement, as amended, between parent company and AWCC, which serves as the functional equivalent of a full and unconditional guarantee by parent company of AWCC's payment obligations under the senior notes. No other subsidiary of parent company provides guarantees for any of the outstanding senior notes. If AWCC is unable to make timely payment of any interest, principal or premium, if any, on such senior notes, parent company will provide to AWCC, at its request or the request of any holder of such senior notes, funds to make such payment in full. If AWCC fails or refuses to take timely action to enforce certain rights under the support agreement or if AWCC defaults in the timely payment of any amounts owed to any holder of such senior notes, when due, the support agreement provides that the holder may proceed directly against parent company to enforce such rights or to obtain payment of the defaulted amounts owed to that holder.

As a wholly owned finance subsidiary of parent company, AWCC has no significant assets other than obligations of parent company and certain of its subsidiaries in its Regulated Businesses segment to repay certain intercompany loans made to them by AWCC. AWCC's ability to make payments of amounts owed to holders of the senior notes will be dependent upon AWCC's receipt of sufficient payments of amounts owed pursuant to the terms of such intercompany loans and from its ability to issue indebtedness or otherwise obtain loans in the future, the proceeds of which would be used to fund the repayment of the senior notes.

Because parent company is a holding company and substantially all of its operations are conducted through its subsidiaries other than AWCC, parent company's ability to fulfill its obligations under the support agreement will be dependent upon its receipt of sufficient cash dividends or distributions from its operating subsidiaries. See Note 9—Shareholders' Equity—Dividends and Distributions, in the Notes to the Consolidated Financial Statements for a summary of the limitations on parent company and its subsidiaries to pay dividends or make distributions. Furthermore, parent company's operating subsidiaries are separate and distinct legal entities and, other than AWCC, have no obligation to make any payments on the senior notes or to make available or provide any funds for such payment, other than through their repayment obligations under intercompany loans, if any, with AWCC. Based on the foregoing, parent company's obligations under the support agreement will be effectively subordinated to all indebtedness and other liabilities, including trade payables, lease commitments and moneys borrowed or other indebtedness incurred or issued by parent company's subsidiaries other than AWCC.

Credit Facilities and Short-Term Debt

Interest rates on advances under the Company's revolving credit facility are based on a credit spread to the Secured Overnight Financing Rate ("SOFR") rate (or applicable market replacement rate) or base rate, each determined in accordance with Moody Investors Service's and S&P Global Ratings' then applicable credit rating on AWCC's senior unsecured, non-credit enhanced debt. The facility is used principally to support AWCC's commercial paper program and to provide up to \$150 million in letters of credit. Indebtedness under the facility and AWCC's commercial paper are considered "debt" for purposes of a support agreement between parent company and AWCC, which serves as a functional equivalent of a full and unconditional guarantee by parent company of AWCC's payment obligations thereunder.

Presented in the tables below are the aggregate credit facility commitments, commercial paper limit and letter of credit availability under the revolving credit facility, as well as the available capacity for each, as of December 31:

	2022		
	Commercial Paper Limit	Letters of Credit	Total (a)
(In millions)			
Total availability	\$ 2,600	\$ 150	\$ 2,750
Outstanding debt	(1,177)	(78)	(1,255)
Remaining availability as of December 31, 2022	\$ 1,423	\$ 72	\$ 1,495

(a) Total remaining availability of \$1.50 billion as of December 31, 2022, may be accessed through revolver draws.

	2021		
	Commercial Paper Limit	Letters of Credit	Total (a)
(In millions)			
Total availability	\$ 2,100	\$ 150	\$ 2,250
Outstanding debt	(584)	(76)	(660)
Remaining availability as of December 31, 2021	\$ 1,516	\$ 74	\$ 1,590

(a) Total remaining availability of \$1.59 billion as of December 31, 2021, may be accessed through revolver draws.

Presented in the table below is the Company's total available liquidity as of December 31, 2022 and 2021:

(In millions)	Cash and Cash Equivalents	Availability on Revolving Credit Facility	Total Available Liquidity
Available liquidity as of December 31, 2022	\$ 85	\$ 1,495	\$ 1,580
Available liquidity as of December 31, 2021	116	1,590	1,706

The weighted average interest rate on AWCC's outstanding short-term borrowings was approximately 4.41% and 0.20%, for the years ended December 31, 2022 and 2021, respectively.

Capital Structure

Presented in the table below is the percentage of the Company's capitalization represented by the components of its capital structure as of December 31:

	2022	2021	2020
Total common shareholders' equity	38.3 %	39.9 %	37.1 %
Long-term debt and redeemable preferred stock at redemption value	54.4 %	56.6 %	53.6 %
Short-term debt and current portion of long-term debt	7.3 %	3.5 %	9.3 %
Total	100 %	100 %	100 %

The changes in the capital structure mix between periods were mainly attributable to the impacts of the HOS sale on December 9, 2021, and the repayment of short-term borrowings with proceeds from the sale, and the Company's long-term debt offering that was completed on May 5, 2022.

Debt Covenants

The Company's debt agreements contain financial and non-financial covenants. To the extent that the Company is not in compliance with these covenants, an event of default may occur under one or more debt agreements and the Company, or its subsidiaries, may be restricted in its ability to pay dividends, issue new debt or access the revolving credit facility. The long-term debt indentures contain a number of covenants that, among other things, prohibit or restrict the Company from issuing debt secured by the Company's assets, subject to certain exceptions. Failure to comply with any of these covenants could accelerate repayment obligations.

Covenants in certain long-term notes and the revolving credit facility require the Company to maintain a ratio of consolidated debt to consolidated capitalization (as defined in the relevant documents) of not more than 0.70 to 1.00. On December 31, 2022, the Company's ratio was 0.62 to 1.00 and therefore the Company was in compliance with the covenants.

Security Ratings

Presented in the table below are long-term and short-term credit ratings and rating outlooks as of February 15, 2023, as issued by Moody’s Investors Service on December 19, 2022, and S&P Global Ratings on February 6, 2023:

Securities	Moody’s Investors Service	S&P Global Ratings
Rating outlook	Stable	Stable
Senior unsecured debt	Baa1	A
Commercial paper	P-2	A-1

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

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

Access to the capital markets, including the commercial paper market, and respective financing costs in those markets, may be directly affected by the Company’s securities ratings. The Company primarily accesses the debt capital markets, including the commercial paper market, through AWCC. However, the Company has also issued debt through its regulated subsidiaries, primarily in the form of mortgage bonds and tax exempt securities or borrowings under state revolving funds, to lower the overall cost of debt.

Dividends and Regulatory Restrictions

For discussion of the Company’s dividends, dividend restrictions and dividend policy, see Note 9—Shareholders’ Equity in the Notes to Consolidated Financial Statements for additional information.

Insurance Coverage

The Company carries various property, casualty, cyber and financial insurance policies with limits, deductibles and exclusions that it believes are consistent with industry standards. However, insurance coverage may not be adequate or available to cover unanticipated losses or claims. Additionally, annual policy renewals can be impacted by claims experience which in turn can impact coverage terms and conditions on a going-forward basis. The Company is self-insured to the extent that losses are within the policy deductible or exceed the amount of insurance maintained. Such losses could have a material adverse effect on the Company’s short-term and long-term financial condition and its results of operations and cash flows.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with GAAP requires that management apply accounting policies and make estimates, assumptions and judgments that could affect the Company’s financial condition, results of operations and cash flows. Actual results could differ from these estimates, assumptions and judgments. Management believes that the areas described below require significant judgment in the application of accounting policy or in making estimates and assumptions in matters that are inherently uncertain and that may change in subsequent periods. Accordingly, changes in the estimates, assumptions and judgments applied to these accounting policies could have a significant impact on the Company’s financial condition, results of operations and cash flows, as reflected in the Company’s Consolidated Financial Statements. Management has reviewed the critical accounting policies described below with the Company’s Audit, Finance and Risk Committee, including the estimates, assumptions and judgments used in their application. Additional discussion regarding these critical accounting policies and their application can be found in Note 2—Significant Accounting Policies in the Notes to Consolidated Financial Statements.

Regulation and Regulatory Accounting

The Company's regulated utilities are subject to regulation by PUCs and, as such, the Company follows the authoritative accounting principles required for rate regulated utilities, which requires the Company to reflect the effects of rate regulation in its Consolidated Financial Statements. Use of this authoritative guidance is applicable to utility operations that meet the following criteria: (i) third-party regulation of rates; (ii) cost-based rates; and (iii) a reasonable assumption that rates will be set to recover the estimated costs of providing service, plus a return on net investment, or rate base. As of December 31, 2022, the Company concluded that the operations of its utilities met the criteria.

Application of this authoritative guidance has a further effect on the Company's financial statements as it pertains to allowable costs used in the ratemaking process. The Company makes significant assumptions and estimates to quantify amounts recorded as regulatory assets and liabilities. Such judgments include, but are not limited to, assets and liabilities related to regulated acquisitions, pension and postretirement benefits, depreciation rates and taxes. Due to timing and other differences in the collection of revenues, these authoritative accounting principles allow a cost that would otherwise be charged as an expense by a non-regulated entity, to be deferred as a regulatory asset if it is probable that such cost is recoverable through future rates. Conversely, the principles require the creation of a regulatory liability for amounts collected in rates to recover costs expected to be incurred in the future, or amounts collected in excess of costs incurred and are refundable to customers.

For each regulatory jurisdiction where the Company conducts business, the Company assesses, at the end of each reporting period, whether the regulatory assets continue to meet the criteria for probable future recovery and regulatory liabilities continue to meet the criteria for probable future settlement. This assessment includes consideration of factors such as changes in regulatory environments, recent rate orders (including recent rate orders on recovery of a specific or similar incurred cost to other regulated entities in the same jurisdiction) and the status of any pending or potential legislation. If subsequent events indicate that the regulatory assets or liabilities no longer meet the criteria for probable future recovery or probable future settlement, the Company's Consolidated Statements of Operations and financial position could be materially affected. In addition, if the Company concludes in a future period that a separable portion of the business no longer meets the criteria, the Company is required to eliminate the financial statement effects of regulation for that part of the business, which would include the elimination of any or all regulatory assets and liabilities that had been recorded in the Consolidated Financial Statements. Failure to meet the criteria of this authoritative guidance could materially impact the Company's Consolidated Financial Statements.

As of December 31, 2022 and 2021, the Company's regulatory asset balance was \$1.0 billion and \$1.1 billion, respectively, and its regulatory liability balance was \$1.6 billion and \$1.6 billion, respectively. See Note 3—Regulatory Matters in the Notes to Consolidated Financial Statements for further information regarding the Company's significant regulatory assets and liabilities.

Accounting for Income Taxes

Significant management judgment is required in determining the provision for income taxes, primarily due to the uncertainty related to tax positions taken, as well as deferred tax assets and liabilities, valuation allowances and the utilization of NOL carryforwards.

In accordance with applicable authoritative guidance, the Company accounts for uncertain income tax positions using a benefit recognition model with a two-step approach, including a more-likely-than-not recognition threshold and a measurement approach based on the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement. If it is not more-likely-than-not that the benefit of the tax position will be sustained on its technical merits, no benefit is recorded. Uncertain tax positions that relate only to timing of when an item is included on a tax return are considered to have met the recognition threshold. Management evaluates each position based solely on the technical merits and facts and circumstances of the position, assuming the position will be examined by a taxing authority having full knowledge of all relevant information. Significant judgment is required to determine whether the recognition threshold has been met and, if so, the appropriate amount of unrecognized tax benefit to be recorded in the Consolidated Financial Statements.

The Company evaluates the probability of realizing deferred tax assets quarterly by reviewing a forecast of future taxable income and its intent and ability to implement tax planning strategies, if necessary, to realize deferred tax assets. The Company also assesses its ability to utilize tax attributes, including those in the form of carryforwards, for which the benefits have already been reflected in the financial statements. The Company records valuation allowances for deferred tax assets when it concludes that it is more-likely-than-not such benefit will not be realized in future periods.

Under GAAP, specifically ASC 740, *Income Taxes*, the tax effects of changes in tax laws must be recognized in the period in which the law is enacted. ASC 740 also requires deferred tax assets and liabilities to be measured at the enacted tax rate expected to apply when temporary differences are to be realized or settled. For the Company's regulated entities, the change in deferred taxes are recorded as either an offset to a regulatory asset or a regulatory liability and may be subject to refund to customers. For the Company's unregulated operations, the change in deferred taxes are recorded as a non-cash re-measurement adjustment to earnings.

Actual income taxes could vary from estimated amounts due to the future impacts of various items, including changes in income tax laws, the Company's forecasted financial condition and results of operations, failure to successfully implement tax planning strategies and recovery of taxes through the regulatory process for the Regulated Businesses, as well as results of audits and examinations of filed tax returns by taxing authorities. The resulting tax balances as of December 31, 2022 and 2021 are appropriately accounted for in accordance with the applicable authoritative guidance; however, the ultimate outcome of tax matters could result in favorable or unfavorable adjustments to the Consolidated Financial Statements and such adjustments could be material. See Note 14—Income Taxes in the Notes to Consolidated Financial Statements for additional information regarding income taxes.

Accounting for Pension and Postretirement Benefits

The Company maintains noncontributory defined benefit pension plans covering eligible employees of its regulated utility and shared service operations. The Company also maintains other postretirement benefit plans providing medical and life insurance to eligible retirees. See Note 2—Significant Accounting Policies and Note 15—Employee Benefits in the Notes to Consolidated Financial Statements for additional information regarding the description of and accounting for the defined benefit pension plans and postretirement benefit plans.

The Company's pension and postretirement benefit costs are developed from actuarial valuations. Inherent in these valuations are key assumptions provided by the Company to its actuaries, including the discount rate and expected long-term rate of return on plan assets. Material changes in the Company's pension and postretirement benefit costs may occur in the future due to changes in these assumptions as well as fluctuations in plan assets. The assumptions are selected to represent the average expected experience over time and may differ in any one year from actual experience due to changes in capital markets and the overall economy. These differences will impact the amount of pension and other postretirement benefit expense that the Company recognizes. The primary assumptions are:

- **Discount Rate**—The discount rate is used in calculating the present value of benefits, which are based on projections of benefit payments to be made in the future. The objective in selecting the discount rate is to measure the single amount that, if invested at the measurement date in a portfolio of high-quality debt instruments, would provide the necessary future cash flows to pay the accumulated benefits when due.
- **Expected Return on Plan Assets ("EROA")**—Management projects the future return on plan assets considering prior performance, but primarily based upon the plans' mix of assets and expectations for the long-term returns on those asset classes. These projected returns reduce the net benefit costs the Company records currently.
- **Rate of Compensation Increase**—Management projects employees' pay increases, which are used to project employees' pension benefits at retirement.
- **Health Care Cost Trend Rate**—Management projects the expected increases in the cost of health care.
- **Mortality**— Management adopted the Society of Actuaries Pri-2012 mortality base table, the most recent table developed from private pension plan experience, which provides rates of mortality in 2012 and adopted the new MP-2021 mortality improvement scale to gradually adjust future mortality rates downward due to increased longevity in each year after 2012.

The discount rate assumption, which is determined for the pension and postretirement benefit plans independently, is subject to change each year, consistent with changes in applicable high-quality, long-term corporate bond indices. The Company uses an approach that approximates the process of settlement of obligations tailored to the plans' expected cash flows by matching the plans' cash flows to the coupons and expected maturity values of individually selected bonds. For each plan, the discount rate was developed as the level equivalent rate that would yield the same present value as using spot rates aligned with the projected benefit payments. The weighted-average discount rate assumption for determining pension benefit obligations was 5.58%, 2.94% and 2.74% at December 31, 2022, 2021 and 2020, respectively. The weighted-average discount rate assumption for determining other postretirement benefit obligations was 5.60%, 2.90% and 2.56% at December 31, 2022, 2021 and 2020, respectively.

In selecting an EROA, the Company considered tax implications, past performance and economic forecasts for the types of investments held by the plans. The weighted-average EROA assumption used in calculating pension cost was 6.50% for 2022, 6.50% for 2021, and 6.50% for 2020. The weighted-average EROA assumption used in calculating other postretirement benefit costs was 3.60% for 2022, 3.67% for 2021 and 3.68% for 2020.

Presented in the table below are the allocations of the pension plan assets by asset category:

Asset Category	2023 Target Allocation	Percentage of Plan Assets as of December 31,	
		2022	2021
Equity securities	37 %	57 %	53 %
Fixed income	63 %	43 %	47 %
Total	100 %	100 %	100 %

Presented in the table below are the allocations of the other postretirement benefit plan assets by asset category:

Asset Category	2023 Target Allocation (a)	Percentage of Plan Assets as of December 31,	
		2022	2021
Equity securities	27 %	30 %	22 %
Fixed income	73 %	70 %	78 %
Total	100 %	100 %	100 %

(a) Refer to Note 15—Employee Benefits in the Notes to Consolidated Financial Statements for additional details on the allocations of assets and the trusts which fund the other postretirement benefit plans

The investments of the pension and postretirement welfare plan trusts include debt and equity securities held either directly or through mutual funds, commingled funds and limited partnerships. The trustee for the Company’s defined benefit pension and postretirement welfare plans uses an independent valuation firm to calculate the fair value of plan assets.

In selecting a rate of compensation increase, the Company considers past experience in light of movements in inflation rates. The Company’s rate of compensation increase was 3.51% for 2022, 3.51% for 2021 and 3.51% for 2020.

In selecting health care cost trend rates, the Company considers past performance and forecasts of increases in health care costs. As of January 1, 2022, the Company’s health care cost trend rate assumption used to calculate the periodic benefit cost was 6.00% in 2022 gradually declining to 5.00% in 2026 and thereafter. As of December 31, 2022, the Company projects that medical inflation will be 7.00% in 2023 gradually declining to 5.00% in 2031 and thereafter.

The Company will use a weighted-average discount rate and EROA of 5.58% and 6.75%, respectively, for estimating its 2023 pension costs. Additionally, the Company will use a weighted-average discount rate and EROA of 5.60% and 5.00%, respectively, for estimating its 2023 other postretirement benefit costs. A decrease in the discount rate or the EROA would increase the Company’s pension expense. The Company’s 2022 pension and postretirement total net benefit credit was \$47 million and the 2021 pension and postretirement total net benefit credit was \$41 million. The Company expects to make pension contributions to the plan trusts of \$39 million in 2023; however, the actual amounts contributed could change materially from this estimate. The assumptions are reviewed annually and at any interim re-measurement of the plan obligations. The impact of assumption changes is reflected in the recorded pension and postretirement benefit amounts as they occur, or over a period of time if allowed under applicable accounting standards.

Benefit Plan Amendments

In December 2022, the Company amended the American Water Pension Plan (“AWPP”), a tax-qualified defined benefit pension plan, to restructure it as of December 31, 2022. The restructuring involved the spin-off of certain inactive participants from the existing AWPP into a separate tax-qualified defined benefit pension plan, the American Water Pension Plan for Certain Inactive Participants (“AWPP Inactive”). Benefits offered to the plan participants remain unchanged. Actuarial gains and losses associated with AWPP Inactive will be amortized over the average remaining life expectancy of the inactive participants, which increases the amortization period from approximately 7 years to 18 years. The longer amortization period is expected to lower the Company’s pre-tax pension expense by approximately \$5 million in 2023. The actuarial gains and losses associated with the AWPP will continue to be amortized over the average remaining service period for active participants. The Company remeasured the pension plan obligation and assets for each plan as of December 31, 2022.

Upon evaluating prior plan changes, Company funding and market performance, in December 2022, the Company completed plan amendments to spin-off and merge a portion of the American Water Retiree Welfare Plan, with and into the Company's medical plan for active employees ("Active Medical Plan"), in order to repurpose the over-funded portion of the Bargained Retiree Voluntary Employees' Beneficiary Association ("Bargained VEBA") trust. Benefits offered to the plan participants remain unchanged. As a result of these changes, effective December 31, 2022, the Company transferred investment assets from the Bargained VEBA into the existing trust maintained for the benefit of Active Medical Plan participants ("Active VEBA"). The transfer of these Bargained VEBA investment assets into the Active VEBA permits access to approximately \$194 million of assets for purposes of paying active union employee medical benefits. The Company recorded the transfer of assets as a negative contribution and therefore did not record a gain or loss, as permitted by accounting guidance. See Note 18—Fair Value of Financial Information in the Notes to Consolidated Financial Statements, for additional information on accounting for the assets as investments in debt and equity securities as of December 31, 2022.

Revenue Recognition

Revenue from the Company's Regulated Businesses is generated primarily from water and wastewater services delivered to customers. These contracts contain a single performance obligation, the delivery of water or wastewater services, as the promise to transfer the individual good or service is not separately identifiable from other promises within the contracts and, therefore, is not distinct. Revenues are recognized over time, as services are provided. There are generally no significant financing components or variable consideration. Revenues include amounts billed to customers on a cycle basis, and unbilled amounts calculated based on estimated usage from the date of the meter reading associated with the latest customer bill, to the end of the accounting period. The amounts that the Company has a right to invoice are determined by each customer's actual usage, an indicator that the invoice amount corresponds directly to the value transferred to the customer.

Increases or decreases in the volumes delivered to customers and rate mix due to changes in usage patterns in customer classes in the period could be significant to the calculation of unbilled revenue. In addition, changes in the timing of meter reading schedules and the number and type of customers scheduled for each meter reading date would also have an effect on the unbilled revenue calculation. Unbilled revenue for the Company's regulated utilities as of December 31, 2022 and 2021 was \$178 million and \$162 million, respectively.

The Company also recognizes revenue when it is probable that future recovery of previously incurred costs or future refunds that are to be credited to customers will occur through the ratemaking process.

Revenue from the Company's former HOS business, which was sold in December 2021, was generated through various protection programs in which the Company provided fixed fee services to domestic homeowners and smaller commercial customers for interior and exterior water and sewer lines, interior electric and gas lines, heating and cooling systems, water heaters, power surge protection and other related services. Most of the contracts had a one-year term and each service was a separate performance obligation, satisfied over time, as the customers simultaneously received and consumed the benefits provided from the service. Customers were obligated to pay for the protection programs ratably over 12 months or via a one-time, annual fee, with revenues recognized ratably over time for those services. Advances from customers were deferred until the performance obligation was satisfied.

The Company also has long-term, fixed fee contracts to operate and maintain water and wastewater systems for the U.S. government on various military installations and facilities owned by municipal customers. Billing and revenue recognition for the fixed fee revenues occurs ratably over the term of the contract, as customers simultaneously receive and consume the benefits provided by the Company. Additionally, these contracts allow the Company to make capital improvements to underlying infrastructure, which are initiated through separate modifications or amendments to the original contract, whereby stand-alone, fixed pricing is separately stated for each improvement. The Company has determined that these capital improvements are separate performance obligations, with revenue recognized over time based on performance completed at the end of each reporting period. Losses on contracts are recognized during the period in which the losses first become probable and estimable. Revenues recognized during the period in excess of billings on construction contracts are recorded as unbilled revenues, with billings in excess of revenues recorded as other current liabilities until the recognition criteria are met. Changes in contract performance and related estimated contract profitability may result in revisions to costs and revenues and are recognized in the period in which revisions are determined. Unbilled revenue within Other as of December 31, 2022 and 2021 was \$97 million and \$86 million, respectively.

Accounting for Contingencies

The Company records loss contingencies when management determines that the outcome of future events is probable of occurring and when the amount of the loss or a range of losses can be reasonably estimated. The determination of a loss contingency is based on management's judgment and estimates about the likely outcome of the matter, which may include an analysis of different scenarios. Liabilities are recorded or adjusted when events or circumstances cause these judgments or estimates to change. In assessing whether a loss is reasonably possible, management considers many factors, which include, but are not limited to: the nature of the litigation, claim or assessment, review of applicable law, opinions or views of legal counsel and other advisors, and the experience gained from similar cases or situations. The Company provides disclosures for material contingencies when management deems there is a reasonable possibility that a loss or an additional loss may be incurred. The Company provides estimates of reasonably possible losses when such estimates may be reasonably determined, either as a single amount or within a reasonable range.

Actual amounts realized upon settlement or other resolution of loss contingencies may be different than amounts recorded and disclosed and could have a significant impact on the liabilities, revenue and expenses recorded on the Consolidated Financial Statements. See Note 16—Commitments and Contingencies in the Notes to Consolidated Financial Statements for additional information regarding contingencies.

Recent Accounting Standards

See Note 2—Significant Accounting Policies in the Notes to Consolidated Financial Statements for a description of recent accounting standards.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risk associated with changes in commodity prices, equity prices and interest rates. The Company is exposed to risks from changes in interest rates as a result of its issuance of variable and fixed rate debt and commercial paper. The Company manages its interest rate exposure by limiting its variable rate exposure and by monitoring the effects of market changes in interest rates. The Company also has the ability to enter into financial derivative instruments, which could include instruments such as, but not limited to, interest rate swaps, forward starting swaps and U.S. Treasury lock agreements to manage and mitigate interest rate risk exposure. As of December 31, 2022, a hypothetical increase of interest rates by 1% associated with the Company's short-term borrowings would result in a \$6 million increase in short-term interest expense.

The Company's risks associated with price increases for chemicals, electricity and other commodities are reduced through contractual arrangements and the expected ability to recover price increases through rates, in the next general rate case proceeding or other regulatory mechanism, as authorized by each regulatory jurisdiction. Non-performance by these commodity suppliers could have a material adverse impact on the Company's results of operations, financial position and cash flows.

The market price of the Company's common stock may experience fluctuations, which may be unrelated to its operating performance. In particular, the Company's stock price may be affected by general market movements as well as developments specifically related to the water and wastewater industry. These could include, among other things, interest rate movements, quarterly variations or changes in financial estimates by securities analysts and governmental or regulatory actions. This volatility may make it difficult for the Company to access the capital markets in the future through additional offerings of its common stock or other equity securities, regardless of its financial performance, and such difficulty may preclude the Company from being able to take advantage of certain business opportunities or meet business obligations.

The Company is exposed to credit risk through its water, wastewater and related services. The Company's Regulated Businesses serve residential, commercial, industrial and other customers, while the businesses within Other engage in business activities with government entities and other customers. The Company's primary credit risk is exposure to customer default on contractual obligations and the associated loss that may be incurred due to the non-payment of customer accounts receivable balances. The Company's credit risk is managed through established credit and collection policies which are in compliance with applicable regulatory requirements and involve monitoring of customer exposure and the use of credit risk mitigation measures such as letters of credit or prepayment arrangements. The Company's credit portfolio is diversified with no significant customer or industry concentrations. In addition, the Regulated Businesses are generally able to recover all prudently incurred costs including uncollectible customer accounts receivable expenses and collection costs through rates.

The Company's retirement trust assets are exposed to the market prices of debt and equity securities. Changes to the retirement trust asset values can impact the Company's pension and other benefits expense, funded status and future minimum funding requirements. Changes in interest rates can impact retirement liabilities. The Company aims to reduce risk through asset diversification and by investing in long duration fixed-income securities that have a duration similar to that of its pension liabilities, seeking to hedge some of the interest rate sensitivity of its liabilities. That way, if interest rates fall and liabilities increase, the Company expects that the fixed-income assets in its retirement trust will also increase in value. The Company also expects its risk to be reduced through its ability to recover pension and other benefit costs through rates.

The Company is also exposed to a potential national economic recession or deterioration in local economic conditions in the markets in which it operates. The credit quality of the Company's customer accounts receivable is dependent on the economy and the ability of its customers to manage through unfavorable economic cycles and other market changes. In addition, there can be no assurances that regulators will grant sufficient rate authorizations. Therefore, the Company's ability to fully recover operating expense, recover its investment and provide an appropriate return on invested capital made in the Regulated Businesses may be adversely impacted.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
American Water Works Company, Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of American Water Works Company, Inc. and its subsidiaries (the “Company”) as of December 31, 2022 and 2021, and the related consolidated statements of operations, comprehensive income, changes in shareholders’ equity and cash flows for each of the three years in the period ended December 31, 2022, including the related notes (collectively referred to as the “consolidated financial statements”). We also have audited the Company’s internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022 in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company’s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management’s Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company’s consolidated financial statements and on the Company’s internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Accounting for the Effects of Rate Regulation

As described in Notes 2 and 3 to the consolidated financial statements, the Company's consolidated regulatory assets and liabilities balances were \$1,030 million and \$1,595 million, respectively, as of December 31, 2022. The Company's regulated utilities are subject to regulation by multiple state utility commissions and the Company follows authoritative accounting principles required for rate regulated utilities, which requires the effects of rate regulation to be reflected in the Company's consolidated financial statements. As disclosed by management, for each regulatory jurisdiction where the Company conducts business, the Company assesses, at the end of each reporting period, whether the regulatory assets continue to meet the criteria for probable future recovery and regulatory liabilities continue to meet the criteria for probable future settlement. This assessment includes consideration of factors such as changes in regulatory environments, recent rate orders (including recent rate orders on recovery of a specific or similar incurred cost to other regulated entities in the same jurisdiction) and the status of any pending or potential legislation.

The principal considerations for our determination that performing procedures relating to accounting for the effects of rate regulation is a critical audit matter are the significant judgment by management in accounting for regulatory assets and liabilities relative to whether regulatory assets continue to meet the criteria for probable future recovery and regulatory liabilities continue to meet the criteria for probable future settlement as a result of changes in regulatory environments, recent rate orders, and the status of any pending or potential legislation. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing audit procedures and evaluating audit evidence obtained relating to management's judgments.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the Company's regulatory accounting process, including controls over management's assessment and consideration of factors related to the probability of future recovery or settlement. These procedures also included, among others, evaluating the reasonableness of management's judgments regarding the probability of recovery and settlement based on the Company's correspondence with regulators, status of regulatory proceedings, past practices, and other relevant information; evaluating the related accounting and disclosure implications; and evaluating regulatory assets and liabilities balances based on provisions and formulas outlined in rate orders and other correspondence with the Company's regulators.

/s/ PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
February 15, 2023

We have served as the Company's auditor since 1948.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Balance Sheets

(In millions, except share and per share data)

	December 31, 2022	December 31, 2021
ASSETS		
Property, plant and equipment	\$ 29,736	\$ 27,413
Accumulated depreciation	(6,513)	(6,329)
Property, plant and equipment, net	<u>23,223</u>	<u>21,084</u>
Current assets:		
Cash and cash equivalents	85	116
Restricted funds	32	20
Accounts receivable, net of allowance for uncollectible accounts of \$60 and \$75, respectively	334	271
Income tax receivable	114	4
Unbilled revenues	275	248
Materials and supplies	98	57
Assets held for sale	—	683
Other	312	155
Total current assets	<u>1,250</u>	<u>1,554</u>
Regulatory and other long-term assets:		
Regulatory assets	990	1,051
Seller promissory note from the sale of the Homeowner Services Group	720	720
Operating lease right-of-use assets	82	92
Goodwill	1,143	1,139
Postretirement benefit assets	—	193
Other	379	242
Total regulatory and other long-term assets	<u>3,314</u>	<u>3,437</u>
Total assets	<u>\$ 27,787</u>	<u>\$ 26,075</u>

The accompanying notes are an integral part of these Consolidated Financial Statements.

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

	December 31, 2022	December 31, 2021
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock (\$0.01 par value; 500,000,000 shares authorized; 187,200,539 and 186,880,413 shares issued, respectively)	\$ 2	\$ 2
Paid-in-capital	6,824	6,781
Retained earnings	1,267	925
Accumulated other comprehensive loss	(23)	(45)
Treasury stock, at cost (5,342,477 and 5,269,324 shares, respectively)	(377)	(365)
Total common shareholders' equity	7,693	7,298
Long-term debt	10,926	10,341
Redeemable preferred stock at redemption value	3	3
Total long-term debt	10,929	10,344
Total capitalization	18,622	17,642
Current liabilities:		
Short-term debt	1,175	584
Current portion of long-term debt	281	57
Accounts payable	254	235
Accrued liabilities	706	701
Accrued taxes	49	176
Accrued interest	91	88
Liabilities related to assets held for sale	—	83
Other	255	217
Total current liabilities	2,811	2,141
Regulatory and other long-term liabilities:		
Advances for construction	316	284
Deferred income taxes and investment tax credits	2,437	2,421
Regulatory liabilities	1,590	1,600
Operating lease liabilities	70	80
Accrued pension expense	235	285
Other	202	180
Total regulatory and other long-term liabilities	4,850	4,850
Contributions in aid of construction	1,504	1,442
Commitments and contingencies (See Note 16)		
Total capitalization and liabilities	\$ 27,787	\$ 26,075

The accompanying notes are an integral part of these Consolidated Financial Statements.

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

	For the Years Ended December 31,		
	2022	2021	2020
Operating revenues	\$ 3,792	\$ 3,930	\$ 3,777
Operating expenses:			
Operation and maintenance	1,589	1,777	1,622
Depreciation and amortization	649	636	604
General taxes	281	321	303
Total operating expenses, net	2,519	2,734	2,529
Operating income	1,273	1,196	1,248
Other income (expense):			
Interest expense	(433)	(403)	(397)
Interest income	52	4	2
Non-operating benefit costs, net	77	78	49
Gain on sale of businesses	19	747	—
Other, net	20	18	22
Total other income (expense)	(265)	444	(324)
Income before income taxes	1,008	1,640	924
Provision for income taxes	188	377	215
Net income attributable to common shareholders	\$ 820	\$ 1,263	\$ 709
Basic earnings per share: (a)			
Net income attributable to common shareholders	\$ 4.51	\$ 6.96	\$ 3.91
Diluted earnings per share: (a)			
Net income attributable to common shareholders	\$ 4.51	\$ 6.95	\$ 3.91
Weighted average common shares outstanding:			
Basic	182	182	181
Diluted	182	182	182

(a) Amounts may not calculate due to rounding.

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Comprehensive Income
(In millions)

	For the Years Ended December 31,		
	2022	2021	2020
Net income attributable to common shareholders	\$ 820	\$ 1,263	\$ 709
Other comprehensive income (loss), net of tax:			
Change in employee benefit plan funded status, net of tax of \$5, \$0 and \$(4) in 2022, 2021 and 2020, respectively	14	(1)	(12)
Defined benefit pension plan actuarial loss, net of tax of \$1, \$1 and \$1 in 2022, 2021 and 2020, respectively	3	4	3
Unrealized gain (loss) on cash flow hedges, net of tax of \$1, \$1 and \$(1) in 2022, 2021 and 2020, respectively	5	1	(4)
Net other comprehensive income (loss)	22	4	(13)
Comprehensive income attributable to common shareholders	\$ 842	\$ 1,267	\$ 696

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Cash Flows
 (In millions)

	For the Years Ended December 31,		
	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 820	\$ 1,263	\$ 709
Adjustments to reconcile to net cash flows provided by operating activities:			
Depreciation and amortization	649	636	604
Deferred income taxes and amortization of investment tax credits	80	230	207
Provision for losses on accounts receivable	24	37	34
(Gain) or loss on sale of businesses	(19)	(747)	—
Pension and non-pension postretirement benefits	(47)	(41)	(14)
Other non-cash, net	7	(23)	(20)
Changes in assets and liabilities:			
Receivables and unbilled revenues	(114)	(74)	(97)
Income tax receivable	(110)	21	(3)
Pension and non-pension postretirement benefit contributions	(51)	(40)	(39)
Accounts payable and accrued liabilities	(8)	66	(2)
Accrued taxes	(118)	129	3
Other assets and liabilities, net	(5)	(16)	44
Net cash provided by operating activities	1,108	1,441	1,426
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(2,297)	(1,764)	(1,822)
Acquisitions, net of cash acquired	(315)	(135)	(135)
Proceeds from sale of assets, net of cash on hand	608	472	2
Removal costs from property, plant and equipment retirements, net	(123)	(109)	(106)
Net cash used in investing activities	(2,127)	(1,536)	(2,061)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term debt	822	1,118	1,334
Repayments of long-term debt	(15)	(372)	(342)
(Repayments of) proceeds from term loan	—	(500)	500
Net short-term borrowings (repayments) with maturities less than three months	591	(198)	(5)
Advances and contributions in aid of construction, net of refunds of \$19, \$25 and \$24 in 2022, 2021 and 2020, respectively	74	62	28
Debt issuance costs and make-whole premium on early debt redemption	(7)	(26)	(15)
Dividends paid	(467)	(428)	(389)
Other, net	2	(1)	9
Net cash provided by (used in) financing activities	1,000	(345)	1,120
Net (decrease) increase in cash, cash equivalents and restricted funds	(19)	(440)	485
Cash, cash equivalents and restricted funds at beginning of period	136	576	91
Cash, cash equivalents and restricted funds at end of period	\$ 117	\$ 136	\$ 576
Cash paid during the year for:			
Interest, net of capitalized amount	\$ 414	\$ 389	\$ 382
Income taxes, net of refunds of \$2, \$6 and \$2 in 2022, 2021 and 2020, respectively	\$ 335	\$ 1	\$ 7
Non-cash investing activity:			
Capital expenditures acquired on account but unpaid as of year end	\$ 330	\$ 292	\$ 221
Seller promissory note from the sale of the Homeowner Services Group	\$ —	\$ 720	\$ —
Contingent cash payment from the sale of the Homeowner Services Group	\$ —	\$ 75	\$ —

The accompanying notes are an integral part of these Consolidated Financial Statements.

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

	Common Stock			Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Treasury Stock		Total Shareholders' Equity
	Shares	Par Value	Paid-in Capital			Shares	At Cost	
Balance as of December 31, 2019	185.9	\$ 2	\$ 6,700	\$ (207)	\$ (36)	(5.1)	\$ (338)	\$ 6,121
Net income attributable to common shareholders	—	—	—	709	—	—	—	709
Common stock issuances (a)	0.6	—	47	—	—	(0.1)	(10)	37
Net other comprehensive income	—	—	—	—	(13)	—	—	(13)
Dividends (\$2.20 declared per common share)	—	—	—	(400)	—	—	—	(400)
Balance as of December 31, 2020	186.5	\$ 2	\$ 6,747	\$ 102	\$ (49)	(5.2)	\$ (348)	\$ 6,454
Net income attributable to common shareholders	—	—	—	1,263	—	—	—	1,263
Common stock issuances (a)	0.4	—	34	—	—	(0.1)	(17)	17
Net other comprehensive income	—	—	—	—	4	—	—	4
Dividends (\$2.41 declared per common share)	—	—	—	(440)	—	—	—	(440)
Balance as of December 31, 2021	186.9	\$ 2	\$ 6,781	\$ 925	\$ (45)	(5.3)	\$ (365)	\$ 7,298
Net income attributable to common shareholders	—	—	—	820	—	—	—	820
Common stock issuances (a)	0.5	—	43	—	—	(0.1)	(12)	31
Net other comprehensive income	—	—	—	—	22	—	—	22
Dividends (\$2.62 declared per common share)	—	—	—	(478)	—	—	—	(478)
Balance as of December 31, 2022	187.4	\$ 2	\$ 6,824	\$ 1,267	\$ (23)	(5.4)	\$ (377)	\$ 7,693

(a) Includes stock-based compensation, employee stock purchase plan and direct stock reinvestment and direct stock purchase plan activity.

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Notes to Consolidated Financial Statements

(Unless otherwise noted, in millions, except per share data)

Note 1: Organization and Operation

American Water Works Company, Inc. (the “Company” or “American Water”) is a holding company for regulated and market-based subsidiaries that provide water and wastewater services throughout the United States. References to “parent company” mean American Water Works Company, Inc., without its subsidiaries. The Company’s primary business involves the ownership of regulated utilities that provide water and wastewater services in 14 states in the United States, collectively referred to as the “Regulated Businesses.” The Company also operates other market-based businesses that provide water and wastewater services within non-reportable operating segments, collectively presented throughout this Annual Report on Form 10-K within “Other.” The Company’s primary market-based businesses included within Other are the Military Services Group (“MSG”), which enters into long-term contracts with the U.S. government to provide water and wastewater services on various military installations; and the former Homeowner Services Group (“HOS”), which was sold on December 9, 2021, and provided various warranty protection programs and other home services to residential customers.

Note 2: Significant Accounting Policies***Regulation***

The Company’s regulated utilities are subject to regulation by multiple state utility commissions or other entities engaged in utility regulation, collectively referred to as Public Utility Commissions (“PUCs”). As such, the Company follows authoritative accounting principles required for rate regulated utilities, which requires the effects of rate regulation to be reflected in the Company’s Consolidated Financial Statements. PUCs generally authorize revenue at levels intended to recover the estimated costs of providing service, plus a return on net investments, or rate base. Regulators may also approve accounting treatments, long-term financing programs and cost of capital, operation and maintenance (“O&M”) expenses, capital expenditures, taxes, affiliated transactions and relationships, reorganizations, mergers, acquisitions and dispositions, along with imposing certain penalties or granting certain incentives. Due to timing and other differences in the collection of a regulated utility’s revenues, these authoritative accounting principles allow a cost that would otherwise be charged as an expense by a non-regulated entity, to be deferred as a regulatory asset if it is probable that such cost is recoverable through future rates. Conversely, these principles also require the creation of a regulatory liability for amounts collected in rates to recover costs expected to be incurred in the future, or amounts collected in excess of costs incurred and are refundable to customers. See Note 3—Regulatory Matters for additional information.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States (“GAAP”) requires that management make estimates, assumptions and judgments that could affect the Company’s financial condition, results of operations and cash flows. Actual results could differ from these estimates, assumptions and judgments. The Company considers its critical accounting estimates to include (i) the application of regulatory accounting principles and the related determination and estimation of regulatory assets and liabilities, (ii) revenue recognition and the estimates used in the calculation of unbilled revenue, (iii) accounting for income taxes, (iv) benefit plan assumptions and (v) the estimates and judgments used in determining loss contingencies. The Company’s critical accounting estimates that are particularly sensitive to change in the near term are amounts reported for regulatory assets and liabilities, income taxes, benefit plan assumptions and contingency-related obligations.

Principles of Consolidation

The accompanying Consolidated Financial Statements include the accounts of American Water and all of its subsidiaries in which a controlling interest is maintained after the elimination of intercompany balances and transactions.

Property, Plant and Equipment

Property, plant and equipment consists primarily of utility plant utilized by the Company’s regulated utilities. Additions to utility plant and replacement of retirement units of utility plant are capitalized and include costs such as materials, direct labor, payroll taxes and benefits, indirect items such as engineering and supervision, transportation and an allowance for funds used during construction (“AFUDC”). Costs for repair, maintenance and minor replacements are charged to O&M expense as incurred.

The cost of utility plant is depreciated using the straight-line average remaining life, group method. The Company’s regulated utilities record depreciation in conformity with amounts approved by PUCs, after regulatory review of the information the Company submits to support its estimates of the assets’ remaining useful lives.

Nonutility property consists primarily of buildings and equipment utilized by the Company's MSG business and for internal operations. This property is stated at cost, net of accumulated depreciation, which is calculated using the straight-line method over the useful lives of the assets.

When units of property, plant and equipment are replaced, retired or abandoned, the carrying value is credited against the asset and charged to accumulated depreciation. To the extent the Company recovers cost of removal or other retirement costs through rates after the retirement costs are incurred, a regulatory asset is recorded. In some cases, the Company recovers retirement costs through rates during the life of the associated asset and before the costs are incurred. These amounts result in a regulatory liability being reported based on the amounts previously recovered through customer rates, until the costs to retire those assets are incurred.

The costs incurred to acquire and internally develop computer software for internal use are capitalized as a unit of property. The carrying value of these costs amounted to \$369 million and \$374 million as of December 31, 2022 and 2021, respectively.

Cash and Cash Equivalents, and Restricted Funds

Substantially all cash is invested in interest-bearing accounts. All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

Restricted funds consist primarily of proceeds from financings for the construction and capital improvement of facilities, and deposits for future services under O&M projects. Proceeds are held in escrow or interest-bearing accounts until the designated expenditures are incurred. Restricted funds are classified on the Consolidated Balance Sheets as either current or long-term based upon the intended use of the funds.

Accounts Receivable and Unbilled Revenues

Accounts receivable include regulated utility customer accounts receivable, which represent amounts billed to water and wastewater customers generally on a monthly basis. Credit is extended based on the guidelines of the applicable PUCs and collateral is generally not required. Also included are market-based trade accounts receivable and nonutility customer receivables of the regulated subsidiaries. Unbilled revenues are accrued when service has been provided but has not been billed to customers and when costs exceed billings on market-based construction contracts.

Allowance for Uncollectible Accounts

Allowances for uncollectible accounts are maintained for estimated probable losses resulting from the Company's inability to collect receivables from customers. Accounts that are outstanding longer than the payment terms are considered past due. A number of factors are considered in determining the allowance for uncollectible accounts, including the length of time receivables are past due, previous loss history, current economic and societal conditions and reasonable and supportable forecasts that affect the collectability of receivables from customers. The Company generally writes off accounts when they become uncollectible or are over a certain number of days outstanding. See Note 7—Allowance for Uncollectible Accounts for additional information.

Materials and Supplies

Materials and supplies are stated at the lower of cost or net realizable value. Cost is determined using the average cost method.

Seller Promissory Note

The Company's seller promissory note is accounted for under Accounting Standards Codification ("ASC") Topic 310, *Receivables*, and is classified as held for investment and accounted for at amortized cost at the present value of consideration received for the sale of its HOS business. Interest income from the seller promissory note is accrued based on the principal amount outstanding and earned over the contractual life of the loan.

Leases

The Company has operating and finance leases involving real property, including facilities, utility assets, vehicles, and equipment. The Company determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use ("ROU") assets, accrued liabilities and operating lease liabilities on the Consolidated Balance Sheets. Finance leases are included in property, plant and equipment, accrued liabilities and other long-term liabilities on the Consolidated Balance Sheets. The Company has made an accounting policy election not to include operating leases with a lease term of twelve months or less.

ROU assets represent the right to use an underlying asset for the lease term and the lease liabilities represent the obligation to make lease payments arising from the lease. ROU assets and lease liabilities are generally recognized at the commencement date based on the present value of discounted lease payments over the lease term. As most of the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of discounted lease payments. The implicit rate is used when readily determinable. ROU assets also include any upfront lease payments and excludes lease incentives. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. Lease expense is recognized on a straight-line basis over the lease term.

The Company has lease agreements with lease components (e.g., fixed payments including rent, real estate taxes and insurance costs) and non-lease components (e.g., common-area maintenance costs), which are generally accounted for separately; however, the Company accounts for the lease and non-lease components as a single lease component for certain leases. Certain lease agreements include variable rental payments adjusted periodically for inflation. Additionally, the Company applies a portfolio approach to effectively account for the ROU assets and lease liabilities. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Goodwill

Goodwill represents the excess of the purchase price paid over the estimated fair value of the assets acquired and liabilities assumed in the acquisition of a business. Goodwill is not amortized and must be allocated at the reporting unit level, which is defined as an operating segment or one level below, and tested for impairment at least annually, or more frequently if an event occurs or circumstances change that would more likely than not, reduce the fair value of a reporting unit below its carrying value.

The Company's goodwill is primarily associated with the acquisition of American Water by an affiliate of the Company's previous owner in 2003 and has been allocated to reporting units based on the fair values at the date of the acquisitions. For purposes of testing goodwill for impairment, the reporting units in the Regulated Businesses segment are aggregated into a single reporting unit. The goodwill of Other is comprised of the MSG reporting unit.

The Company's annual impairment testing is performed as of November 30 of each year. The Company assesses qualitative factors to determine whether quantitative testing is necessary. If it is determined, based upon qualitative factors, that the estimated fair value of a reporting unit is, more likely than not, greater than its carrying value, no further testing is required. If the Company bypasses the qualitative assessment or performs the qualitative assessment and determines that the estimated fair value of a reporting unit, is more likely than not, less than its carrying value, a quantitative, fair value-based assessment is performed. This quantitative testing compares the estimated fair value of the reporting unit to its respective net carrying value, including goodwill, on the measurement date. An impairment loss will be recognized in the amount equal to the excess of the reporting unit's carrying value compared to its estimated fair value, limited to the total amount of goodwill allocated to that reporting unit.

Application of goodwill impairment testing requires management judgment, including the identification of reporting units and determining the fair value of reporting units. Management estimates fair value using a discounted cash flow analysis. Significant assumptions used in these fair value estimations include, but are not limited to, forecasts of future operating results, discount rate and growth rate.

The Company believes the assumptions and other considerations used to value goodwill to be appropriate, however, if actual experience differs from the assumptions and considerations used in its analysis, the resulting change could have a material adverse impact on the Consolidated Financial Statements. See Note 8—Goodwill and Other Intangible Assets for additional information.

Impairment of Long-Lived Assets

Long-lived assets, other than goodwill, include property, plant and equipment and long-term investments. The Company evaluates long-lived assets for impairment when circumstances indicate the carrying value of those assets may not be recoverable. The Company determines if long-lived assets are potentially impaired by comparing the undiscounted expected future cash flows to the carrying value when indicators of impairment exist. When the undiscounted cash flow analysis indicates a long-lived asset may not be recoverable, the amount of the impairment loss is determined by measuring the excess of the carrying amount of the long-lived asset or asset group over its fair value.

The long-lived assets of the Company's regulated utilities are grouped on a separate entity basis for impairment testing, as they are integrated state-wide operations that do not have the option to curtail service and generally have uniform tariffs. A regulatory asset is charged to earnings if and when future recovery in rates of that asset is no longer probable.

The Company believes the assumptions and other considerations used to value long-lived assets to be appropriate, however, if actual experience differs from the assumptions and considerations used in its estimates, the resulting change could have a material adverse impact on the Consolidated Financial Statements.

Advances for Construction and Contributions in Aid of Construction

Regulated utility subsidiaries may receive advances for construction and contributions in aid of construction from customers, home builders and real estate developers to fund construction necessary to extend service to new areas.

Advances are refundable for limited periods of time as new customers begin to receive service or other contractual obligations are fulfilled. Included in other current liabilities as of December 31, 2022 and 2021 on the Consolidated Balance Sheets are estimated refunds of \$19 million and \$23 million, respectively. These amounts represent expected refunds during the next 12-month period.

Advances that are no longer refundable are reclassified to contributions. Contributions are permanent collections of plant assets or cash for a particular construction project. For ratemaking purposes, the amount of such contributions generally serves as a rate base reduction since the contributions represent non-investor supplied funds.

Generally, the Company depreciates utility plant funded by contributions and amortizes its contributions balance as a reduction to depreciation expense, producing a result which is functionally equivalent to reducing the original cost of the utility plant for the contributions. In accordance with applicable regulatory guidelines, some of the Company's utility subsidiaries do not amortize contributions, and any contribution received remains on the balance sheet indefinitely. Amortization of contributions in aid of construction was \$37 million, \$36 million and \$32 million for the years ended December 31, 2022, 2021 and 2020, respectively.

Revenue Recognition

Under ASC Topic 606, *Revenue From Contracts With Customers*, and all related amendments (collectively, "ASC 606"), a performance obligation is a promise within a contract to transfer a distinct good or service, or a series of distinct goods and services, to a customer. Revenue is recognized when performance obligations are satisfied and the customer obtains control of promised goods or services. The amount of revenue recognized reflects the consideration to which the Company expects to be entitled to receive in exchange for goods or services. Under ASC 606, a contract's transaction price is allocated to each distinct performance obligation. To determine revenue recognition for arrangements that the Company determines are within the scope of ASC 606, the Company performs the following five steps: (i) identifies the contracts with a customer; (ii) identifies the performance obligations within the contract, including whether any performance obligations are distinct and capable of being distinct in the context of the contract; (iii) determines the transaction price; (iv) allocates the transaction price to the performance obligations in the contract; and (v) recognizes revenue when, or as, the Company satisfies each performance obligation.

The Company's revenues from contracts with customers are discussed below. Customer payments for contracts are generally due within 30 days of billing and none of the contracts with customers have payment terms that exceed one year; therefore, the Company elected to apply the significant financing component practical expedient and no amount of consideration has been allocated as a financing component.

Regulated Businesses Revenue

Revenue from the Company's Regulated Businesses is generated primarily from water and wastewater services delivered to customers. These contracts contain a single performance obligation, the delivery of water and/or wastewater services, as the promise to transfer the individual good or service is not separately identifiable from other promises within the contracts and, therefore, is not distinct. Revenues are recognized over time, as services are provided. There are generally no significant financing components or variable consideration. Revenues include amounts billed to customers on a cycle basis and unbilled amounts calculated based on estimated usage from the date of the meter reading associated with the latest customer bill, to the end of the accounting period. The amounts that the Company has a right to invoice are determined by each customer's actual usage, an indicator that the invoice amount corresponds directly to the value transferred to the customer. The Company also recognizes revenue when it is probable that future recovery of previously incurred costs or future refunds that are to be credited to customers will occur through the ratemaking process.

Other Revenue

The Company has long-term, fixed fee contracts to operate and maintain water and wastewater systems for the U.S. government on various military installations and facilities owned by municipal customers. Billing and revenue recognition for the fixed fee revenues occurs ratably over the term of the contract, as customers simultaneously receive and consume the benefits provided by the Company. Additionally, these contracts allow the Company to make capital improvements to underlying infrastructure, which are initiated through separate modifications or amendments to the original contract, whereby stand-alone, fixed pricing is separately stated for each improvement. The Company has determined that these capital improvements are separate performance obligations, with revenue recognized over time based on performance completed at the end of each reporting period. Losses on contracts are recognized during the period in which the losses first become probable and estimable. Revenues recognized during the period in excess of billings on construction contracts are recorded as unbilled revenues, with billings in excess of revenues recorded as other current liabilities until the recognition criteria are met. Changes in contract performance and related estimated contract profitability may result in revisions to costs and revenues and are recognized in the period in which revisions are determined. See Note 4—Revenue Recognition for additional information.

Prior to December 9, 2021, through various warranty protection programs and other home services, the Company previously provided fixed fee services to residential customers for interior and exterior water and sewer lines, interior electric and gas lines, heating and cooling systems, water heaters and other home appliances, as well as power surge protection and other related services through its former HOS business. Most of the contracts had a one-year term and each service was a separate performance obligation, satisfied over time, as the customers simultaneously received and consumed the benefits provided from the service. Customers were obligated to pay for the protection programs ratably over 12 months or via a one-time, annual fee, with revenues recognized ratably over time for those services. Advances from customers were deferred until the performance obligation was satisfied.

Income Taxes

The Company and its subsidiaries participate in a consolidated federal income tax return for U.S. tax purposes. Members of the consolidated group are charged with the amount of federal income tax expense determined as if they filed separate returns.

Certain income and expense items are accounted for in different time periods for financial reporting than for income tax reporting purposes. The Company provides deferred income taxes on the difference between the tax basis of assets and liabilities and the amounts at which they are carried in the financial statements. These deferred income taxes are based on the enacted tax rates expected to be in effect when these temporary differences are projected to reverse. In addition, the regulated utility subsidiaries recognize regulatory assets and liabilities for the effect on revenues expected to be realized as the tax effects of temporary differences, previously flowed through to customers, reverse.

Investment tax credits have been deferred by the regulated utility subsidiaries and are being amortized to income over the average estimated service lives of the related assets.

The Company recognizes accrued interest and penalties related to tax positions as a component of income tax expense and accounts for sales tax collected from customers and remitted to taxing authorities on a net basis. See Note 14—Income Taxes for additional information.

Allowance for Funds Used During Construction

AFUDC is a non-cash credit to income with a corresponding charge to utility plant that represents the cost of borrowed funds or a return on equity funds devoted to plant under construction. The regulated utility subsidiaries record AFUDC to the extent permitted by the PUCs. The portion of AFUDC attributable to borrowed funds is shown as a reduction of interest, net on the Consolidated Statements of Operations. Any portion of AFUDC attributable to equity funds would be included in other, net on the Consolidated Statements of Operations. Presented in the table below is AFUDC for the years ended December 31:

	2022	2021	2020
Allowance for other funds used during construction	\$ 20	\$ 27	\$ 30
Allowance for borrowed funds used during construction	14	10	13

Derivative Financial Instruments

The Company uses derivative financial instruments primarily for purposes of hedging exposures to fluctuations in interest rates. These derivative contracts are entered into for periods consistent with the related underlying exposures and do not constitute positions independent of those exposures. The Company does not enter into derivative contracts for speculative purposes and does not use leveraged instruments.

All derivatives are recognized on the balance sheet at fair value. On the date the derivative contract is entered into, the Company designates the derivative as a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability (cash-flow hedge).

The gains and losses on the effective portion of cash-flow hedges are recorded in other comprehensive income, until earnings are affected by the variability of cash flows. Any ineffective portion of designated cash-flow hedges is recognized in current-period earnings.

Cash flows from derivative contracts are included in net cash provided by operating activities on the Consolidated Statements of Cash Flows. See Note 11—Long-Term Debt for additional information.

Pension and Other Postretirement Benefits

The Company maintains defined benefit pension plans and other postretirement benefit plans for eligible employees and retirees. The plan obligation and costs of providing benefits under these plans are annually measured as of December 31. The measurement involves various factors, assumptions and accounting elections. The impact of assumption changes or experience different from that assumed on pension and other postretirement benefit obligations is recognized over time rather than immediately recognized in the Consolidated Statements of Operations and the Consolidated Statements of Comprehensive Income. Cumulative gains and losses that are in excess of 10% of the greater of either the projected benefit obligation or the fair value of plan assets are amortized over the expected average remaining future service period of the current active membership for the plans, with the exception of the American Water Pension Plan for Certain Inactive Participants (“AWPP Inactive”), which is amortized over the average remaining life expectancy of the inactive participants. See Note 15—Employee Benefits for additional information.

The Company’s policy is to recognize curtailments when the total expected future service of plan participants is reduced by greater than 10% due to an event that results in terminations and/or retirements.

New Accounting Standards

Presented in the table below are new accounting standards that were adopted by the Company in 2022:

Standard	Description	Date of Adoption	Application	Effect on the Consolidated Financial Statements
Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity	Simplification of financial reporting associated with accounting for convertible instruments and contracts in an entity’s own equity. The standard reduced the number of accounting models for convertible debt instruments and convertible preferred stock. This will result in fewer embedded conversion features being separately recognized from the host contract. Earnings per share (“EPS”) calculations have been simplified for certain instruments.	January 1, 2022	Modified retrospective	The standard did not have a material impact on the Consolidated Financial Statements.
Disclosures by Business Entities about Government Assistance	The amendments in this update require additional disclosures regarding government grants and contributions. These disclosures require information on the following three items about government transactions to be provided: information on the nature of transactions and related accounting policy used to account for transactions, the line items on the balance sheet and income statement affected by these transactions including amounts applicable to each line, and significant terms and conditions of the transactions, including commitments and contingencies.	January 1, 2022	Prospective	The standard did not have a material impact on the Consolidated Financial Statements.
Reference Rate Reform	This update provides an additional two-year deferral on the sunset date for temporary relief during the reference rate reform transition period. After December 31, 2024, the Company will no longer be permitted to apply the relief for reference rate reform.	December 21, 2022	Prospective	The standard did not have a material impact on the Consolidated Financial Statements.

Presented in the table below are recently issued accounting standards that have not yet been adopted by the Company as of December 31, 2022:

Standard	Description	Date of Adoption	Application	Estimated Effect on the Consolidated Financial Statements
Accounting for Contract Assets and Contract Liabilities from Contracts with Customers	The guidance requires an acquirer recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Accounting Standards Codification Topic 606, as if it had originated the contracts. The amendments in this update also provide certain practical expedients for acquirers when recognizing and measuring acquired contract assets and contract liabilities from revenue contracts in a business combination.	January 1, 2023; early adoption permitted	Prospective	The Company is evaluating any impact on its Consolidated Financial Statements, as well as the timing of adoption.
Troubled Debt Restructurings and Vintage Disclosures	The main provisions of this standard eliminate the receivables accounting guidance for troubled debt restructurings (“TDRs”) by creditors while enhancing disclosure requirements when a borrower is experiencing financial difficulty. Entities must apply the loan refinancing and restructuring guidance for receivables to determine whether a modification results in a new loan or a continuation of an existing loan. Additionally, the amendments in this update require that an entity disclose current-period gross write-offs by year of origination for financing receivables and net investment in leases.	January 1, 2023; early adoption permitted	Prospective, with a modified retrospective option for amendments related to the recognition and measurement of TDRs.	The Company is evaluating any impact on its Consolidated Financial Statements, as well as the timing of adoption.

Reclassifications

Certain reclassifications have been made to prior periods in the Consolidated Financial Statements and Notes to conform to the current presentation.

Note 3: Regulatory Matters

General Rate Cases

Presented in the table below are annualized incremental revenues, including reductions for the amortization of the excess accumulated deferred income taxes (“EADIT”) that are generally offset in income tax expense, assuming a constant water sales volume and customer count, resulting from general rate case authorizations that became effective during 2022:

(In millions)	Effective Date	Amount
General rate cases by state:		
New Jersey	September 1, 2022	\$ 46
Hawaii	July 1, 2022	2
West Virginia	February 25, 2022	13
California, Step Increase	January 1, 2022	9
Pennsylvania, Step Increase	January 1, 2022	20
Total general rate case authorizations		\$ 90

Presented in the table below are annualized incremental revenues, including reductions for the amortization of EADIT that are generally offset in income tax expense, assuming a constant water sales volume and customer count, resulting from general rate case authorizations that became effective on or after January 1, 2023:

(In millions)	Effective Date	Amount
General rate cases by state:		
Pennsylvania	January 28, 2023	\$ 138
Illinois	January 1, 2023	67
California, Step Increase	January 1, 2023	13
Total general rate case authorizations		\$ 218

On December 15, 2022, the Illinois Commerce Commission issued an order approving the adjustment of base rates requested in a rate case filed on February 10, 2022, by the Company's Illinois subsidiary. As updated in the Illinois subsidiary's June 29, 2022 rebuttal filing, the request sought \$83 million in additional annualized revenues excluding previously recovered infrastructure surcharges. The general rate case order approved a \$67 million annualized increase in water and wastewater system revenues excluding previously recovered infrastructure surcharges, effective January 1, 2023, based on an authorized return on equity of 9.8%, authorized rate base of \$1.64 billion, a common equity ratio of 49.0% and a debt ratio of 51.0%. The annualized revenue increase is being driven primarily by significant water and wastewater system capital investments since the Illinois subsidiary's 2017 rate case order that have been completed or are planned through December 31, 2023, expected higher pension and other postretirement benefit costs, and increases in production costs, including chemicals, fuel and power costs.

On December 8, 2022, the Pennsylvania Public Utility Commission issued an order approving the joint settlement of the rate case filed on April 29, 2022, by the Company's Pennsylvania subsidiary. The general rate case order approved a \$138 million annualized increase in water and wastewater revenues and authorizes implementation of the new water and wastewater rates effective January 28, 2023. The rate case proceeding was resolved through a "black box" settlement agreement and did not specify an approved return on equity ("ROE"). The annualized revenue increase is driven primarily by significant incremental capital investments since the Pennsylvania subsidiary's 2021 rate case order that will be completed through December 31, 2023, increases in pension and other postretirement benefits expense and increases in production costs, including chemicals, fuel and power costs. The general rate case order also includes recovery of the Company's Pennsylvania subsidiary's COVID-19 deferral balance.

On August 17, 2022, the Company's New Jersey subsidiary was authorized additional annual revenues of \$46 million in its general rate case, effective September 1, 2022, based on an authorized return on equity of 9.6%, authorized rate base of \$4.15 billion, a common equity ratio of 54.6% and a long-term debt ratio of 45.4%. The request incorporated updated estimates of production costs, including chemicals, fuel and power costs. Beginning January 1, 2023, the Company's New Jersey subsidiary will defer as a regulatory asset or liability, as appropriate, the difference between its pension expense and other postretirement benefits expense and those amounts included in base rates. The deferral period for this regulatory asset or liability will be two years or, if earlier, will end at the conclusion of the Company's New Jersey subsidiary's next general rate case. The Company's New Jersey subsidiary also withdrew its request, without prejudice, to recover its existing authorized COVID-19-related regulatory asset in the general rate case and will seek recovery in a separate proceeding within the process established in the New Jersey Board of Public Utilities' (the "NJBP") generic COVID-19-related proceeding.

On February 24, 2022, the Company's West Virginia subsidiary ("WVAWC") was authorized additional annual revenues of \$13 million in its general rate case, effective February 25, 2022, based on an authorized return on equity of 9.8%, authorized rate base of \$734 million and a common equity ratio of 47.9%. Staff of the Public Service Commission of West Virginia moved for reconsideration of the final order on several grounds. WVAWC filed its response to the Staff's Petition for Reconsideration on March 28, 2022, in support of the authorized revenue requirement. On October 21, 2022, the Public Service Commission of West Virginia denied the motion for reconsideration.

Pending General Rate Case Filings

On July 1, 2022, the Company's California subsidiary filed a general rate case requesting an increase in 2024 revenue of \$56 million and a total increase in revenue over the 2024 to 2026 period of \$95 million, with all increases compared against 2022 revenues. The Company updated its filing in January 2023 to capture the authorized step increase effective January 1, 2023. The filing was also updated to incorporate a decoupling proposal and a revision to the Company's sales and associated variable expense forecast. The revised requested additional annualized revenues for the test year 2024 is now \$37 million, compared against 2023 revenues. This excludes the proposed step rate and attrition rate increase for 2025 and 2026 of \$20 million and \$19 million, respectively. The total revenue requirement request for the three-year rate case cycle, incorporating updates to present rate revenues and forecasted demand, is \$76 million.

On July 1, 2022, the Company's Missouri subsidiary filed a general rate case requesting \$105 million in additional annualized revenues.

On November 15, 2021, the Company's Virginia subsidiary filed a general rate case requesting \$14 million in additional annualized revenues. Interim rates were effective on May 1, 2022, and the difference between interim and final approved rates is subject to refund. On September 26, 2022, a settlement agreement, supported by all parties except one, was filed with the Virginia State Corporation Commission for a \$11 million annual revenue increase. Public hearings were held on September 27 and 28, 2022. A final decision on this matter is expected in the first quarter of 2023.

The Company's California subsidiary submitted its application on May 3, 2021, to set its cost of capital for 2022 through 2024. According to the CPUC's procedural schedule, a decision setting the authorized cost of capital is expected to be issued in the first quarter of 2023.

Infrastructure Surcharges

A number of states have authorized the use of regulatory mechanisms that permit rates to be adjusted outside of a general rate case for certain costs and investments, such as infrastructure surcharge mechanisms that permit recovery of capital investments to replace aging infrastructure. Presented in the table below are annualized incremental revenues, assuming a constant water sales volume and customer count, resulting from infrastructure surcharge authorizations that became effective during 2022:

(In millions)	Effective Date	Amount
Infrastructure surcharges by state:		
New Jersey	(a)	\$ 11
Pennsylvania	(b)	19
Missouri	(c)	30
Tennessee	August 8, 2022	3
Kentucky	July 1, 2022	3
Indiana	March 21, 2022	8
West Virginia	March 1, 2022	3
Illinois	January 1, 2022	6
Total infrastructure surcharge authorizations		<u>\$ 83</u>

- (a) In 2022, \$1 million was effective December 30 and \$10 million was effective June 27.
- (b) In 2022, \$8 million was effective on October 1, \$9 million was effective July 1 and \$2 million was effective April 1.
- (c) In 2022, \$18 million was effective August 11 and \$12 million was effective February 1.

Presented in the table below are annualized incremental revenues, assuming a constant water sales volume and customer count, resulting from infrastructure surcharge authorizations that became effective on or after January 1, 2023:

(In millions)	Effective Date	Amount
Infrastructure surcharge filings by state:		
Missouri	January 16, 2023	\$ 15
West Virginia	January 1, 2023	7
Pennsylvania	January 1, 2023	3
Total infrastructure surcharge filings		<u>\$ 25</u>

Pending Infrastructure Surcharge Filings

On January 20, 2023, the Company’s Indiana subsidiary filed an infrastructure surcharge proceeding requesting \$21 million in additional annualized revenue

On November 18, 2022, the Company’s Indiana subsidiary filed an infrastructure surcharge proceeding requesting \$7 million in additional annualized revenues.

Other Regulatory Matters

In September 2020, the CPUC released a decision under its Low-Income Rate Payer Assistance program rulemaking that required the Company’s California subsidiary to file a proposal to alter its water revenue adjustment mechanism in its next general rate case filing in 2022, which would become effective in January 2024. On October 5, 2020, the Company’s California subsidiary filed an application for rehearing of the decision and following the CPUC’s denial of its rehearing application in September 2021, the Company’s California subsidiary filed a petition for writ of review with the California Supreme Court on October 27, 2021. On May 18, 2022, the California Supreme Court issued a writ of review for the Company’s California subsidiary’s petition and the petitions filed by other entities challenging the decision. Independent of the judicial challenge, California passed Senate Bill 1469, which allows the CPUC to consider and authorize the implementation of a mechanism that separates the water corporation’s revenue and its water sales. Legislation was signed by the Governor on September 30, 2022, and became effective on January 1, 2023. In response to the legislation, on January 27, 2023, the Company’s California subsidiary filed an updated application requesting the CPUC to consider a Water Resources Sustainability Plan decoupling mechanism in its pending 2022 general rate case, which would be effective 2024 through 2026.

On March 2, 2021, an administrative law judge (“ALJ”) in the Office of Administrative Law of New Jersey filed an initial decision with the NJBPU that recommended denial of a petition filed by the Company’s New Jersey subsidiary, which sought approval of acquisition adjustments in rate base of \$29 million associated with the acquisitions of Shorelands Water Company, Inc. in 2017 and the Borough of Haddonfield’s water and wastewater systems in 2015. On July 29, 2021, the NJBPU issued an order adopting the ALJ’s initial decision without modification. The Company’s New Jersey subsidiary filed a Notice of Appeal with the New Jersey Appellate Division on September 10, 2021. The Company’s New Jersey subsidiary filed its brief in support of the appeal on March 4, 2022. Response and Reply briefs were filed on June 22, 2022, and August 4, 2022, respectively. There is no financial impact to the Company as a result of the NJBPU’s order, since the acquisition adjustments are currently recorded as goodwill on the Consolidated Balance Sheets.

Regulatory Assets

Regulatory assets represent costs that are probable of recovery from customers in future rates. Approximately 50% of the Company’s total regulatory asset balance at December 31, 2022 earns a return. Presented in the table below is the composition of regulatory assets as of December 31:

	2022	2021
Deferred pension expense	\$ 251	\$ 323
Removal costs recoverable through rates	307	313
Regulatory balancing accounts	26	52
Other	406	439
Less: Regulatory assets included in assets held for sale (a)	—	(76)
Total regulatory assets	<u>\$ 990</u>	<u>\$ 1,051</u>

(a) These regulatory assets are related to the sale of the Company’s New York subsidiary, which was completed on January 1, 2022, and are included in assets held for sale on the Consolidated Balance Sheets as of December 31, 2021. See Note 5—Acquisitions and Divestitures for additional information.

The Company’s deferred pension expense includes a portion of the underfunded status that is probable of recovery through rates in future periods of \$251 million and \$317 million as of December 31, 2022 and 2021, respectively. The remaining portion is the pension expense in excess of the amount contributed to the pension plans which is deferred by certain subsidiaries and will be recovered in future service rates as contributions are made to the pension plan.

Removal costs recoverable through rates represent costs incurred for removal of property, plant and equipment or other retirement costs.

Regulatory balancing accounts accumulate differences between revenues recognized and authorized revenue requirements until they are collected from customers or are refunded. Regulatory balancing accounts include low income programs and purchased power and water accounts.

Other regulatory assets include the financial impacts relating to the COVID-19 pandemic, purchase premium recoverable through rates, tank painting costs, certain construction costs for treatment facilities, property tax stabilization, employee-related costs, business services project expenses, coastal water project costs, rate case expenditures and environmental remediation costs among others. These costs are deferred because the amounts are being recovered in rates or are probable of recovery through rates in future periods.

The Company has current regulatory assets of \$40 million and \$16 million included in other current assets on the Consolidated Balance Sheet as of December 31, 2022 and 2021, respectively, which is primarily made up of rate adjustment mechanisms.

Regulatory Liabilities

Regulatory liabilities generally represent amounts that are probable of being credited or refunded to customers through the rate making process. Also, if costs expected to be incurred in the future are currently being recovered through rates, the Company records those expected future costs as regulatory liabilities. Presented in the table below is the composition of regulatory liabilities as of December 31:

	2022	2021
Income taxes recovered through rates	\$ 1,127	\$ 1,093
Removal costs recovered through rates	275	291
Postretirement benefit liability	100	153
Other	88	110
Less: Regulatory liabilities included in liabilities related to assets held for sale (a)	—	(47)
Total regulatory liabilities	\$ 1,590	\$ 1,600

(a) These regulatory liabilities are related to the sale of the Company's New York subsidiary, which was completed on January 1, 2022, and are included in liabilities related to assets held for sale on the Consolidated Balance Sheets as of December 31, 2021. See Note 5—Acquisitions and Divestitures for additional information.

Income taxes recovered through rates relate to deferred taxes that will likely be refunded to the Company's customers. On December 22, 2017, the Tax Cuts and Jobs Act of 2017 ("TCJA") was signed into law, which, among other things, enacted significant and complex changes to the Internal Revenue Code of 1986, as amended, including a reduction in the federal corporate income tax rate from 35% to 21% as of January 1, 2018. The enactment of the TCJA required a re-measurement of the Company's deferred income taxes. The portion of this re-measurement related to the Regulated Businesses was substantially offset by a regulatory liability as EADIT will be used to benefit its regulated customers in future rates. All of the Company's regulated subsidiaries are amortizing EADIT and crediting customers.

Removal costs recovered through rates are estimated costs to retire assets at the end of their expected useful lives that are recovered through customer rates over the lives of the associated assets.

On August 31, 2018, the Postretirement Medical Benefit Plan was remeasured to reflect an announced plan amendment which changed benefits for certain union and non-union plan participants. As a result of the remeasurement, the Company recorded a \$227 million reduction to the net accumulated postretirement benefit obligation, with a corresponding regulatory liability.

Other regulatory liabilities include the financial impacts relating to the COVID-19 pandemic, TCJA reserve on revenue, pension and other postretirement benefit balancing accounts, legal settlement proceeds, deferred gains and various regulatory balancing accounts.

The Company has current regulatory liabilities of \$5 million and \$8 million included in other current liabilities on the Consolidated Balance Sheets as of December 31, 2022 and 2021, respectively, which primarily is made up of TCJA reserve on revenue.

Note 4: Revenue Recognition

Disaggregated Revenues

Presented in the table below are operating revenues disaggregated for the year ended December 31, 2022:

	<u>Revenues from Contracts with Customers</u>	<u>Other Revenues Not from Contracts with Customers (a)</u>	<u>Total Operating Revenues</u>
Regulated Businesses:			
Water services:			
Residential	\$ 1,938	\$ 3	\$ 1,941
Commercial	709	1	710
Fire service	147	—	147
Industrial	152	1	153
Public and other	252	—	252
Total water services	<u>3,198</u>	<u>5</u>	<u>3,203</u>
Wastewater services:			
Residential	173	1	174
Commercial	45	—	45
Industrial	4	—	4
Public and other	19	—	19
Total wastewater services	<u>241</u>	<u>1</u>	<u>242</u>
Miscellaneous utility charges	36	—	36
Alternative revenue programs	—	15	15
Lease contract revenue	—	9	9
Total Regulated Businesses	<u>3,475</u>	<u>30</u>	<u>3,505</u>
Other	288	(1)	287
Total operating revenues	<u>\$ 3,763</u>	<u>\$ 29</u>	<u>\$ 3,792</u>

(a) Includes revenues associated with provisional rates, alternative revenue programs, lease contracts and intercompany rent, which are outside the scope of ASC 606, and accounted for under other existing GAAP.

Presented in the table below are operating revenues disaggregated for the year ended December 31, 2021:

	<u>Revenues from Contracts with Customers</u>	<u>Other Revenues Not from Contracts with Customers (a)</u>	<u>Total Operating Revenues</u>
Regulated Businesses:			
Water services:			
Residential	\$ 1,935	\$ —	\$ 1,935
Commercial	676	—	676
Fire service	151	—	151
Industrial	141	—	141
Public and other	230	—	230
Total water services	<u>3,133</u>	<u>—</u>	<u>3,133</u>
Wastewater services:			
Residential	151	—	151
Commercial	37	—	37
Industrial	4	—	4
Public and other	16	—	16
Total wastewater services	<u>208</u>	<u>—</u>	<u>208</u>
Miscellaneous utility charges	26	—	26
Alternative revenue programs	—	9	9
Lease contract revenue	—	8	8
Total Regulated Businesses	<u>3,367</u>	<u>17</u>	<u>3,384</u>
Other	547	(1)	546
Total operating revenues	<u>\$ 3,914</u>	<u>\$ 16</u>	<u>\$ 3,930</u>

(a) Includes revenues associated with provisional rates, alternative revenue programs, lease contracts and intercompany rent, which are outside the scope of ASC 606, and accounted for under other existing GAAP.

Presented in the table below are operating revenues disaggregated for the year ended December 31, 2020:

	<u>Revenues from Contracts with Customers</u>	<u>Other Revenues Not from Contracts with Customers (a)</u>	<u>Total Operating Revenues</u>
Regulated Businesses:			
Water services:			
Residential	\$ 1,895	\$ —	\$ 1,895
Commercial	627	—	627
Fire service	147	—	147
Industrial	133	—	133
Public and other	201	—	201
Total water services	<u>3,003</u>	<u>—</u>	<u>3,003</u>
Wastewater services:			
Residential	134	—	134
Commercial	34	—	34
Industrial	3	—	3
Public and other	14	—	14
Total wastewater services	<u>185</u>	<u>—</u>	<u>185</u>
Miscellaneous utility charges	32	—	32
Alternative revenue programs	—	25	25
Lease contract revenue	—	10	10
Total Regulated Businesses	<u>3,220</u>	<u>35</u>	<u>3,255</u>
Other	523	(1)	522
Total operating revenues	<u>\$ 3,743</u>	<u>\$ 34</u>	<u>\$ 3,777</u>

(a) Includes revenues associated with provisional rates, alternative revenue programs, lease contracts and intercompany rent, which are outside the scope of ASC 606, and accounted for under other existing GAAP.

Contract Balances

Contract assets and contract liabilities are the result of timing differences between revenue recognition, billings and cash collections. In the Company's MSG, certain contracts are billed as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals or upon achievement of contractual milestones. Contract assets are recorded when billing occurs subsequent to revenue recognition and are reclassified to accounts receivable when billed and the right to consideration becomes unconditional. Contract liabilities are recorded when the Company receives advances from customers prior to satisfying contractual performance obligations, particularly for construction contracts, and are recognized as revenue when the associated performance obligations are satisfied.

Contract assets of \$86 million, \$71 million and \$39 million are included in unbilled revenues on the Consolidated Balance Sheets as of December 31, 2022, 2021 and 2020, respectively. There were \$161 million of contract assets added during 2022, and \$146 million of contract assets were transferred to accounts receivable during 2022. There were \$71 million of contract assets added during 2021, and \$39 million of contract assets were transferred to accounts receivable during 2021.

Contract liabilities of \$91 million, \$19 million and \$35 million are included in other current liabilities on the Consolidated Balance Sheets as of December 31, 2022, 2021 and 2020, respectively. There were \$189 million of contract liabilities added during 2022, and \$117 million of contract liabilities were recognized as revenue during 2022. There were \$152 million of contract liabilities added during 2021, and \$168 million of contract liabilities were recognized as revenue during 2021.

Remaining Performance Obligations

Remaining performance obligations (“RPOs”) represent revenues the Company expects to recognize in the future from contracts that are in progress. The Company enters into agreements for the provision of services to water and wastewater facilities for the U.S. military, municipalities and other customers. As of December 31, 2022, the Company’s O&M and capital improvement contracts in MSG and the Contract Services Group have RPOs. Contracts with the U.S. government for work on various military installations expire between 2051 and 2071 and have RPOs of \$7.0 billion as of December 31, 2022, as measured by estimated remaining contract revenue. Such contracts are subject to customary termination provisions held by the U.S. government, prior to the agreed-upon contract expiration. Contracts with municipalities and commercial customers expire between 2026 and 2038 and have RPOs of \$589 million as of December 31, 2022, as measured by estimated remaining contract revenue. Some of the Company’s long-term contracts to operate and maintain the federal government’s, a municipality’s or other party’s water or wastewater treatment and delivery facilities include responsibility for certain maintenance for some of those facilities, in exchange for an annual fee. Unless specifically required to perform certain maintenance activities, the maintenance costs are recognized when the maintenance is performed.

Note 5: Acquisitions and Divestitures***Regulated Businesses******Closed Acquisitions***

During 2022, the Company closed on 26 acquisitions of various regulated water and wastewater systems for a total aggregate purchase price of \$335 million, of which \$315 million was funded in 2022, which added approximately 70,000 water and wastewater customers, including the acquisition of the City of York wastewater system assets noted below. Assets acquired from these acquisitions, principally utility plant, totaled \$337 million and liabilities assumed totaled \$6 million. Several of these acquisitions were accounted for as business combinations. The preliminary purchase price allocations related to acquisitions accounted for as business combinations will be finalized once the valuation of assets acquired has been completed, no later than one year after their acquisition date.

On May 27, 2022, the Company’s Pennsylvania subsidiary acquired the public wastewater collection and treatment system assets from the York City Sewer Authority and the City of York for a purchase price of \$235 million, in cash, \$20 million of which was funded as a deposit to the seller in April 2021 in connection with the execution of the acquisition agreement. The system assets serve, directly and indirectly through bulk contracts, more than 45,000 customers. The acquisition was accounted for as a business combination and the preliminary purchase price allocation will be finalized once the valuation of assets acquired has been completed, no later than one year after the acquisition date. The preliminary purchase price allocation consisted primarily of \$231 million of utility plant and \$4 million of goodwill, which is reported in the Company’s Regulated Businesses segment.

During 2021, the Company closed on 23 acquisitions of various regulated water and wastewater systems for a total aggregate purchase price of \$112 million. Assets acquired from these acquisitions, principally utility plant, totaled \$114 million and liabilities assumed totaled \$2 million. Several of these acquisitions were accounted for as business combinations.

The pro forma impact of the Company’s acquisitions was not material to the Consolidated Statements of Operations for the years ended December 31, 2022, 2021 and 2020.

Pending Acquisitions

On October 11, 2022, the Company’s Pennsylvania subsidiary entered into an agreement to acquire the wastewater assets of the Butler Area Sewer Authority for a total purchase price of \$232 million in cash, subject to adjustment as provided for in the Asset Purchase Agreement. This system provides wastewater service for approximately 14,700 customer connections. The Company expects to close this acquisition by the end of 2023, pending regulatory approval.

On March 29, 2021, the Company’s New Jersey subsidiary entered into an agreement to acquire the water and wastewater assets of Egg Harbor City for \$22 million. The water and wastewater systems currently serve approximately 1,500 customers each, or 3,000 combined, and are being sold through the New Jersey Water Infrastructure Protection Act process. The Company expects to close this acquisition in early 2023.

Sale of New York American Water Company, Inc.

On January 1, 2022, the Company completed the previously disclosed sale of its regulated utility operations in New York to Liberty Utilities (Eastern Water Holdings) Corp. (“Liberty”), an indirect, wholly owned subsidiary of Algonquin Power & Utilities Corp. Liberty purchased from the Company all of the capital stock of the Company’s New York subsidiary for a purchase price of \$608 million in cash. The sale was approved by the New York State Department of Public Service on December 16, 2021. The Company’s regulated New York operations represented approximately 127,000 customers in the State of New York. The assets and related liabilities of the New York subsidiary were classified as held for sale on the Consolidated Balance Sheets as of December 31, 2021.

Presented in the table below are the components of assets held for sale and liabilities related to assets held for sale of the New York subsidiary as of December 31, 2021:

	December 31, 2021
Property, plant and equipment	\$ 556
Current assets	18
Regulatory assets	76
Goodwill	27
Other assets	6
Assets held for sale	<u>\$ 683</u>
Current liabilities	13
Regulatory liabilities	47
Other liabilities	23
Liabilities related to assets held for sale	<u>\$ 83</u>

Sale of Michigan American Water Company

On February 4, 2022, the Company completed the sale of its operations in Michigan for \$6 million in cash.

Sale of Homeowner Services Group

On December 9, 2021 (the “Closing Date”), the Company sold all of the equity interests in subsidiaries that comprised HOS to a wholly owned subsidiary of funds advised by Apax Partners LLP, a global private equity advisory firm (the “Buyer”), for total consideration of approximately \$1.275 billion, resulting in pre-tax gain of \$748 million. The consideration is comprised of \$480 million in cash, a seller promissory note issued by the Buyer in the principal amount of \$720 million, and a contingent cash payment of \$75 million payable upon satisfaction of certain conditions on or before December 31, 2023. See Note 18—Fair Value of Financial Information for additional information relating to the seller promissory note and contingent cash payment. For the year ended December 31, 2022, the Company recorded post-closing adjustments, primarily related to working capital, of pre-tax income of \$20 million, which is included in Gain on sale of businesses on the Consolidated Statements of Operations.

The seller note has a five-year term, is payable in cash, and bears interest at a rate of 7.00% per year during the term. The Company recognized \$50 million of interest income during the year ended December 31, 2022, from the seller note. The repayment obligations of the Buyer under the seller note have been secured by a first priority security interest in certain property of the Buyer and the former HOS subsidiaries, including their cash and securities accounts, as well as a pledge of the equity interests in each of those subsidiaries, subject to certain limitations and exceptions. The seller note requires compliance with affirmative and negative covenants (subject to certain conditions, limitations and exceptions), including a covenant limiting the incurrence by the Buyer and certain affiliates of additional indebtedness in excess of certain thresholds, but does not include any financial maintenance covenants.

Beginning December 9, 2024, the Company has a put right pursuant to which it may require the seller note to be repaid in full at par, plus accrued and unpaid interest, except that upon the occurrence of a disruption event in the broadly syndicated term loan “B” debt financing market, repayment by the Buyer pursuant to the Company’s exercise of the put right will be delayed until the market disruption event ends.

The seller note may not be prepaid at the Buyer’s election except in certain limited circumstances before the fourth anniversary of the Closing Date. If the Buyer seeks to repay the seller note in breach of this non-call provision, an event of default will occur under the seller note and the Company may, among other actions, demand repayment in full together with a premium ranging from 105.5% to 107.5% of the outstanding principal amount of the loan and a customary “make-whole” payment.

The Company and the Buyer also entered into a revenue share agreement, pursuant to which the Company is to receive 10% of the revenue generated from customers who are billed for home warranty services through an applicable Company subsidiary (an “on-bill” arrangement), and 15% of the revenue generated from any future on-bill arrangements entered into after the Closing Date. Unless earlier terminated, this agreement has a term of up to 15 years, which may be renewed for up to two five-year periods. The Company recognized \$9 million of income during the year ended December 31, 2022, from the revenue share agreements, which is included in Other, net on the Consolidated Statements of Operations.

Note 6: Property, Plant and Equipment

Presented in the table below are the major classes of property, plant and equipment by category as of December 31:

	2022	2021	Range of Remaining Useful Lives	Weighted Average Useful Life
Utility plant:				
Land and other non-depreciable assets	\$ 239	\$ 210		
Sources of supply	1,003	938	10 to 127 years	46 years
Treatment and pumping facilities	4,298	4,198	3 to 101 years	39 years
Transmission and distribution facilities	12,971	12,308	9 to 128 years	69 years
Services, meters and fire hydrants	5,162	4,888	5 to 90 years	32 years
General structures and equipment	2,289	2,200	1 to 109 years	15 years
Waste collection	1,539	1,363	5 to 113 years	56 years
Waste treatment, pumping and disposal	1,129	912	2 to 153 years	38 years
Construction work in progress	974	934		
Other (a)	23	(664)		
Total utility plant	<u>29,627</u>	<u>27,287</u>		
Nonutility property	109	126	3 to 50 years	10 years
Total property, plant and equipment	<u>\$ 29,736</u>	<u>\$ 27,413</u>		

(a) This includes utility plant acquisition adjustment balances in addition to property, plant and equipment related to the sale of the Company’s New York subsidiary, which was completed on January 1, 2022, and is included in assets held for sale on the Consolidated Balance Sheets as of December 31, 2021. See Note 5—Acquisitions and Divestitures for additional information.

Property, plant and equipment depreciation expense amounted to \$552 million, \$550 million and \$520 million for the years ended December 31, 2022, 2021 and 2020, respectively and was included in depreciation and amortization expense on the Consolidated Statements of Operations. The provision for depreciation expressed as a percentage of the aggregate average depreciable asset balances was 2.60%, 2.77% and 2.82% for years December 31, 2022, 2021 and 2020, respectively. Additionally, the Company had capital expenditures acquired on account but unpaid of \$330 million and \$292 million included in accrued liabilities on the Consolidated Balance Sheets as of December 31, 2022 and 2021, respectively.

In 2019, the Company completed and submitted its project completion certification to the New Jersey Economic Development Authority (“NJEDA”) in connection with its capital investment in its corporate headquarters in Camden, New Jersey. The NJEDA determined that the Company was qualified to receive \$164 million in tax credits over a 10-year period. In October 2022, the NJEDA issued the Company a revised tax credit certificate in the amount of \$161 million in tax credits to be received over the same 10-year period. The NJEDA denied previously approved capitalized interest cost amounting to \$2.8 million. As a result, the Company adjusted the amounts included in Property, plant and equipment.

The Company is required to meet various annual requirements in order to monetize one-tenth of the tax credits annually and is subject to a claw-back period if the Company does not meet certain NJEDA requirements of the tax credit program in years 11 through 15.

One of the requirements to qualify for the release of credits annually is that the Company maintain a certain level of eligible positions at the qualified business facility (“QBF”). Prior to March 2020, a full-time employee must have spent at least 80% of their time at the QBF to meet the definition of eligible position or full-time job. On July 2, 2021, New Jersey’s Governor signed legislation that revised provisions of the Economic Recovery Act of 2020, which lowered the 80% requirement for spending time at the QBF to 60% of the employee’s time.

During the COVID-19 pandemic, the NJEDA implemented certain accommodations that temporarily waived the requirement that a full-time employee spend the requisite percentage of time at the QBF to be eligible for the award under the program. This waiver expired on June 30, 2022.

On December 22, 2022, the New Jersey Governor signed legislation which provides an additional waiver to eligible businesses for the period of July 1, 2022 to December 31, 2023. Specifically, it allows businesses to waive the 60% on-site requirement if (i) full-time workers spend at least 10% of their work hours at the QBF and (ii) the business pays NJEDA 5% of the amount of the tax credit the business receives for the 2022 tax period. The legislation also (i) extends the time within which a business may terminate their participation in the program to December 31, 2023, without the NJEDA recapturing previously distributed credits; (ii) extends the time allowed under current law for a business to suspend its obligations under the incentive agreement; (iii) extends the provision to include the 2022 and 2023 tax periods; and (iv) renews and extends the right of a business to reduce the required full-time employees specified in the incentive agreement to be eligible to receive the credit. The Company is considering all of its options as a result of the most recent legislation.

In December 2022, the NJEDA issued the utilization certificate for the 2019 tax credits to the Company in the amount of \$16 million. The Company sold these tax credits to external parties in December 2022 for \$15 million. The loss on sale of credits was recorded to Other income (expense) in the Consolidated Results of Operations for the year ended December 31, 2022. As a result, the Company had assets of \$48 million and \$97 million in Other current assets and Other long-term assets, respectively, on the Consolidated Balance Sheets as of December 31, 2022. The Company has made the necessary annual filings for the years ended December 31, 2020 and 2021, and expects to make the 2022 filing by April 30, 2023. The remaining submitted filings are under review by the NJEDA and it is expected that the Company will receive final NJEDA approval and monetize the credits in 2023.

Note 7: Allowance for Uncollectible Accounts

Presented in the table below are the changes in the allowances for uncollectible accounts for the years ended December 31:

	2022	2021	2020
Balance as of January 1	\$ (75)	\$ (60)	\$ (41)
Amounts charged to expense	(24)	(37)	(34)
Amounts written off	27	35	23
Other, net (a)	12	(13)	(8)
Balance as of December 31	<u>\$ (60)</u>	<u>\$ (75)</u>	<u>\$ (60)</u>

- (a) This portion of the allowance for uncollectible accounts is primarily related to COVID-19 related regulatory asset activity. The 2021 and 2020 activity also includes the portion of the allowance related to the Company's New York subsidiary, which was completed on January 1, 2022, and is included in assets held for sale on the Consolidated Balance Sheets as of December 31, 2021. See Note 5—Acquisitions and Divestitures for additional information.

Note 8: Goodwill and Other Intangible Assets

Goodwill

Presented in the table below are the changes in the carrying value of goodwill for the years ended December 31, 2022 and 2021:

	Regulated Businesses		Other		Consolidated		
	Cost	Accumulated Impairment	Cost	Accumulated Impairment	Cost	Accumulated Impairment	Total Net
Balance as of January 1, 2021	\$ 3,461	\$ (2,332)	\$ 483	\$ (108)	\$ 3,944	\$ (2,440)	\$ 1,504
Acquisition related adjustments	(7)	—	—	—	(7)	—	(7)
Goodwill included in assets held for sale (a)	12	—	—	—	12	—	12
Goodwill reduced through sale of HOS	—	—	(370)	—	(370)	—	(370)
Balance as of December 31, 2021	<u>\$ 3,466</u>	<u>\$ (2,332)</u>	<u>\$ 113</u>	<u>\$ (108)</u>	<u>\$ 3,579</u>	<u>\$ (2,440)</u>	<u>\$ 1,139</u>
Goodwill from acquisitions	4	—	—	—	4	—	4
Balance as of December 31, 2022	<u>\$ 3,470</u>	<u>\$ (2,332)</u>	<u>\$ 113</u>	<u>\$ (108)</u>	<u>\$ 3,583</u>	<u>\$ (2,440)</u>	<u>\$ 1,143</u>

- (a) This goodwill is related to the sale of the Company's New York subsidiary, which was completed on January 1, 2022, and is included in assets held for sale on the Consolidated Balance Sheets as of December 31, 2021. See Note 5—Acquisitions and Divestitures for additional information.

In 2021, the Company reduced goodwill by \$370 million included in Other through the sale of HOS. See Note 5—Acquisitions and Divestitures for additional information relating to the sale of HOS.

The Company completed its annual impairment testing of goodwill as of November 30, 2022, which included qualitative assessments of its Regulated Businesses and MSG reporting units. Based on these assessments, the Company determined that there were no factors present that would indicate that the fair value of these reporting units was less than their respective carrying values as of November 30, 2022.

In 2022, the Company acquired goodwill of \$4 million associated with one of its acquisitions in the Regulated Businesses segment.

Intangible Assets

The Company held finite-lived intangible assets, including customer relationships and other intangible assets prior to the sale of HOS during the fourth quarter of 2021. All of the Company's finite-lived intangible assets were sold as part of the HOS sale transaction. As a result, there was no gross carrying value or net book value of customer relationships and other intangible assets remaining as of December 31, 2022 and December 31, 2021. Intangible asset amortization expense amounted to \$9 million and \$12 million for the years ended December 31, 2021 and 2020, respectively. There was no amortization expense related to customer relationships and other intangible assets for the year ended December 31, 2022.

Note 9: Shareholders' Equity

Dividend Reinvestment and Direct Stock Purchase Plan

Under the Company's dividend reinvestment and direct stock purchase plan (the "DRIP"), shareholders may reinvest cash common stock dividends and purchase additional shares of Company common stock, up to certain limits, through the plan administrator without paying brokerage commissions. Shares purchased by participants through the DRIP may be newly issued shares, treasury shares, or at the Company's election, shares purchased by the plan administrator in the open market or in privately negotiated transactions. Purchases generally will be made and credited to DRIP accounts once each week. As of December 31, 2022, there were approximately 4.2 million shares available for future issuance under the DRIP.

Anti-dilutive Stock Repurchase Program

In February 2015, the Company's Board of Directors authorized an anti-dilutive stock repurchase program, which allows the Company to purchase up to 10 million shares of its outstanding common stock from time to time over an unrestricted period of time. The Company did not repurchase shares of common stock during the years ended December 31, 2022 and 2021. As of December 31, 2022, there were 5.1 million shares of common stock available for purchase under the program.

Accumulated Other Comprehensive Loss

Presented in the table below are the changes in accumulated other comprehensive loss by component, net of tax, for the years ended December 31, 2022 and 2021:

	Defined Benefit Plans				
	Employee Benefit Plan Funded Status	Amortization of Prior Service Cost	Amortization of Actuarial Loss	Gain (Loss) on Cash Flow Hedge	Accumulated Other Comprehensive Loss
Beginning balance as of January 1, 2021	\$ (106)	\$ 1	\$ 63	\$ (7)	\$ (49)
Other comprehensive income (loss) before reclassification	(1)	—	—	1	—
Amounts reclassified from accumulated other comprehensive loss	—	—	4	—	4
Net other comprehensive income (loss)	(1)	—	4	1	4
Ending balance as of December 31, 2021	\$ (107)	\$ 1	\$ 67	\$ (6)	\$ (45)
Other comprehensive income (loss) before reclassification	14	—	—	5	19
Amounts reclassified from accumulated other comprehensive loss	—	—	3	—	3
Net other comprehensive income (loss)	14	—	3	5	22
Ending balance as of December 31, 2022	\$ (93)	\$ 1	\$ 70	\$ (1)	\$ (23)

The Company does not reclassify the amortization of defined benefit pension cost components from accumulated other comprehensive loss directly to net income in its entirety, as a portion of these costs have been deferred as a regulatory asset. These accumulated other comprehensive loss components are included in the computation of net periodic pension cost. See Note 15—Employee Benefits for additional information.

The amortization of the gain (loss) on cash flow hedges is reclassified to net income during the period incurred and is included in interest, net in the accompanying Consolidated Statements of Operations.

Dividends and Distributions

The Company's Board of Directors authorizes the payment of dividends. The Company's ability to pay dividends on its common stock is subject to having access to sufficient sources of liquidity, net income and cash flows of the Company's subsidiaries, the receipt of dividends and direct and indirect distributions from, and repayments of indebtedness of, the Company's subsidiaries, compliance with Delaware corporate and other laws, compliance with the contractual provisions of debt and other agreements and other factors.

The Company's dividend rate on its common stock is determined by the Board of Directors on a quarterly basis and takes into consideration, among other factors, current and possible future developments that may affect the Company's income and cash flows. When dividends on common stock are declared, they are typically paid in March, June, September and December. Historically, dividends have been paid quarterly to holders of record as of a date less than 30 days prior to the distribution date. Since the dividends on the Company's common stock are not cumulative, only declared dividends are paid.

During 2022, 2021 and 2020, the Company paid \$467 million, \$428 million and \$389 million in cash dividends, respectively. Presented in the table below is the per share cash dividends paid for the years ended December 31:

	2022	2021	2020
December	\$ 0.6550	\$ 0.6025	\$ 0.55
September	\$ 0.6550	\$ 0.6025	\$ 0.55
June	\$ 0.6550	\$ 0.6025	\$ 0.55
March	\$ 0.6025	\$ 0.55	\$ 0.50

On December 7, 2022, the Company's Board of Directors declared a quarterly cash dividend payment of \$0.6550 per share payable on March 1, 2023, to shareholders of record as of February 7, 2023.

Under applicable law, the Company's subsidiaries may pay dividends on their capital stock or other equity only from retained, undistributed or current earnings. A significant loss recorded at a subsidiary may limit the amount of the dividend that the subsidiary can pay. The ability of the Company's subsidiaries to pay upstream dividends, make other upstream distributions or repay indebtedness to parent company or American Water Capital Corp. ("AWCC"), the Company's wholly owned financing subsidiary, as applicable, is subject to compliance with applicable corporate, tax and other laws, regulatory restrictions and financial and other contractual obligations, including, for example, (i) regulatory capital, surplus or net worth requirements, (ii) outstanding debt service obligations, (iii) requirements to make preferred and preference stock dividend payments, and (iv) other contractual agreements, covenants or obligations made or entered into by the Company and its subsidiaries.

Regulatory Restrictions on Indebtedness

The issuance of long-term debt or equity securities by the Company or long-term debt by AWCC does not require authorization of any state PUC if no guarantee or pledge of the regulated subsidiaries is utilized. Based on the needs of the Regulated Businesses and parent company, AWCC may borrow funds or issue its debt in the capital markets and then, through intercompany loans, provide these borrowings to the Regulated Businesses or parent company. PUC authorization is generally required for the regulated subsidiaries to incur long-term debt. The Company's regulated subsidiaries normally obtain these required PUC authorizations on a periodic basis to cover their anticipated financing needs for a period of time, or, as necessary, in connection with a specific financing or refinancing of debt.

Note 10: Stock Based Compensation

The Company has granted stock units, stock awards and dividend equivalents to non-employee directors, officers and employees pursuant to the terms of the 2017 Omnibus Equity Compensation Plan (the "2017 Omnibus Plan"), approved by the Company's shareholders in May 2017. Stock units under the 2017 Omnibus Plan generally vest based on (i) continued employment with the Company ("RSUs"), or (ii) continued employment with the Company where distribution of the shares is subject to the satisfaction in whole or in part of stated performance-based goals ("PSUs"). A total of 7.2 million shares of common stock may be issued under the 2017 Omnibus Plan. As of December 31, 2022, 6.3 million shares were available for grant under the 2017 Omnibus Plan. The 2017 Omnibus Plan provides that grants of awards may be in any of the following forms: incentive stock options, nonqualified stock options, stock appreciation rights, stock units, stock awards, other stock-based awards and dividend equivalents. Dividend equivalents may be granted only on stock units or other stock-based awards. The 2017 Omnibus Plan expires in 2027.

The Company had granted stock options, stock units, including RSUs and PSUs, and dividend equivalents to non-employee directors, officers and other key employees of the Company under its 2007 Omnibus Equity Compensation Plan (the "2007 Plan"). The 2007 Plan has been replaced by the 2017 Omnibus Plan, as defined above, and no additional awards may be granted under the 2007 Plan. However, shares may still be issued under the 2007 Plan pursuant to the terms of awards previously issued under that plan prior to May 12, 2017.

The cost of services received from employees in exchange for the issuance of restricted stock awards is measured based on the grant date fair value of the awards issued. The value of stock unit awards at the date of the grant is amortized through expense over the requisite service period. All awards granted in 2022, 2021 and 2020 are classified as equity. The Company recognizes compensation expense for stock awards over the vesting period of the award. The Company stratified its grant populations and used historic employee turnover rates to estimate employee forfeitures. The estimated rate is compared to the actual forfeitures at the end of the reporting period and adjusted as necessary. There have been no significant adjustments to the forfeiture rates during 2022, 2021 and 2020. There were no grants of stock options to employees after 2016, and there were no stock options outstanding as of December 31, 2022. Presented in the table below is the stock-based compensation expense recorded in O&M expense in the accompanying Consolidated Statements of Operations for the years ended December 31:

	2022	2021	2020
RSUs and PSUs	\$ 26	\$ 15	\$ 19
Nonqualified employee stock purchase plan	2	2	2
Stock-based compensation	28	17	21
Income tax benefit	(6)	(4)	(5)
Stock-based compensation expense, net of tax	<u>\$ 22</u>	<u>\$ 13</u>	<u>\$ 16</u>

There were no significant stock-based compensation costs capitalized during the years ended December 31, 2022, 2021 and 2020.

Subject to limitations on deductibility imposed by the Federal income tax code, the Company receives a tax deduction based on the intrinsic value of the award at the exercise date for stock options and the distribution date for stock units. For each award, throughout the requisite service period, the Company records the tax impacts related to compensation costs as deferred income tax assets. The tax deductions in excess of the deferred benefits recorded throughout the requisite service period are recorded to the Consolidated Statements of Operations and are presented in the financing section of the Consolidated Statements of Cash Flows.

Stock Units

During 2022, 2021 and 2020, the Company granted RSUs to certain employees under the 2017 Omnibus Plan. RSUs generally vest based on continued employment with the Company over periods ranging from one to three years. The RSUs are valued at the closing price of the Company’s common stock on the date of the grant and the majority vest ratably over a three-year service period. These RSUs are amortized through expense over the requisite service period using the straight-line method.

During 2022, 2021 and 2020, the Company granted stock units to non-employee directors under the 2017 Omnibus Plan. The stock units were vested in full on the date of grant; however, distribution of the shares will be made within 30 days of the earlier of (i) 15 months after the date of the last annual meeting of shareholders, subject to any deferral election by the director, or (ii) the participant’s separation from service. Because these stock units vested on the grant date, the total grant date fair value was recorded in operation and maintenance expense on the grant date.

Presented in the table below is RSU and director stock unit activity for the year ended December 31, 2022:

	Shares (in thousands)	Weighted Average Grant Date Fair Value (per share)
Non-vested total as of December 31, 2021	48	\$ 112.22
Granted	59	149.73
Vested	(47)	132.59
Forfeited	(9)	149.60
Non-vested total as of December 31, 2022	<u>51</u>	<u>\$ 130.43</u>

As of December 31, 2022, \$5 million of total unrecognized compensation cost related to the nonvested RSUs is expected to be recognized over the weighted average remaining life of 1.69 years. The total fair value of stock units and RSUs vested was \$6 million, \$9 million and \$5 million for the years ended December 31, 2022, 2021 and 2020, respectively.

During 2022, 2021 and 2020, the Company granted PSUs to certain employees under the 2017 Omnibus Plan. The majority of PSUs vest ratably based on continued employment with the Company over the three-year performance period (the “Performance Period”). Distribution of the performance shares is contingent upon the achievement of one or more internal performance measures and, separately, a relative total shareholder return performance measure, over the Performance Period.

Presented in the table below is PSU activity for the year ended December 31, 2022:

	Shares (in thousands)	Weighted Average Grant Date Fair Value (per share)
Non-vested total as of December 31, 2021	232	\$ 139.40
Granted	170	115.12
Vested	(150)	105.11
Forfeited	(21)	148.83
Non-vested total as of December 31, 2022	<u>231</u>	<u>\$ 142.92</u>

As of December 31, 2022, \$6 million of total unrecognized compensation cost related to the nonvested PSUs is expected to be recognized over the weighted average remaining life of 0.93 years. The total fair value of PSUs vested was \$24 million, \$22 million and \$18 million for the years ended December 31, 2022, 2021 and 2020, respectively.

PSUs granted with one or more internal performance measures are valued at the market value of the closing price of the Company's common stock on the date of grant. PSUs granted with a relative total shareholder return condition are valued using a Monte Carlo simulation model. Expected volatility is based on historical volatilities of traded common stock of the Company and comparative companies using daily stock prices over the past three years. The expected term is three years and the risk-free interest rate is based on the three-year U.S. Treasury rate in effect as of the measurement date. Presented in the table below are the weighted average assumptions used in the Monte Carlo simulation and the weighted average grant date fair values of PSUs granted for the years ended December 31:

	2022	2021	2020
Expected volatility	29.69%	28.59%	16.65%
Risk-free interest rate	1.90%	0.22%	1.28%
Expected life (years)	3.0	3.0	3.0
Grant date fair value per share	\$99.23	\$229.22	\$159.64

The grant date fair value of PSUs that vest ratably and have market and/or performance conditions are amortized through expense over the requisite service period using the graded-vesting method.

Employee Stock Purchase Plan

The Company maintains a nonqualified employee stock purchase plan (the "ESPP") that expires in 2027 through which employee participants (which excludes certain of the Company's executives) may use payroll deductions to acquire Company common stock at a purchase price of 85% of the fair market value of the common stock at the end of a three-month purchase period. A total of 2.0 million shares may be issued under the ESPP, and as of December 31, 2022, there were 1.5 million shares of common stock reserved for issuance under the ESPP. The ESPP is considered compensatory. During the years ended December 31, 2022, 2021 and 2020, the Company issued approximately 82,000, 80,000 and 86,000 shares, respectively, under the ESPP.

Note 11: Long-Term Debt

The Company obtains long-term debt through AWCC primarily to fund capital expenditures of the Regulated Businesses and to lend funds to parent company to refinance debt and for other purposes. Presented in the table below are the components of long-term debt as of December 31:

	Rate	Weighted Average Rate	Maturity	2022	2021
Long-term debt of AWCC: (a)					
Senior notes—fixed rate	2.30%-8.27%	3.88%	2023-2051	\$ 9,765	\$ 8,965
Private activity bonds and government funded debt—fixed rate	0.60%-2.45%	1.63%	2023-2031	189	190
Long-term debt of other American Water subsidiaries:					
Private activity bonds and government funded debt—fixed rate	0.00%-5.50%	1.80%	2023-2051	749	739
Mortgage bonds—fixed rate	6.35%-9.19%	7.36%	2023-2039	534	534
Mandatorily redeemable preferred stock	8.47%-9.75%	8.64%	2024-2036	3	4
Finance lease obligations	12.25%	12.25%	2026	—	1
Long-term debt		3.87%		11,240	10,433
Unamortized debt discount, net (b)				(11)	(9)
Unamortized debt issuance costs				(19)	(23)
Less current portion of long-term debt				(281)	(57)
Total long-term debt				\$ 10,929	\$ 10,344

(a) This indebtedness is considered "debt" for purposes of a support agreement between parent company and AWCC, which serves as a functional equivalent of a full and unconditional guarantee by parent company of AWCC's payment obligations under such indebtedness.

(b) Includes debt discount, net of fair value adjustments previously recognized in acquisition purchase accounting.

All mortgage bonds and \$740 million of the private activity bonds and government funded debt held by the Company's subsidiaries were collateralized as of December 31, 2022.

Long-term debt indentures contain a number of covenants that, among other things, limit, subject to certain exceptions, AWCC from issuing debt secured by the Company's consolidated assets. Certain long-term note indentures require the Company to maintain a ratio of consolidated total indebtedness to consolidated total capitalization (each as defined under the note indentures) of not more than 0.70 to 1.00. The ratio as of December 31, 2022, was 0.62 to 1.00. In addition, the Company has \$891 million of notes which include the right to redeem the notes at par value, in whole or in part, from time to time, subject to certain restrictions, with a weighted average interest rate of 1.87%.

Presented in the table below are future sinking fund payments and debt maturities:

	<u>Amount</u>
2023	\$ 281
2024	476
2025	598
2026	443
2027	688
Thereafter	8,754

Presented in the table below are the issuances of long-term debt in 2022:

<u>Company</u>	<u>Type</u>	<u>Rate</u>	<u>Weighted Average Rate</u>	<u>Maturity</u>	<u>Amount</u>
AWCC	Senior notes—fixed rate	4.45%	4.45%	2032	\$ 800
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate	0.00%-1.75%	1.03%	2027-2042	22
Total issuances					<u>\$ 822</u>

The Company incurred debt issuance costs of \$7 million related to the above issuances.

Presented in the table below are the retirements and redemptions of long-term debt in 2022 through sinking fund provisions, optional redemption or payment at maturity:

<u>Company</u>	<u>Type</u>	<u>Rate</u>	<u>Weighted Average Rate</u>	<u>Maturity</u>	<u>Amount</u>
AWCC	Private activity bonds and government funded debt—fixed rate	1.79%-2.31%	2.24%	2024-2031	\$ 1
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate	0.00%-5.50%	1.50%	2022-2051	13
Other American Water subsidiaries	Mandatorily redeemable preferred stock	8.49%	8.49%	2022	1
Total retirements and redemptions					<u>\$ 15</u>

On May 5, 2022, AWCC issued \$800 million aggregate principal amount of its 4.45% senior notes due 2032. At closing, AWCC received, after deduction of underwriting discounts and before deduction of offering expenses, net proceeds of approximately \$792 million. AWCC used the net proceeds of the offering: (i) to lend funds to parent company and its regulated subsidiaries; (ii) to repay AWCC's commercial paper obligations; and (iii) for general corporate purposes.

One of the principal market risks to which the Company is exposed is changes in interest rates. In order to manage the exposure, the Company follows risk management policies and procedures, including the use of derivative contracts such as treasury lock agreements. The Company also reduces exposure to interest rates by managing commercial paper and debt maturities. The Company does not enter into derivative contracts for speculative purposes and does not use leveraged instruments. The derivative contracts entered into are for periods consistent with the related underlying exposures. The Company is exposed to the risk that counterparties to derivative contracts will fail to meet their contractual obligations and minimizes this risk by dealing only with leading, creditworthy financial institutions having long-term credit ratings of "A" or better.

In April 2022, the Company entered into several 10-year treasury lock agreements, with notional amounts totaling \$400 million, and an average fixed interest rate of 2.89%. The Company designated these treasury lock agreements as cash flow hedges, with their fair value recorded in accumulated other comprehensive gain or loss. In May 2022, the Company terminated the treasury lock agreements, realizing a net gain of approximately \$4 million, to be amortized through interest, net over a 10-year period, in accordance with the tenor of the debt issuance on May 5, 2022.

In November and December 2022, the Company entered into four 10-year treasury lock agreements, with notional amounts totaling \$100 million, to reduce interest rate exposure on debt expected to be issued in 2023. These treasury lock agreements terminate in January 2024, and have an average fixed rate of 3.56%. In January 2023, the Company entered into three additional 10-year treasury lock agreements, with notional amounts totaling \$100 million, to reduce interest rate exposure on debt expected to be issued in 2023. These treasury lock agreements terminate in January 2024, and have an average fixed rate of 3.35%. The Company designated these treasury lock agreements as cash flow hedges, with their fair value recorded in accumulated other comprehensive gain or loss. Upon termination, the cumulative gain or loss recorded in accumulated other comprehensive gain or loss will be amortized through interest, net over the term of the new debt.

No ineffectiveness was recognized on hedging instruments for the years ended December 31, 2022, 2021 or 2020.

Note 12: Short-Term Debt

Liquidity needs for capital investment, working capital and other financial commitments are generally funded through cash flows from operations, public and private debt offerings, commercial paper markets and, if and to the extent necessary, borrowings under the AWCC revolving credit facility, and, in the future, issuances of equity. Additionally, proceeds from the aforementioned sales of HOS and the Company's New York subsidiary have been used primarily for capital investment in the Regulated Businesses. The revolving credit facility provides \$2.75 billion in aggregate total commitments from a diversified group of financial institutions. The termination date of the credit agreement with respect to AWCC's revolving credit facility is October 2027. The facility is used principally to support AWCC's commercial paper program, to provide additional liquidity support and to provide a sub-limit of up to \$150 million for letters of credit. Letters of credit are non-debt instruments maintained to provide credit support for certain transactions as requested by third parties. Subject to satisfying certain conditions, the credit agreement also permits AWCC to increase the maximum commitment under the facility by up to an aggregate of \$500 million and to request extensions of its expiration date for up to two one-year periods. As of December 31, 2022, AWCC had no outstanding borrowings and \$78 million of outstanding letters of credit under the revolving credit facility, with \$1.50 billion available to fulfill the Company's short-term liquidity needs and to issue letters of credit. The Company regularly evaluates the capital markets and closely monitors the financial condition of the financial institutions with contractual commitments in its revolving credit facility. Interest rates on advances under the facility are based on a credit spread to the Secured Overnight Financing Rate (or applicable market replacement rate) or base rate, each determined in accordance with Moody Investors Service's and S&P Global Ratings' then applicable credit rating on AWCC's senior unsecured, non-credit enhanced debt.

On October 26, 2022, AWCC and certain lenders amended and restated the credit agreement with respect to the revolving credit facility to, among other things, increase the maximum commitments under the facility from \$2.25 billion to \$2.75 billion and to extend the expiration date of the facility from March 2025 to October 2027. Also, effective October 26, 2022, the maximum aggregate principal amount of short-term borrowings authorized under AWCC's commercial paper program was increased from \$2.10 billion to \$2.60 billion.

On March 20, 2020, AWCC entered into a Term Loan Credit Agreement, by and among parent company, AWCC and the lenders party thereto (the "Term Loan Facility"). The Term Loan Facility commitments terminated at maturity on March 19, 2021, and the \$500 million of principal outstanding under the Term Loan Facility was repaid in full. Borrowings under the Term Loan Facility bore interest at a variable annual rate based on LIBOR, plus a margin of 0.80%.

Short-term debt consists of commercial paper and credit facility borrowings totaling \$1,177 million and \$584 million as of December 31, 2022 and 2021, respectively, or net of discount \$1,175 million and \$584 million as of December 31, 2022 and 2021, respectively. The weighted average interest rate on AWCC's outstanding short-term borrowings was approximately 4.41%, for the year ended December 31, 2022. The weighted average interest rate on AWCC's outstanding short-term borrowings was 0.20%, for the year ended December 31, 2021. As of December 31, 2022, there were no commercial paper borrowings outstanding with maturities greater than three months.

Presented in the tables below is the aggregate credit facility commitments, commercial paper limit and letter of credit availability under the revolving credit facility, as well as the available capacity for each, as of December 31:

(In millions)	2022		
	Commercial Paper Limit	Letters of Credit	Total (a)
Total availability	\$ 2,600	\$ 150	\$ 2,750
Outstanding debt	(1,177)	(78)	(1,255)
Remaining availability as of December 31, 2022	\$ 1,423	\$ 72	\$ 1,495

(a) Total remaining availability of \$1.50 billion as of December 31, 2022, may be accessed through revolver draws.

(In millions)	2021		
	Commercial Paper Limit	Letters of Credit	Total (a)
Total availability	\$ 2,100	\$ 150	\$ 2,250
Outstanding debt	(584)	(76)	(660)
Remaining availability as of December 31, 2021	\$ 1,516	\$ 74	\$ 1,590

(a) Total remaining availability of \$1.59 billion as of December 31, 2021, may be accessed through revolver draws.

Presented in the table below is the Company's total available liquidity as of December 31, 2022 and 2021, respectively:

(In millions)	Cash and Cash Equivalents	Availability on Revolving Credit Facility	Total Available Liquidity
Available liquidity as of December 31, 2022	\$ 85	\$ 1,495	\$ 1,580
Available liquidity as of December 31, 2021	\$ 116	\$ 1,590	\$ 1,706

Presented in the table below is the short-term borrowing activity for AWCC for the years ended December 31:

	2022	2021
Average borrowings	\$ 505	\$ 910
Maximum borrowings outstanding	1,177	1,647
Weighted average interest rates, as of December 31	4.41 %	0.20 %

The credit facility requires the Company to maintain a ratio of consolidated debt to consolidated capitalization of not more than 0.70 to 1.00. The ratio as of December 31, 2022 was 0.62 to 1.00.

None of the Company's borrowings are subject to default or prepayment as a result of a downgrading of securities, although such a downgrading could increase fees and interest charges under AWCC's revolving credit facility.

Note 13: General Taxes

Presented in the table below are the components of general tax expense for the years ended December 31:

	2022	2021	2020
Property and capital stock	\$ 108	\$ 149	\$ 140
Gross receipts and franchise	124	121	116
Payroll	36	39	36
Other general	13	12	11
Total general taxes	\$ 281	\$ 321	\$ 303

Note 14: Income Taxes

Presented in the table below are the components of income tax expense for the years ended December 31:

	2022	2021	2020
Current income taxes:			
State	\$ 26	\$ 72	\$ 8
Federal	82	75	—
Total current income taxes	<u>\$ 108</u>	<u>\$ 147</u>	<u>\$ 8</u>
Deferred income taxes:			
State	\$ 24	\$ 10	\$ 49
Federal	57	221	159
Amortization of deferred investment tax credits	(1)	(1)	(1)
Total deferred income taxes	<u>80</u>	<u>230</u>	<u>207</u>
Provision for income taxes	<u>\$ 188</u>	<u>\$ 377</u>	<u>\$ 215</u>

Presented in the table below is a reconciliation between the statutory federal income tax rate and the Company's effective tax rate for the years ended December 31:

	2022	2021	2020
Income tax at statutory rate	21.0 %	21.0 %	21.0 %
Increases (decreases) resulting from:			
State taxes, net of federal taxes	4.1 %	3.9 %	4.8 %
EADIT	(6.5)%	(3.6)%	(2.1)%
Tax impact due to the sale of HOS	— %	1.6 %	— %
Other, net	0.1 %	0.1 %	(0.4)%
Effective tax rate	<u>18.7 %</u>	<u>23.0 %</u>	<u>23.3 %</u>

Presented in the table below are the components of the net deferred tax liability as of December 31:

	2022	2021
Deferred tax assets:		
Advances and contributions	\$ 351	\$ 439
Tax losses and credits	19	10
Regulatory income tax assets	203	301
Pension and other postretirement benefits	64	50
Other	140	144
Total deferred tax assets	<u>777</u>	<u>944</u>
Valuation allowance	(11)	(10)
Total deferred tax assets, net of allowance	<u>\$ 766</u>	<u>\$ 934</u>
Deferred tax liabilities:		
Property, plant and equipment	\$ 2,872	\$ 3,087
Deferred pension and other postretirement benefits	64	69
Other	249	180
Total deferred tax liabilities	<u>3,185</u>	<u>3,336</u>
Total deferred tax liabilities, net of deferred tax assets	<u>\$ (2,419)</u>	<u>\$ (2,402)</u>

The Company recognized no federal net operating loss ("NOL") carryforwards as of December 31, 2022 and 2021. The Company fully utilized its federal NOL carryforwards in 2021 due to the sale of HOS, and therefore, no valuation allowance is required.

As of December 31, 2022 and 2021, the Company had state NOLs of \$240 million and \$123 million, respectively, a portion of which are offset by a valuation allowance as the Company does not believe these NOLs are more likely than not to be realized. The state NOL carryforwards expire in 2023 through 2042.

The Company files income tax returns in the United States federal jurisdiction and various state and foreign jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal, state or local or non-U.S. income tax examinations by tax authorities for years on or before 2015. The Company has state income tax examinations in progress and does not expect material adjustments to result.

Presented in the table below are the changes in gross liability, excluding interest and penalties, for unrecognized tax benefits:

	Amount
Balance as of January 1, 2021	\$ 122
Increases in current period tax positions	23
Decreases in prior period measurement of tax positions	(5)
Balance as of December 31, 2021	\$ 140
Increases in current period tax positions	26
Decreases in prior period measurement of tax positions	(8)
Balance as of December 31, 2022	\$ 158

The Company's tax positions relate primarily to the deductions claimed for repair and maintenance costs on its utility plant. The Company does not anticipate material changes to its unrecognized tax benefits within the next year. As discussed above, the Company utilized its remaining federal NOLs in 2021, and therefore this federal tax attribute will not be available to reduce the federal liabilities for uncertain tax positions or interest accrued as presented on the Company's Consolidated Financial Statements.

If the Company sustains all of its positions as of December 31, 2022, an unrecognized tax benefit of \$10 million, excluding interest and penalties, would impact the Company's effective tax rate. The Company had an immaterial amount of interest and penalties related to its tax positions as of December 31, 2022 and 2021.

Presented in the table below are the changes in the valuation allowance:

	Amount
Balance as of January 1, 2020	\$ 21
Decreases in current period tax positions	(2)
Balance as of December 31, 2020	\$ 19
Decreases in current period tax positions	(9)
Balance as of December 31, 2021	\$ 10
Increases in current period tax positions	1
Balance as of December 31, 2022	\$ 11

Note 15: Employee Benefits

Overview of Pension and Other Postretirement Benefits Plans

The Company maintains noncontributory defined benefit pension plans covering eligible employees of its regulated utility and shared services operations. Benefits under the plans are based on the employee's years of service and compensation. The pension plans have been closed for all new employees. The pension plans were closed for most employees hired on or after January 1, 2006. Union employees hired on or after January 1, 2001, except for specific eligible groups specified in the plan, had their accrued benefit frozen and will be able to receive this benefit as a lump sum upon termination or retirement. Union employees hired on or after January 1, 2001, and non-union employees hired on or after January 1, 2006, are provided with a defined contribution plan that includes a 5.25% of base pay Company-funded defined contribution account. The Company does not participate in a multi-employer plan. The Company also has unfunded noncontributory supplemental nonqualified pension plans that provide additional retirement benefits to certain employees.

The Company's pension funding practice is to contribute at least the greater of the minimum amount required by the Employee Retirement Income Security Act of 1974 or the normal cost. Further, the Company will consider additional cash contributions and/or available prefunding balances if needed to avoid "at risk" status and benefit restrictions under the Pension Protection Act of 2006 ("PPA"). The Company may also consider increased contributions, based on other financial requirements and the plans' funded position. Pension expense in excess of the amount contributed to the pension plans is deferred by certain regulated subsidiaries pending future recovery in rates charged for utility services as contributions are made to the plans. See Note 3—Regulatory Matters for additional information. Pension plan assets are invested in a number of actively managed, commingled funds, and limited partnerships including equities, fixed income securities, guaranteed annuity contracts with insurance companies, real estate funds and real estate investment trusts ("REITs").

In December 2022, the Company amended the American Water Pension Plan ("AWPP"), a tax-qualified defined benefit pension plan, to restructure it as of December 31, 2022. The restructuring involved the spin-off of certain inactive participants from the existing AWPP into a separate tax-qualified defined benefit pension plan, AWPP Inactive. Benefits offered to the plan participants remain unchanged. Actuarial gains and losses associated with AWPP Inactive will be amortized over the average remaining life expectancy of the inactive participants, which increases the amortization period from approximately 7 years to 18 years. The longer amortization period is expected to lower the Company's pre-tax pension expense by approximately \$5 million in 2023. The actuarial gains and losses associated with the AWPP will continue to be amortized over the average remaining service period for active participants. The Company remeasured the pension plan obligation and assets for each plan as of December 31, 2022.

The Company maintains other postretirement benefit plans providing varying levels of medical and life insurance to eligible retirees. The retiree welfare plans are closed for union employees hired on or after January 1, 2006. The plans had previously closed for non-union employees hired on or after January 1, 2002. The Company's policy is to fund other postretirement benefit costs up to the amount recoverable through rates. Assets of the plans are invested in a number of actively managed funds in the form of separate accounts, commingled funds and limited partnerships, including equities and fixed income securities.

Pension Plan Assets

The investment policy guideline of the pension plan is focused on diversification, improving returns and reducing the volatility of the funded status over a long-term horizon. The investment policy guidelines of the postretirement plans focus on the appropriate strategy given the funded status of the plans. None of the Company's securities are included in pension or other postretirement benefit plan assets.

The Company uses fair value for all classes of assets in the calculation of market-related value of plan assets. As of December 31, 2022, the fair values and asset allocations of the pension plan assets include the AWPP, AWPP Inactive, and the Shorelands Water Company, Inc. Pension Plan.

As a result of the sale of the Company's New York subsidiary on January 1, 2022, there was a transfer of plan assets from the Company to Liberty. The assets transferred were not a significant percentage of the Company's overall pension and other postretirement benefit plans.

Presented in the tables below are the fair values and asset allocations of the pension plan assets as of December 31, 2022 and 2021, respectively, by asset category:

Asset Category	2023 Target Allocation	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Percentage of Plan Assets as of December 31, 2022
Cash		\$ 36	\$ 36	\$ —	\$ —	3 %
Equity securities:	37 %					
U.S. large cap		142	142	—	—	10 %
U.S. small cap		79	79	—	—	6 %
International		386	2	264	120	27 %
Real estate fund		154	—	—	154	11 %
REITs		6	—	6	—	— %
Fixed income securities:	63 %					
U.S. Treasury securities and government bonds		126	119	7	—	9 %
Corporate bonds		418	—	418	—	30 %
Mortgage-backed securities		8	—	8	—	1 %
Municipal bonds		21	—	21	—	1 %
Long duration bond fund		3	—	3	—	— %
Guarantee annuity contracts		34	—	—	34	2 %
Total	100 %	\$ 1,413	\$ 378	\$ 727	\$ 308	100 %

Asset Category	2022 Target Allocation	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Percentage of Plan Assets as of December 31, 2021
Cash		\$ 54	\$ 54	\$ —	\$ —	3 %
Equity securities:	50 %					
U.S. large cap		217	217	—	—	11 %
U.S. small cap		113	113	—	—	6 %
International		516	7	354	155	26 %
Real estate fund		141	—	—	141	7 %
REITs		9	—	9	—	— %
Fixed income securities:	50 %					
U.S. Treasury securities and government bonds		256	249	7	—	13 %
Corporate bonds		601	—	601	—	30 %
Mortgage-backed securities		9	—	9	—	— %
Municipal bonds		25	—	25	—	1 %
Long duration bond fund		10	7	3	—	1 %
Guarantee annuity contracts		40	—	—	40	2 %
Total	100 %	\$ 1,991	\$ 647	\$ 1,008	\$ 336	100 %

Presented in the tables below are a reconciliation of the beginning and ending balances of the fair value measurements using significant unobservable inputs (Level 3) for 2022 and 2021, respectively:

	Level 3
Balance as of January 1, 2022	\$ 336
Actual return on assets	(1)
Purchases, issuances and settlements, net	(27)
Balance as of December 31, 2022	<u>\$ 308</u>
	Level 3
Balance as of January 1, 2021	\$ 356
Actual return on assets	41
Purchases, issuances and settlements, net	(61)
Balance as of December 31, 2021	<u>\$ 336</u>

Other Postretirement Benefit Plan Assets

The Company's postretirement benefit plans have different levels of funded status and the assets are held under various trusts. The investments and risk mitigation strategies for the plans are tailored specifically for each trust. In setting new strategic asset mixes, consideration is given to the likelihood that the selected asset allocation will effectively fund the projected plan liabilities and meet the risk tolerance criteria of the Company. The Company periodically updates the long-term, strategic asset allocations for these plans through asset liability studies and uses various analytics to determine the optimal asset allocation. Considerations include plan liability characteristics, liquidity needs, funding requirements, expected rates of return and the distribution of returns.

Upon evaluating prior plan changes, Company funding and market performance, in December 2022, the Company completed plan amendments to spin-off and merge a portion of the American Water Retiree Welfare Plan ("Retiree Welfare Plan"), with and into the Company's medical plan for active employees ("Active Medical Plan"), in order to repurpose the over-funded portion of the Bargained Retiree Voluntary Employees' Beneficiary Association ("Bargained VEBA") trust. Benefits offered to the plan participants remain unchanged. As a result of these changes, effective December 31, 2022, the Company transferred investment assets from the Bargained VEBA into the existing trust maintained for the benefit of Active Medical Plan participants ("Active VEBA"). The transfer of these Bargained VEBA investment assets into the Active VEBA permits access to approximately \$194 million of assets for purposes of paying active union employee medical benefits. The Company recorded the transfer of assets as a negative contribution and therefore did not record a gain or loss, as permitted by accounting guidance. See Note 18—Fair Value of Financial Information, for additional information on accounting for the assets as investments in debt and equity securities as of December 31, 2022.

The Company engages third-party investment managers for all invested assets. Managers are not permitted to invest outside of the asset class (e.g., fixed income, equity, alternatives) or strategy for which they have been appointed. Investment management agreements and recurring performance and attribution analysis are used as tools to ensure investment managers invest solely within the investment strategy they have been provided. Futures and options may be used to adjust portfolio duration to align with a plan's targeted investment policy.

In order to minimize asset volatility relative to the liabilities, a portion of plan assets is allocated to long duration fixed income investments that are exposed to interest rate risk. Increases in interest rates generally will result in a decline in the value of fixed income assets while reducing the present value of the liabilities. Conversely, rate decreases will increase fixed income assets, partially offsetting the related increase in the liabilities. Within equities, risk is mitigated by constructing a portfolio that is broadly diversified by geography, market capitalization, manager mandate size, investment style and process. For the Bargained VEBA trust, its asset structure is designed to meet the cash flows of the liabilities. This design reduces the plan's exposure to changes in interest rates.

Actual allocations to each asset class vary from target allocations due to periodic investment strategy updates, market value fluctuations, the length of time it takes to fully implement investment allocations, and the timing of benefit payments and contributions. The asset allocation is rebalanced on a quarterly basis, if necessary. The Retiree Welfare Plan is funded by the Bargained VEBA trust, the Non-Bargained Retiree Voluntary Employees' Beneficiary Association ("Non-Bargained VEBA") trust, and the American Water Life Insurance Voluntary Employees' Beneficiary Association ("Life VEBA") Trust.

Presented in the tables below are the fair values and asset allocations of the postretirement benefit plan assets as of December 31, 2022 and 2021, respectively, by asset category:

Asset Category	2023 Target Allocation	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Percentage of Plan Assets as of December 31, 2022
Bargained VEBA:						
Cash		\$ 3	\$ 3	\$ —	\$ —	2 %
Equity securities:	— %					
U.S. large cap		—	—	—	—	— %
International		—	—	—	—	— %
Fixed income securities:	100 %					
U.S. Treasury securities and government bonds		131	72	59	—	97 %
Long duration bond fund		1	1	—	—	1 %
Total bargained VEBA	100 %	\$ 135	\$ 76	\$ 59	\$ —	100 %
Non-bargained VEBA:						
Cash		\$ 1	\$ 1	\$ —	\$ —	1 %
Equity securities:	60 %					
U.S. large cap		40	40	—	—	34 %
International		29	29	—	—	25 %
Fixed income securities:	40 %					
Core fixed income bond fund (a)		47	—	47	—	40 %
Total non-bargained VEBA	100 %	\$ 117	\$ 70	\$ 47	\$ —	100 %
Life VEBA:						
Cash		\$ 2	\$ 2	\$ —	\$ —	100 %
Equity securities:	— %					
U.S. large cap		—	—	—	—	— %
Fixed income securities:	100 %					
Core fixed income bond fund (a)		—	—	—	—	— %
Total life VEBA	100 %	\$ 2	\$ 2	\$ —	\$ —	100 %
Total	100 %	\$ 254	\$ 148	\$ 106	\$ —	100 %

(a) Includes cash for margin requirements.

Asset Category	2022 Target Allocation	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Percentage of Plan Assets as of 12/31/2021
Bargained VEBA:						
Cash		\$ 10	\$ 10	\$ —	\$ —	3 %
Equity securities:	4 %					
U.S. large cap		18	18	—	—	5 %
International		1	1	—	—	— %
Fixed income securities:	96 %					
U.S. Treasury securities and government bonds		363	279	84	—	91 %
Long duration bond fund		5	5	—	—	1 %
Total bargained VEBA	100 %	\$ 397	\$ 313	\$ 84	\$ —	100 %
Non-bargained VEBA:						
Cash		\$ 2	\$ 2	\$ —	\$ —	— %
Equity securities:	60 %					
U.S. large cap		54	54	—	—	39 %
International		35	35	—	—	25 %
Fixed income securities:	40 %					
Core fixed income bond fund (a)		49	—	49	—	36 %
Total non-bargained VEBA	100 %	\$ 140	\$ 91	\$ 49	\$ —	100 %
Life VEBA:						
Cash		\$ 1	\$ 1	\$ —	\$ —	100 %
Equity securities:	70 %					
U.S. large cap		\$ —	\$ —	\$ —	\$ —	— %
Fixed income securities:	30 %					
Core fixed income bond fund (a)		—	—	—	—	— %
Total life VEBA	100 %	\$ 1	\$ 1	\$ —	\$ —	100 %
Total	100 %	\$ 538	\$ 405	\$ 133	\$ —	100 %

(a) Includes cash for margin requirements.

Valuation Techniques Used to Determine Fair Value

Cash—Cash and investments with maturities of three months or less when purchased, including certain short-term fixed-income securities, are considered cash and are included in the recurring fair value measurements hierarchy as Level 1.

Equity securities—For equity securities, the trustees obtain prices from pricing services, whose prices are obtained from direct feeds from market exchanges, that the Company is able to independently corroborate. Certain equity securities are valued based on quoted prices in active markets and categorized as Level 1. Other equities, such as international securities held in the pension plan, are invested in commingled funds and/or limited partnerships. These funds are valued to reflect the plan fund's interest in the fund based on the reported year-end net asset value. Since net asset value is not directly observable or not available on a nationally recognized securities exchange for the commingled funds, they are categorized as Level 2. For limited partnerships, the assets as a whole are categorized as Level 3 due to the fact that the partnership provides the pricing and the pricing inputs are less readily observable. In addition, the limited partnership vehicle cannot be readily traded.

Fixed-income securities—The majority of U.S. Treasury securities and government bonds have been categorized as Level 1 because they trade in highly-liquid and transparent markets and their prices can be corroborated. The fair values of corporate bonds, mortgage backed securities, and certain government bonds are based on prices that reflect observable market information, such as actual trade information of similar securities. They are categorized as Level 2 because the valuations are calculated using models which utilize actively traded market data that the Company can corroborate. Exchange-traded options and futures, for which market quotations are readily available, are valued at the last reported sale price or official closing price on the primary market or exchange on which they are traded and are classified as Level 1.

Real estate fund—Real estate fund is categorized as Level 3 as the fund uses significant unobservable inputs for fair value measurement and the vehicle is in the form of a limited partnership.

REITs—REITs are invested in commingled funds. Commingled funds are valued to reflect the plan fund's interest in the fund based on the reported year-end net asset value. Since the net asset value is not directly observable for the commingled funds, they are categorized as Level 2.

Guaranteed annuity contracts—Guaranteed annuity contracts are categorized as Level 3 because the investments are not publicly quoted. Since these market values are determined by the provider, they are not highly observable and have been categorized as Level 3. Exchange-traded future and option positions are reported in accordance with changes in variation margins that are settled daily.

Benefit Obligations, Plan Assets and Funded Status

Presented in the table below is a rollforward of the changes in the benefit obligation and plan assets for the two most recent years, for all plans combined:

	Pension Benefits		Other Benefits	
	2022	2021	2022	2021
Change in benefit obligation:				
Benefit obligation as of January 1,	\$ 2,294	\$ 2,386	\$ 342	\$ 382
Service cost	30	36	3	4
Interest cost	64	64	10	10
Plan participants' contributions	—	—	3	2
Plan amendments	—	—	6	—
Actuarial loss (gain)	(582)	(46)	(77)	(26)
Divestiture	(86)	—	(4)	—
Settlements (a)	—	(6)	—	—
Gross benefits paid	(142)	(140)	(28)	(31)
Federal subsidy	—	—	—	1
Benefit obligation as of December 31,	\$ 1,578	\$ 2,294	\$ 255	\$ 342
Change in plan assets:				
Fair value of plan assets as of January 1,	\$ 1,991	\$ 1,990	\$ 538	\$ 556
Actual return on plan assets	(401)	108	(68)	9
Employer contributions	39	39	12	1
Plan participants' contributions	—	—	3	2
VEBA transfer	—	—	(194)	—
Divestiture	(74)	—	(9)	—
Settlements (a)	—	(6)	—	—
Benefits paid	(142)	(140)	(28)	(30)
Fair value of plan assets as of December 31,	\$ 1,413	\$ 1,991	\$ 254	\$ 538
Funded value as of December 31,	\$ (165)	\$ (303)	\$ (1)	\$ 196
Amounts recognized on the balance sheet:				
Noncurrent asset	\$ 75	\$ —	\$ —	\$ 193
Current liability	(5)	(2)	—	—
Noncurrent liability	(235)	(285)	(1)	(1)
(Liabilities) assets related to assets held for sale (b)	—	(16)	—	4
Net amount recognized	\$ (165)	\$ (303)	\$ (1)	\$ 196

(a) The Company paid \$6 million of a lump sum payment distributions from the Company's New York Water Service Corporation Pension Plan for the year ended December 31, 2021.

(b) These balances are related to the sale of the Company's New York subsidiary, which was completed on January 1, 2022, and are included in assets held for sale and liabilities related to assets held for sale on the Consolidated Balance Sheets as of December 31, 2021. See Note 5—Acquisitions and Divestitures for additional information.

Presented in the table below are the components of accumulated other comprehensive income and regulatory assets that have not been recognized as components of periodic benefit costs as of December 31:

	Pension Benefits		Other Benefits	
	2022	2021	2022	2021
Net actuarial loss	\$ 289	\$ 381	\$ 45	\$ 35
Prior service credit	(10)	(14)	(145)	(186)
Net amount recognized	\$ 279	\$ 367	\$ (100)	\$ (151)
Regulatory assets (liabilities)	\$ 251	\$ 317	\$ (100)	\$ (151)
Accumulated other comprehensive income	28	50	—	—
Total	\$ 279	\$ 367	\$ (100)	\$ (151)

Presented in the tables below are the aggregate projected benefit obligation, accumulated benefit obligation and aggregate fair value of plan assets for pension plans with a projected obligation in excess of plan assets as of December 31, 2022 and 2021:

	Projected Benefit Obligation Exceeds the Fair Value of Plans' Assets	
	2022	2021
Projected benefit obligation	\$ 872	\$ 2,294
Fair value of plan assets	632	1,991
	Accumulated Benefit Obligation Exceeds the Fair Value of Plans' Assets	
	2022	2021
Accumulated benefit obligation	\$ 793	\$ 2,138
Fair value of plan assets	632	1,991

The accumulated postretirement plan assets exceed benefit obligations for all of the Company's other postretirement benefit plans, except for the Northern Illinois Retiree Welfare Plan, of which the accumulated postretirement benefit obligation is inconsequential for all periods presented.

Contributions

The PPA requires that defined benefit plans contribute to 100% of the current liability funding target over seven years. Defined benefit plans with a funding status of less than 80% of the current liability are defined as being "at risk" and additional funding requirements and benefit restrictions may apply. The Company's qualified defined benefit plan is currently funded above the at-risk threshold, and therefore the Company expects that the plans will not be subject to the "at risk" funding requirements of the PPA. The Company is proactively monitoring the plan's funded status and projected contributions under the law to appropriately manage the potential impact on cash requirements.

Minimum funding requirements for the qualified defined benefit pension plan are determined by government regulations and not by accounting pronouncements. The Company plans to contribute amounts at least equal to or greater than the minimum required contributions or the normal cost in 2023 to the qualified pension plans. Contributions may be in the form of cash contributions as well as available prefunding balances.

Presented in the table below is information about the expected cash flows for the pension and postretirement benefit plans:

2023 expected employer contributions:	Pension Benefits	Other Benefits
	To plan trusts	\$ 39
To plan participants	5	—

Estimated Future Benefit Payments

Presented in the table below are the net benefits expected to be paid from the plan assets or the Company’s assets:

	Pension Benefits		Other Benefits	
	Expected Benefit Payments	Expected Benefit Payments	Expected Benefit Payments	Expected Federal Subsidy Payments
2023	\$ 117	\$ 24	\$	1
2024	115	24		1
2025	117	25		1
2026	118	24		1
2027	119	24		1
2028-2032	585	108		3

Because the above amounts are net benefits, plan participants’ contributions have been excluded from the expected benefits.

Assumptions

Accounting for pensions and other postretirement benefits requires an extensive use of assumptions about the discount rate, expected return on plan assets, the rate of future compensation increases received by the Company’s employees, mortality, turnover and medical costs. Each assumption is reviewed annually. The assumptions are selected to represent the average expected experience over time and may differ in any one year from actual experience due to changes in capital markets and the overall economy. These differences will impact the amount of pension and other postretirement benefit expense that the Company recognizes.

Presented in the table below are the significant assumptions related to the pension and other postretirement benefit plans:

	Pension Benefits			Other Benefits		
	2022	2021	2020	2022	2021	2020
Weighted average assumptions used to determine December 31 benefit obligations:						
Discount rate	5.58%	2.94%	2.74%	5.60%	2.90%	2.56%
Rate of compensation increase	3.51%	3.51%	3.51%	N/A	N/A	N/A
Medical trend	N/A	N/A	N/A	graded from 7.00% in 2023 to 5.00% in 2031+	graded from 6.00% in 2022 to 5.00% in 2026+	graded from 6.25% in 2021 to 5.00% in 2026+
Weighted average assumptions used to determine net periodic cost:						
Discount rate	2.94%	2.74%	3.44%	2.90%	2.56%	3.36%
Expected return on plan assets	6.50%	6.50%	6.50%	3.60%	3.67%	3.68%
Rate of compensation increase	3.51%	3.51%	2.97%	N/A	N/A	N/A
Medical trend	N/A	N/A	N/A	graded from 6.00% in 2022 to 5.00% in 2026+	graded from 6.25% in 2021 to 5.00% in 2026+	graded from 6.50% in 2020 to 5.00% in 2026+

NOTE “N/A” in the table above means assumption is not applicable.

The discount rate assumption was determined for the pension and postretirement benefit plans independently. The Company uses an approach that approximates the process of settlement of obligations tailored to the plans’ expected cash flows by matching the plans’ cash flows to the coupons and expected maturity values of individually selected bonds. Historically, for each plan, the discount rate was developed at the level equivalent rate that would produce the same present value as that using spot rates aligned with the projected benefit payments.

The expected long-term rate of return on plan assets is based on historical and projected rates of return, prior to administrative and investment management fees, for current and planned asset classes in the plans' investment portfolios. Assumed projected rates of return for each of the plans' projected asset classes were selected after analyzing historical experience and future expectations of the returns and volatility of the various asset classes. Based on the target asset allocation for each asset class, the overall expected rate of return for the portfolio was developed, adjusted for historical and expected experience of active portfolio management results compared to the benchmark returns. The Company's pension expense increases as the expected return on assets decreases. The Company used an expected return on plan assets of 6.50% to estimate its 2022 pension benefit costs, and an expected blended return based on weighted assets of 3.60% to estimate its 2022 other postretirement benefit costs.

For the years ended December 31, 2022 and 2021, the Company's mortality assumption utilized the Pri-2012 base mortality table and the new MP-2021 mortality improvement scale. For the year ended December 31, 2020, the Company's mortality assumption utilized the Pri-2012 base mortality table and the MP-2020 mortality improvement scale.

Components of Net Periodic Benefit Cost

Presented in the table below are the components of net periodic benefit costs for the years ended December 31:

	2022	2021	2020
Components of net periodic pension benefit cost:			
Service cost	\$ 30	\$ 36	\$ 31
Interest cost	64	64	73
Expected return on plan assets	(122)	(126)	(111)
Amortization of prior service (credit) cost	(3)	(3)	(3)
Amortization of actuarial loss	21	27	30
Settlements (a)	—	—	1
Net periodic pension benefit cost	\$ (10)	\$ (2)	\$ 21
Other changes in plan assets and benefit obligations recognized in other comprehensive income:			
Current year actuarial (gain) loss	\$ (14)	\$ 1	\$ 12
Amortization of actuarial loss	(3)	(4)	(3)
Total recognized in other comprehensive income	(17)	(3)	9
Total recognized in net periodic benefit cost and other comprehensive income	\$ (27)	\$ (5)	\$ 30
Components of net periodic other postretirement benefit (credit) cost:			
Service cost	\$ 3	\$ 4	\$ 4
Interest cost	10	10	12
Expected return on plan assets	(19)	(21)	(19)
Amortization of prior service credit	(31)	(32)	(34)
Amortization of actuarial loss	—	—	2
Net periodic other postretirement benefit (credit) cost	\$ (37)	\$ (39)	\$ (35)

(a) Due to the amount of lump sum payment distributions from the Company's New York Water Service Corporation Pension Plan, settlement charges of less than \$1 million were recorded for the year ended December 31, 2021. In accordance with existing regulatory accounting treatment, the Company has maintained the settlement charge in regulatory assets on the Consolidated Balance Sheets. The amount is being amortized in accordance with existing regulatory practice.

Savings Plans for Employees

The Company maintains 401(k) savings plans that allow employees to save for retirement on a tax-deferred basis. Employees can make contributions that are invested at their direction in one or more funds. The Company makes matching contributions based on a percentage of an employee's contribution, subject to certain limitations. Due to the Company's discontinuing new entrants into the defined benefit pension plan, on January 1, 2006, the Company began providing an additional 5.25% of base pay defined contribution benefit for union employees hired on or after January 1, 2001 and non-union employees hired on or after January 1, 2006. The Company's 401(k) savings plan expenses totaled \$13 million, \$14 million and \$12 million for 2022, 2021 and 2020, respectively. Additionally, the Company's 5.25% of base pay defined contribution benefit expenses totaled \$16 million, \$16 million and \$15 million for 2022, 2021 and 2020, respectively. All of the Company's contributions are invested in one or more funds at the direction of the employees.

Note 16: Commitments and Contingencies

Commitments have been made in connection with certain construction programs. The estimated capital expenditures required under legal and binding contractual obligations amounted to \$756 million as of December 31, 2022.

The Company’s regulated subsidiaries maintain agreements with other water purveyors for the purchase of water to supplement their water supply. Presented in the table below are the future annual commitments related to minimum quantities of purchased water having non-cancelable contracts:

	Amount
2023	\$ 68
2024	54
2025	53
2026	52
2027	52
Thereafter	501

The Company enters into agreements for the provision of services to water and wastewater facilities for the U.S. military, municipalities and other customers. See Note 4—Revenue Recognition for additional information regarding the Company’s performance obligations.

Contingencies

The Company is routinely involved in legal actions incident to the normal conduct of its business. As of December 31, 2022, the Company has accrued approximately \$5 million of probable loss contingencies and has estimated that the maximum amount of losses associated with reasonably possible loss contingencies that can be reasonably estimated is \$3 million. For certain matters, claims and actions, the Company is unable to estimate possible losses. The Company believes that damages or settlements, if any, recovered by plaintiffs in such matters, claims or actions, other than as described in this Note 16—Commitments and Contingencies, will not have a material adverse effect on the Company.

Dunbar, West Virginia Water Main Break Class Action Litigation

On the evening of June 23, 2015, a 36-inch pre-stressed concrete transmission water main, installed in the early 1970s, failed. The water main is part of the West Relay pumping station located in the City of Dunbar, West Virginia and owned by WVAWC. The failure of the main caused water outages and low pressure for up to approximately 25,000 WVAWC customers. In the early morning hours of June 25, 2015, crews completed a repair, but that same day, the repair developed a leak. On June 26, 2015, a second repair was completed and service was restored that day to approximately 80% of the impacted customers, and to the remaining approximately 20% by the next morning. The second repair showed signs of leaking, but the water main was usable until June 29, 2015, to allow tanks to refill. The system was reconfigured to maintain service to all but approximately 3,000 customers while a final repair was being completed safely on June 30, 2015. Water service was fully restored by July 1, 2015, to all customers affected by this event.

On June 2, 2017, a complaint captioned *Jeffries, et al. v. West Virginia-American Water Company* was filed in West Virginia Circuit Court in Kanawha County on behalf of an alleged class of residents and business owners who lost water service or pressure as a result of the Dunbar main break. The complaint alleges breach of contract by WVAWC for failure to supply water, violation of West Virginia law regarding the sufficiency of WVAWC’s facilities and negligence by WVAWC in the design, maintenance and operation of the water system. The *Jeffries* plaintiffs seek unspecified alleged damages on behalf of the class for lost profits, annoyance and inconvenience, and loss of use, as well as punitive damages for willful, reckless and wanton behavior in not addressing the risk of pipe failure and a large outage.

In February 2020, the *Jeffries* plaintiffs filed a motion seeking class certification on the issues of breach of contract and negligence, and to determine the applicability of punitive damages and a multiplier for those damages if imposed. In July 2020, the Circuit Court entered an order granting the *Jeffries* plaintiffs' motion for certification of a class regarding certain liability issues but denying certification of a class to determine a punitive damages multiplier. In August 2020, WVAWC filed a Petition for Writ of Prohibition in the Supreme Court of Appeals of West Virginia seeking to vacate or remand the Circuit Court's order certifying the issues class. In January 2021, the Supreme Court of Appeals remanded the case back to the Circuit Court for further consideration in light of a decision issued in another case relating to the class certification issues raised on appeal. On July 5, 2022, the Circuit Court entered an order again certifying a class to address at trial certain liability issues but not to consider damages. On August 26, 2022, WVAWC filed another Petition for Writ of Prohibition in the Supreme Court of Appeals of West Virginia challenging the West Virginia Circuit Court's July 5, 2022 order. The Writ Petition has been supported by an amicus brief filed by certain water and utility industry trade groups. On February 9, 2023, the Supreme Court of Appeals accepted the Writ Petition by issuing a Rule to Show Cause and scheduling oral argument for April 26, 2023.

The Company and WVAWC believe that WVAWC has valid, meritorious defenses to the claims raised in this class action complaint. WVAWC is vigorously defending itself against these allegations. The Company cannot currently determine the likelihood of a loss, if any, or estimate the amount of any loss or a range of such losses related to this proceeding.

Chattanooga, Tennessee Water Main Break Class Action Litigation

On September 12, 2019, the Company's Tennessee subsidiary ("TAWC"), experienced a leak in a 36-inch water transmission main, which caused service fluctuations or interruptions to TAWC customers and the issuance of a boil water notice. TAWC repaired the main by early morning on September 14, 2019, and restored full water service by the afternoon of September 15, 2019, with the boil water notice lifted for all customers on September 16, 2019.

On September 17, 2019, a complaint captioned *Bruce, et al. v. American Water Works Company, Inc., et al.* was filed in the Circuit Court of Hamilton County, Tennessee against TAWC, the Company and American Water Works Service Company, Inc. ("Service Company" and, together with TAWC and the Company, collectively, the "Tennessee-American Water Defendants"), on behalf of a proposed class of individuals or entities who lost water service or suffered monetary losses as a result of the Chattanooga incident (the "Tennessee Plaintiffs"). The complaint alleged breach of contract and negligence against the Tennessee-American Water Defendants, as well as an equitable remedy of piercing the corporate veil. In the complaint as originally filed, the Tennessee Plaintiffs were seeking an award of unspecified alleged damages for wage losses, business and economic losses, out-of-pocket expenses, loss of use and enjoyment of property and annoyance and inconvenience, as well as punitive damages, attorneys' fees and pre- and post-judgment interest. In September 2020, the court dismissed all of the Tennessee Plaintiffs' claims in their complaint, except for the breach of contract claims against TAWC, which remain pending. In October 2020, TAWC answered the complaint, and the parties have been engaging in discovery. On January 12, 2023, after hearing oral argument, the court issued an oral ruling denying the Tennessee Plaintiffs' motion for class certification. On February 9, 2023, the Tennessee Plaintiffs sought reconsideration of the ruling by the court, and any final ruling is appealable to the Tennessee Court of Appeals, as allowed under Tennessee law.

TAWC and the Company believe that TAWC has meritorious defenses to the claims raised in this class action complaint, and TAWC is vigorously defending itself against these allegations. The Company cannot currently determine the likelihood of a loss, if any, or estimate the amount of any loss or a range of such losses related to this proceeding.

Alternative Water Supply in Lieu of Carmel River Diversions

Compliance with Orders to Reduce Carmel River Diversions—Monterey Peninsula Water Supply Project

Under a 2009 order (the "2009 Order") of the State Water Resources Control Board (the "SWRCB"), the Company's California subsidiary ("Cal Am") is required to decrease significantly its yearly diversions of water from the Carmel River according to a set reduction schedule. In 2016, the SWRCB issued an order (the "2016 Order," and, together with the 2009 Order, the "Orders") approving a deadline of December 31, 2021, for Cal Am's compliance with these prior orders.

Cal Am is currently involved in developing the Monterey Peninsula Water Supply Project (the "Water Supply Project"), which includes the construction of a desalination plant, to be owned by Cal Am, and the construction of wells that would supply water to the desalination plant. In addition, the Water Supply Project also includes Cal Am's purchase of water from a groundwater replenishment project (the "GWR Project") between Monterey One Water and the Monterey Peninsula Water Management District (the "MPWMD"). The Water Supply Project is intended, among other things, to fulfill Cal Am's obligations under the Orders.

Cal Am's ability to move forward on the Water Supply Project is subject to administrative review by the CPUC and other government agencies, obtaining necessary permits, and intervention from other parties. In September 2016, the CPUC unanimously approved a final decision to authorize Cal Am to enter into a water purchase agreement for the GWR Project and to construct a pipeline and pump station facilities and recover up to \$50 million in associated incurred costs plus AFUDC, subject to meeting certain criteria.

In September 2018, the CPUC unanimously approved another final decision finding that the Water Supply Project meets the CPUC's requirements for a certificate of public convenience and necessity and an additional procedural phase was not necessary to consider alternative projects. The CPUC's 2018 decision concludes that the Water Supply Project is the best project to address estimated future water demands in Monterey, and, in addition to the cost recovery approved in its 2016 decision, adopts Cal Am's cost estimates for the Water Supply Project, which amounted to an aggregate of \$279 million plus AFUDC at a rate representative of Cal Am's actual financing costs. The 2018 final decision specifies the procedures for recovery of all of Cal Am's prudently incurred costs associated with the Water Supply Project upon its completion, subject to the frameworks included in the final decision related to cost caps, operation and maintenance costs, financing, ratemaking and contingency matters. The reasonableness of the Water Supply Project costs will be reviewed by the CPUC when Cal Am seeks cost recovery for the Water Supply Project. Cal Am is also required to implement mitigation measures to avoid, minimize or offset significant environmental impacts from the construction and operation of the Water Supply Project and comply with a mitigation monitoring and reporting program, a reimbursement agreement for CPUC costs associated with that program, and reporting requirements on plant operations following placement of the Water Supply Project in service. Cal Am has incurred \$206 million in aggregate costs as of December 31, 2022, related to the Water Supply Project, which includes \$51 million in AFUDC.

In September 2021, Cal Am, Monterey One Water and the MPWMD reached an agreement on Cal Am's purchase of additional water from an expansion to the GWR Project, which is not expected to produce additional water until 2024 at the earliest. The amended and restated water purchase agreement for the GWR Project expansion is subject to review and approval of the CPUC, and in November 2021, Cal Am filed an application with the CPUC that sought review and approval of the amended and restated water purchase agreement. Cal Am also requested rate base treatment of the additional capital investment for certain Cal Am facilities required to maximize the water supply from the expansion to the GWR Project and a related Aquifer Storage and Recovery Project, totaling approximately \$81 million. This requested amount is in addition to, and consistent in regulatory treatment with, the prior \$50 million of cost recovery for facilities associated with the original water purchase agreement, which was approved by the CPUC in its 2016 final decision.

On December 5, 2022, the CPUC issued a final decision that authorizes Cal Am to enter into the amended water purchase agreement, and specifically to increase pumping capacity and reliability of groundwater extraction from the Seaside Groundwater Basin. The final decision sets the cost cap for the proposed facilities at approximately \$62 million. Cal Am may seek recovery of amounts above the cost cap in a subsequent rate filing or general rate case. Additionally, the final decision authorizes AFUDC at Cal Am's actual weighted average cost of debt for most of the facilities.

On December 30, 2022, Cal Am filed with the CPUC an application for rehearing of the CPUC's December 5, 2022 final decision. Cal Am is requesting recovery of its infrastructure costs for the GWR Project expansion that had not been included in the December 2022 final decision. Cal Am believes that the December 2022 final decision is contrary to the CPUC's precedent and that obtaining recovery of these infrastructure costs is a key component of the GWR Project expansion and Cal Am's ability to meet the future water supply needs of its customers in Monterey. This application remains pending.

While Cal Am believes that its expenditures to date have been prudent and necessary to comply with the Orders, as well as the CPUC's 2016 and 2018 final decisions, Cal Am cannot currently predict its ability to recover all of its costs and expenses associated with the Water Supply Project and there can be no assurance that Cal Am will be able to recover all of such costs and expenses in excess of the \$112 million in aggregate construction costs, plus applicable AFUDC, previously approved by the CPUC in its 2016 and December 2022 final decisions.

Coastal Development Permit Application

In 2018, Cal Am submitted a coastal development permit application (the “Marina Application”) to the City of Marina (the “City”) for those project components of the Water Supply Project located within the City’s coastal zone. Members of the City’s Planning Commission, as well as City councilpersons, have publicly expressed opposition to the Water Supply Project. In May 2019, the City issued a notice of final local action based upon the denial by the Planning Commission of the Marina Application. Thereafter, Cal Am appealed this decision to the Coastal Commission, as permitted under the City’s code and the California Coastal Act. At the same time, Cal Am submitted an application (the “Original Jurisdiction Application”) to the Coastal Commission for a coastal development permit for those project components located within the Coastal Commission’s original jurisdiction. After Coastal Commission staff issued reports recommending denial of the Original Jurisdiction Application, noting potential impacts on environmentally sensitive habitat areas and wetlands and possible disproportionate impacts to communities of concern, in September 2020, Cal Am withdrew the Original Jurisdiction Application in order to address the staff’s environmental justice concerns. The withdrawal of the Original Jurisdiction Application did not impact Cal Am’s appeal of the City’s denial of the Marina Application, which remains pending before the Coastal Commission. In November 2020, Cal Am refiled the Original Jurisdiction Application.

On October 5, 2022, Cal Am announced a phasing plan for the proposed desalination plant component of the Water Supply Project. The desalination plant and slant wells originally approved by the CPUC would produce up to 6.4 million gallons of desalinated water per day. Under the phased approach, the facilities would initially be constructed to produce up to 4.8 million gallons per day of desalinated water, enough to meet anticipated demand through about 2030, and would limit the number of slant wells initially constructed. As demand increases in the future, desalination facilities would be expanded to meet the additional demand. The phased approach seeks to meet near-term demand by allowing for additional supply as it becomes needed, while also providing an opportunity for regional future public participation and was developed by Cal Am based on feedback received from the community.

On November 18, 2022, the Coastal Commission approved the Marina Application and the Original Jurisdiction Application with respect to the phased development of the proposed desalination plant, subject to compliance with a number of conditions, all of which Cal Am expects to satisfy. On December 29, 2022, the City, Marina Coast Water District (“MCWD”), MCWD’s groundwater sustainability agency, and the MPWMD jointly filed a petition for writ of mandate in Monterey County Superior Court against the Coastal Commission, alleging that the Coastal Commission violated the California Coastal Act and the California Environmental Quality Act in issuing a coastal development permit to Cal Am for construction of the MPWSP slant wells. Cal Am is named as a real party in interest. This matter remains pending.

Following the issuance of the coastal development permit, Cal Am continues to work constructively with all appropriate agencies to provide necessary information in connection with obtaining the remaining required permits for the Water Supply Project. However, there can be no assurance that the Water Supply Project in its current configuration will be completed on a timely basis, if ever. For the year ended December 31, 2022, Cal Am has complied with the diversion limitations contained in the 2016 Order. Continued compliance with the diversion limitations in 2023 and future years may be impacted by a number of factors, including without limitation continued drought conditions in California and the exhaustion of water supply reserves, and will require successful development of alternate water supply sources sufficient to meet customer demand. The Orders remain in effect until Cal Am certifies to the SWRCB, and the SWRCB concurs, that Cal Am has obtained a permanent supply of water to substitute for past unauthorized Carmel River diversions. While the Company cannot currently predict the likelihood or result of any adverse outcome associated with these matters, further attempts to comply with the Orders may result in material additional costs and obligations to Cal Am, including fines and penalties against Cal Am in the event of noncompliance with the Orders.

West Virginia Elk River Freedom Industries Chemical Spill

On June 8, 2018, the U.S. District Court for the Southern District of West Virginia granted final approval of a settlement class and global class action settlement (the “Settlement”) for all claims and potential claims by all class members (collectively, the “West Virginia Plaintiffs”) arising out of the January 2014 Freedom Industries, Inc. chemical spill in West Virginia. The effective date of the Settlement was July 16, 2018. Under the terms and conditions of the Settlement, WVAWC and certain other Company affiliated entities did not admit, and will not admit, any fault or liability for any of the allegations made by the West Virginia Plaintiffs in any of the actions that were resolved.

As of December 31, 2022, \$0.5 million of the aggregate Settlement amount of \$126 million remains reflected in accrued liabilities, and \$0.5 million in an offsetting insurance receivable remains reflected in other current assets on the Consolidated Balance Sheets pending resolution of all asserted actual or potential claims associated with this matter. The amount reflected in accrued liabilities reflects the status of the liability and the offsetting insurance receivable reflected in other current assets, each as of as of December 31, 2022.

Note 17: Earnings per Common Share

Presented in the table below is a reconciliation of the numerator and denominator for the basic and diluted earnings per share (“EPS”) calculations for the years ended December 31:

	2022	2021	2020
Numerator:			
Net income attributable to common shareholders	\$ 820	\$ 1,263	\$ 709
Denominator:			
Weighted average common shares outstanding—Basic	182	182	181
Effect of dilutive common stock equivalents	—	—	1
Weighted average common shares outstanding—Diluted	182	182	182

The effect of dilutive common stock equivalents is related to outstanding stock options, RSUs and PSUs granted under the Company’s 2007 Plan and outstanding RSUs and PSUs granted under the Company’s 2017 Omnibus Plan, as well as estimated shares to be purchased under the ESPP. Less than one million share-based awards were excluded from the computation of diluted EPS for the years ended December 31, 2022, 2021 and 2020, because their effect would have been anti-dilutive under the treasury stock method.

Note 18: Fair Value of Financial Information

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

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

Seller promissory note from the sale of HOS — The carrying amount reported on the Consolidated Balance Sheets for the seller promissory note from the sale of HOS is \$720 million as of December 31, 2022 and 2021. This amount represents the principal amount owed under the seller note, for which the Company expects to receive full payment. The accounting fair value measurement of the seller note approximated \$686 million and \$720 million as of December 31, 2022 and 2021, respectively. The accounting fair value measurement is an estimate that is reflective of changes in benchmark interest rates. The seller note is classified as Level 3 within the fair value hierarchy.

Preferred stock with mandatory redemption requirements and long-term debt—The fair values of preferred stock with mandatory redemption requirements and long-term debt are categorized within the fair value hierarchy based on the inputs that are used to value each instrument. The fair value of long-term debt classified as Level 1 is calculated using quoted prices in active markets. Level 2 instruments are valued using observable inputs and Level 3 instruments are valued using observable and unobservable inputs.

Presented in the tables below are the carrying amounts, including fair value adjustments previously recognized in acquisition purchase accounting, and the fair values of the Company’s financial instruments:

	As of December 31, 2022				
	Carrying Amount	At Fair Value			Total
		Level 1	Level 2	Level 3	
Preferred stock with mandatory redemption requirements	\$ 3	\$ —	\$ —	\$ 3	\$ 3
Long-term debt (excluding finance lease obligations)	11,207	8,599	49	1,427	10,075

	As of December 31, 2021				
	Carrying Amount	At Fair Value			Total
		Level 1	Level 2	Level 3	
Preferred stock with mandatory redemption requirements	\$ 4	\$ —	\$ —	\$ 6	\$ 6
Long-term debt (excluding finance lease obligations)	10,396	10,121	60	1,637	11,818

Fair Value Measurements

To increase consistency and comparability in fair value measurements, GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels as follows:

Level 1—Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access as of the reporting date. Financial assets and liabilities utilizing Level 1 inputs include active exchange-traded equity securities, exchange-based derivatives, mutual funds and money market funds.

Level 2—Inputs other than quoted prices included within Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data. Financial assets and liabilities utilizing Level 2 inputs include fixed income securities, non-exchange-based derivatives, commingled investment funds not subject to purchase and sale restrictions and fair-value hedges.

Level 3—Unobservable inputs, such as internally-developed pricing models for the asset or liability due to little or no market activity for the asset or liability. Financial assets and liabilities utilizing Level 3 inputs include infrequently-traded non-exchange-based derivatives and commingled investment funds subject to purchase and sale restrictions.

Recurring Fair Value Measurements

Presented in the tables below are assets and liabilities measured and recorded at fair value on a recurring basis and their level within the fair value hierarchy:

	As of December 31, 2022			
	Level 1	Level 2	Level 3	Total
Assets:				
Restricted funds	\$ 32	\$ —	\$ —	\$ 32
Rabbi trust investments	21	—	—	21
Deposits	7	—	—	7
Other investments				
Money market and other	61	—	—	61
Fixed-Income Securities	147	6	—	153
Contingent cash payment from the sale of HOS	—	—	72	72
Mark-to-market derivative asset	—	1	—	1
Total assets	268	7	72	347
Liabilities:				
Deferred compensation obligations	24	—	—	24
Total liabilities	24	—	—	24
Total net assets	\$ 244	\$ 7	\$ 72	\$ 323

	As of December 31, 2021			
	Level 1	Level 2	Level 3	Total
Assets:				
Restricted funds	\$ 21	\$ —	\$ —	\$ 21
Rabbi trust investments	23	—	—	23
Deposits	27	—	—	27
Other investments	17	—	—	17
Contingent cash payment from the sale of HOS	—	—	72	72
Total assets	88	—	72	160
Liabilities:				
Deferred compensation obligations	27	—	—	27
Total liabilities	27	—	—	27
Total net assets	\$ 61	\$ —	\$ 72	\$ 133

Restricted funds—The Company’s restricted funds primarily represent proceeds received from financings for the construction and capital improvement of facilities and from customers for future services under operation, maintenance and repair projects.

Rabbi trust investments—The Company’s rabbi trust investments consist of equity and index funds from which supplemental executive retirement plan benefits and deferred compensation obligations can be paid. The Company includes these assets in other long-term assets on the Consolidated Balance Sheets.

Deposits—Deposits include escrow funds and certain other deposits held in trust. The Company includes cash deposits in other current assets on the Consolidated Balance Sheets.

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

Mark-to-market derivative assets and liabilities—The Company employs derivative financial instruments in the form of treasury lock agreements, classified as cash flow hedges, in order to fix the interest cost on existing or forecasted debt. The Company uses a calculation of future cash inflows and estimated future outflows, which are discounted, to determine the current fair value. Additional inputs to the present value calculation include the contract terms, counterparty credit risk, interest rates and market volatility.

Other investments— As a result of the Retiree Welfare Plan changes discussed in Note 15—Employee Benefits, effective December 31, 2022, the Company transferred investment assets from the Bargained VEBA into the existing trust maintained for the benefit of the Active VEBA. The transfer of these Bargained VEBA investment assets into the Active VEBA permits access to approximately \$194 million of assets for purposes of paying active union employee medical benefits.

The investments in the Active VEBA primarily consist of money market funds and available-for-sale fixed income securities. The money market and other investments have original maturities of three months or less when purchased. The fair value measurement of the money market and other investments is based on observable market prices and therefore included in the recurring fair value measurements hierarchy as Level 1. The available-for-sale fixed income securities are primarily investments in U.S. Treasury securities and government bonds. The majority of U.S. Treasury securities and government bonds have been categorized as Level 1 because they trade in highly-liquid and transparent markets. Certain U.S. Treasury securities are based on prices that reflect observable market information, such as actual trade information of similar securities, and are therefore categorized as Level 2, because the valuations are calculated using models which utilize actively traded market data that the Company can corroborate. The Company includes other investments of \$67 million and \$147 million in Other current assets and Other long-term assets, respectively, on the Consolidated Balance Sheet as of December 31, 2022. Other investments as of December 31, 2021, are included in other current assets on the Consolidated Balance Sheet.

The fair value of the Company’s available-for-sale fixed income securities, summarized by contractual maturities, as of December 31, 2022, is as follows:

	<u>Amount</u>
Other investments - Available-for-sale fixed-income securities	
Less than one year	\$ 61
1 year - 5 years	79
5 years - 10 years	3
Greater than 10 years	10
Total	<u>\$ 153</u>

Contingent cash payment from the sale of HOS—The Company’s contingent cash payment derivative included as part of the consideration from the sale of HOS is included in other current assets on the Consolidated Balance Sheets. The fair value of the contingent cash payment is \$72 million, which is reflective of changes in the benchmark interest rate and estimated using the probability of the outcome of receipt of the \$75 million, a Level 3 input.

Note 19: Leases

The Company has operating and finance leases involving real property, including facilities, utility assets, vehicles, and equipment. Certain operating leases have renewal options ranging from one to 60 years. The exercise of lease renewal options is at the Company’s sole discretion. Renewal options that the Company was reasonably certain to exercise are included in the Company’s ROU assets. Certain operating leases contain the option to purchase the leased property. The operating leases for real property, vehicles and equipment will expire over the next 37 years, six years, and four years, respectively.

The Company participates in a number of arrangements with various public entities (“Partners”) in West Virginia. Under these arrangements, the Company transferred a portion of its utility plant to the Partners in exchange for an equal principal amount of Industrial Development Bonds (“IDBs”) issued by the Partners under the Industrial Development and Commercial Development Bond Act. The Company leased back the utility plant under agreements for a period of 30 to 40 years. The Company has recorded these agreements as finance leases in property, plant and equipment, as ownership of the assets will revert back to the Company at the end of the lease term. The carrying value of the finance lease assets was \$145 million and \$146 million as of December 31, 2022 and 2021, respectively. The Company determined that the finance lease obligations and the investments in IDBs meet the conditions for offsetting, and as such, are reported net on the Consolidated Balance Sheets and excluded from the finance lease disclosure presented below.

The Company also enters into O&M agreements with the Partners. The Company pays an annual fee for use of the Partners’ assets in performing under the O&M agreements. The O&M agreements are recorded as operating leases, and future annual use fees of \$4 million in 2023 through 2027, and \$45 million thereafter, are included in operating lease ROU assets and operating lease liabilities on the Consolidated Balance Sheets.

Rental expenses under operating and finance leases were \$12 million, \$13 million and \$14 million for the years ended December 31, 2022, 2021 and 2020, respectively.

For the year ended December 31, 2022, cash paid for amounts in lease liabilities, which includes operating and financing cash flows from operating and finance leases, was \$12 million. For the year ended December 31, 2022, ROU assets obtained in exchange for new operating lease liabilities was \$5 million.

As of December 31, 2022, the weighted-average remaining lease term of the finance lease and operating leases were three years and 18 years, respectively, and the weighted-average discount rate of the finance lease and operating leases were 12% and 4%, respectively.

The future maturities of lease liabilities at December 31, 2022, are \$9 million in 2023, \$10 million in 2024, \$8 million in 2025, \$7 million in 2026, \$6 million in 2027 and \$76 million thereafter. At December 31, 2022, imputed interest was \$39 million.

Note 20: Segment Information

The Company's operating segments are comprised of its businesses which generate revenue, incur expense and have separate financial information which is regularly used by management to make operating decisions, assess performance and allocate resources. The Company operates its businesses primarily through one reportable segment, the Regulated Businesses segment. The Regulated Businesses segment is the largest component of the Company's business and includes subsidiaries that provide water and wastewater services to customers in 14 states.

The Company also operates other market-based businesses, primarily MSG, which provide water and wastewater services to the U.S. government on military installations, as well as municipalities. These market-based businesses do not meet the criteria of a reportable segment in accordance with GAAP, and are collectively presented throughout this Annual Report on Form 10-K within "Other," which is consistent with how management assesses the results of these businesses. The Company's former HOS business, which was sold in the fourth quarter of 2021, was included in "Market-Based Businesses" in the Company's Form 10-K for the year ended December 31, 2021. As a result of the sale of HOS, the categories which were previously shown as "Market-Based Businesses" and "Other" have been combined and are shown as Other. Segment results for the years ended December 31, 2021 and 2020, have been adjusted retrospectively to reflect this change.

The accounting policies of the segments are the same as those described in Note 2—Significant Accounting Policies. The Regulated Businesses segment includes intercompany costs that are allocated by Service Company and intercompany interest that is charged by AWCC, both of which are eliminated to reconcile to the Consolidated Statements of Operations. Inter-segment revenues include the sale of water from a regulated subsidiary to market-based subsidiaries, leased office space, and furniture and equipment provided by the market-based subsidiaries to regulated subsidiaries. Other also includes corporate costs that are not allocated to the Company's Regulated Businesses, interest income related to the seller promissory note and income from the revenue share agreement from the sale of HOS, eliminations of inter-segment transactions and fair value adjustments related to acquisitions that have not been allocated to the Regulated Businesses segment. The adjustments related to the acquisitions are reported in Other as they are excluded from segment performance measures evaluated by management.

Presented in the tables below is summarized segment information as of and for the years ended December 31:

	2022		
	Regulated Businesses	Other	Consolidated
Operating revenues	\$ 3,505	\$ 287	\$ 3,792
Depreciation and amortization	633	16	649
Total operating expenses, net	2,242	277	2,519
Interest expense	(314)	(119)	(433)
Interest income	2	50	52
Gain or (loss) on sale of businesses	—	19	19
Income before income taxes	1,042	(34)	1,008
Provision for income taxes	188	—	188
Net income attributable to common shareholders	854	(34)	820
Total assets	25,038	2,749	27,787
Cash paid for capital expenditures	2,284	13	2,297

	2021		
	Regulated Businesses	Other	Consolidated
Operating revenues	\$ 3,384	\$ 546	\$ 3,930
Depreciation and amortization	601	35	636
Total operating expenses, net	2,227	507	2,734
Interest expense	(290)	(113)	(403)
Interest income	1	3	4
Gain or (loss) on sale of businesses	(1)	748	747
Income before income taxes	962	678	1,640
Provision for income taxes	172	205	377
Net income attributable to common shareholders	789	474	1,263
Total assets	23,365	2,710	26,075
Cash paid for capital expenditures	1,747	17	1,764

	2020		
	Regulated Businesses	Other	Consolidated
Operating revenues	\$ 3,255	\$ 522	\$ 3,777
Depreciation and amortization	562	42	604
Total operating expenses, net	2,102	427	2,529
Interest expense	(293)	(104)	(397)
Interest income	2	—	2
Income before income taxes	932	(8)	924
Provision for income taxes	217	(2)	215
Net income attributable to common shareholders	715	(6)	709
Total assets	22,357	2,409	24,766
Cash paid for capital expenditures	1,804	18	1,822

Note 21: Unaudited Quarterly Data

Presented in the tables below are supplemental, unaudited, consolidated, quarterly financial data for each of the four quarters in the years ended December 31, 2022 and 2021, respectively. The operating results for any quarter are not indicative of results that may be expected for a full year or any future periods.

	2022			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Operating revenues	\$ 842	\$ 937	\$ 1,082	\$ 931
Operating income	246	327	439	261
Net income attributable to common shareholders	158	218	297	147
Basic earnings per share: (a)				
Net income attributable to common shareholders	\$ 0.87	\$ 1.20	\$ 1.63	\$ 0.81
Diluted earnings per share:				
Net income attributable to common shareholders	0.87	1.20	1.63	0.81

(a) Amounts may not sum due to rounding.

	2021			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Operating revenues	\$ 888	\$ 999	\$ 1,092	\$ 951
Operating income	229	330	417	220
Net income attributable to common shareholders	133	207	278	645
Basic earnings per share: (a)				
Net income attributable to common shareholders	\$ 0.73	\$ 1.14	\$ 1.53	\$ 3.55
Diluted earnings per share:				
Net income attributable to common shareholders	0.73	1.14	1.53	3.55

(a) Amounts may not sum due to rounding.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES**Disclosure Controls and Procedures**

The Company, under the supervision and with the participation of its management, including its Chief Executive Officer and its Chief Financial Officer, conducted an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures as such term is defined in Rule 13a-15(e) and Rule 15d-15(e) under the Exchange Act as of the end of the period covered by this report.

Based on that evaluation, the Company's Chief Executive Officer and its Chief Financial Officer have concluded that, as of December 31, 2022, the Company's disclosure controls and procedures were effective at a reasonable level of assurance. The Company's disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objective.

Management's Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) of the Exchange Act. The Company's internal control over financial reporting is a process designed by or under the supervision of the Company's Chief Executive Officer and its Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. The Company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect its transactions and dispositions of its assets, (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with GAAP, and that the Company's receipts and expenditures are being made only in accordance with authorizations of its management and its directors, and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of its assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's management, including the Company's Chief Executive Officer and its Chief Financial Officer, assessed the effectiveness of its internal control over financial reporting, as of December 31, 2022, using the criteria described in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based on the Company's evaluation under the framework in *Internal Control—Integrated Framework (2013)*, its management concluded that its internal control over financial reporting was effective as of December 31, 2022.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2022 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report appearing in Item 8—Financial Statements and Supplementary Data of this Annual Report on Form 10-K.

Changes in Internal Control over Financial Reporting

The Company concluded that there have been no changes in internal control over financial reporting that occurred during its last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

On February 15, 2023, Karl F. Kurz, the Company's Board Chair, was notified by George MacKenzie that Mr. MacKenzie does not wish to be considered as a candidate for re-election at the Company's 2023 Annual Meeting of Shareholders. Mr. MacKenzie's notification was not due to any known disagreement on any matter relating to the Company's operations, policies or practices. Mr. MacKenzie has been a director of the Company since 2003 and served as Chairman of the Board from 2006 until 2018. He currently serves as a member of the Audit, Finance and Risk Committee and the Nominating/Corporate Governance Committee. The Company wishes to thank Mr. MacKenzie for his many years of service to the Board of Directors.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

The information required by this item and not set forth below or in Item 1—Business—Executive Officers of this Annual Report on Form 10-K, is incorporated by reference from the Company’s Proxy Statement for the 2023 Annual Meeting of Shareholders, to be filed with the SEC within 120 days following the end of the fiscal year covered by this report, under the captions entitled “Board of Directors and Corporate Governance” and “Proposal 1—Election of Directors.”

The Company has adopted a Code of Ethics, which applies to directors, officers and employees. The full text of the Code of Ethics is publicly available on the Company’s website at <https://amwater.com>. The Company intends to post on its website any amendments to the Code of Ethics and any waivers of such provisions granted to certain principal officers.

ITEM 11. EXECUTIVE COMPENSATION

Information required by this item is incorporated by reference in the Company’s Proxy Statement for the 2023 Annual Meeting of Shareholders, under the captions entitled “Proposal 1—Election of Directors—Director Compensation Table,” “Compensation Discussion and Analysis,” “Executive Compensation” (excluding the subsection “Pay Versus Performance”), “Compensation Committee Interlocks and Insider Participation” and “Compensation Committee Report” (with the latter report being furnished, and not filed, in this Annual Report on Form 10-K).

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required by this item setting forth the security ownership of certain beneficial owners and management is incorporated by reference in the Company’s Proxy Statement for the 2023 Annual Meeting of Shareholders, under the captions entitled “Certain Beneficial Ownership Matters—Security Ownership of Management,” “Certain Beneficial Ownership Matters—Security Ownership of Certain Beneficial Owners” and “Equity Compensation Plan Information.”

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information required by this item is incorporated by reference in the Company’s Proxy Statement for the 2023 Annual Meeting of Shareholders, under the caption entitled “Board of Directors and Corporate Governance—Board Review of Related Person Transactions” and “Proposal 1—Election of Directors—Director Independence.”

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information required by this item is incorporated by reference in the Company’s Proxy Statement for the 2023 Annual Meeting of Shareholders, under the caption entitled “Proposal 4—Ratification of Appointment of Independent Registered Public Accounting Firm—Fees Paid to Independent Registered Public Accounting Firm” and “Proposal 4—Ratification of Appointment of Independent Registered Public Accounting Firm—Pre-Approval of Services Provided by Independent Registered Public Accounting Firm.”

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

- (a) The following documents have been filed as a part of this Annual Report on Form 10-K:
1. The financial statements listed in the “Index to Consolidated Financial Statements” contained in Item 8—Financial Statements and Supplementary Data of this Form 10-K are hereby incorporated by reference in response to this Item 15(a).
 2. Financial statement schedules have been omitted since they are either not required or are not applicable as the information is otherwise included in the financial statements or notes thereto.
 3. Exhibits. The list of documents contained in “Exhibit Index” is provided in response to this Item 15(a). The warranties, representations and covenants contained in any of the agreements included or incorporated by reference herein or which appear as exhibits hereto should not be relied upon by buyers, sellers or holders of the Company’s or its subsidiaries’ securities and are not intended as warranties, representations or covenants to any individual or entity except as specifically set forth in such agreement.

The responses to Items 15(b) and (c) of Form 10-K are included above in response to Item 15(a).

ITEM 16. FORM 10-K SUMMARY

None.

EXHIBIT INDEX

Exhibit Number	Exhibit Description
2.1.1#	Stock Purchase Agreement, dated November 20, 2019, by and among American Water Works Company, Inc., New York American Water Company, Inc. and Liberty Utilities Co. (incorporated by reference to Exhibit 2.1 to American Water Works Company, Inc.’s Current Report on Form 8-K, File No. 001-34028, filed November 20, 2019).
2.1.2	Letter Agreement, dated June 29, 2021, by and among American Water Works Company, Inc., Liberty Utilities (Eastern Water Holdings) Corp. and New York American Water Company, Inc., with respect to the Stock Purchase Agreement, dated November 20, 2019, by and among American Water Works Company, Inc., New York American Water Company, Inc. and Liberty Utilities Co. (incorporated by reference to Exhibit 2.1 to American Water Works Company, Inc.’s Current Report on Form 8-K, File No. 001-34028, filed June 29, 2021).
2.2#	Membership Interest Purchase Agreement, dated as of October 28, 2021, by and among American Water Enterprises, LLC, American (USA), LLC, American Water Resources, LLC, Pivotal Home Solutions, LLC, American Water Resources Holdings, LLC, American Water Works Company, Inc. and Lakehouse Buyer Inc. (incorporated by reference to Exhibit 2.1 to American Water Works Company, Inc.’s Current Report on Form 8-K, File No. 001-34028, filed October 29, 2021).
3.1	Restated Certificate of Incorporation of American Water Works Company, Inc. (incorporated by reference to Exhibit 3.1 to American Water Works Company, Inc.’s Quarterly Report on Form 10-Q, File No. 001-34028, filed November 6, 2008).
3.2	Amended and Restated Bylaws of American Water Works Company, Inc. (incorporated by reference to Exhibit 3.1 to American Water Works Company, Inc.’s Current Report on Form 8-K, File No. 001-34028, filed December 8, 2022).
4.1	Indenture, dated as of October 22, 2007, between American Water Capital Corp. and Computershare Trust Company, N.A., as successor to Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.4 to American Water Capital Corp.’s Registration Statement on Form S-4, File No. 333-148284, and American Water Works Company, Inc.’s Registration Statement on Form S-4, File No. 333-148284-01, filed December 21, 2007).
4.2	Indenture, dated as of December 4, 2009, between American Water Capital Corp. and Computershare Trust Company, N.A., as successor to Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.’s Current Report on Form 8-K, File No. 001-34028, filed December 3, 2010).
4.3	Officers’ Certificate, dated December 17, 2012, establishing the 4.300% Senior Notes due 2042 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.’s Current Report on Form 8-K, File No. 001-34028, filed December 17, 2012).
4.4	Officers’ Certificate, dated November 20, 2013, establishing the 3.850% Senior Notes due 2024 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.’s Current Report on Form 8-K, File No. 001-34028, filed November 20, 2013).
4.5	Officers’ Certificate, dated August 14, 2014, establishing the 3.400% Senior Notes due 2025 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.’s Current Report on Form 8-K, File No. 001-34028, filed August 14, 2014).
4.6	Officers’ Certificate, dated August 14, 2014, providing for a further issuance of the 4.300% Senior Notes due 2042 (incorporated by reference to Exhibit 4.3 to American Water Works Company, Inc.’s Current Report on Form 8-K, File No. 001-34028, filed August 14, 2014).
4.7	Officers’ Certificate, dated August 13, 2015, establishing the 4.300% Senior Notes due 2045 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.’s Current Report on Form 8-K, File No. 001-34028, filed August 13, 2015).
4.8	Officers’ Certificate, dated August 13, 2015, providing for a further issuance of the 3.400% Senior Notes due 2025 (incorporated by reference to Exhibit 4.3 to American Water Works Company, Inc.’s Current Report on Form 8-K, File No. 001-34028, filed August 13, 2015).
4.9	Officers’ Certificate, dated November 17, 2016, establishing the 3.000% Senior Notes due 2026 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.’s Current Report on Form 8-K, File No. 001-34028, filed November 17, 2016).
4.10	Officers’ Certificate, dated November 17, 2016, establishing the 4.000% Senior Notes due 2046 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.’s Current Report on Form 8-K, File No. 001-34028, filed November 17, 2016).
4.11	Officers’ Certificate, dated August 10, 2017, establishing the 2.950% Senior Notes due 2027 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.’s Current Report on Form 8-K, File No. 001-34028, filed August 10, 2017).

Exhibit Number	Exhibit Description
4.12	Officers' Certificate, dated August 10, 2017, establishing the 3.750% Senior Notes due 2047 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 10, 2017).
4.13	Officer's Certificate, dated August 9, 2018, establishing the 3.750% Senior Notes due 2028 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 9, 2018).
4.14	Officer's Certificate, dated August 9, 2018, establishing the 4.200% Senior Notes due 2048 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 9, 2018).
4.15	Officers' Certificate, dated May 13, 2019, establishing the 3.450% Senior Notes due 2029 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed on May 13, 2019).
4.16	Officers' Certificate, dated May 13, 2019, establishing 4.150% Senior Notes due 2049 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed on May 13, 2019).
4.17	Officers' Certificate of American Water Capital Corp., dated April 14, 2020, establishing the terms and authorizing the issuance of the 2.800% Senior Notes due 2030 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed April 14, 2020).
4.18	Officers' Certificate of American Water Capital Corp., dated April 14, 2020, establishing the terms and authorizing the issuance of the 3.450% Senior Notes due 2050 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed April 14, 2020).
4.19	Officers' Certificate of American Water Capital Corp., dated May 14, 2021, establishing the terms and authorizing the issuance of the 2.300% Senior Notes due 2031 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed on May 14, 2021).
4.20	Officers' Certificate of American Water Capital Corp., dated May 14, 2021, establishing the terms and authorizing the issuance of the 3.250% Senior Notes due 2051 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed on May 14, 2021).
4.21	Officers' Certificate of American Water Capital Corp., dated May 5, 2022, establishing the terms and authorizing the issuance of the 4.450% Senior Notes due 2032 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed on May 5, 2022).
4.22	Description of American Water Works Company, Inc.'s Equity Securities (filed herewith).
4.23	Note Purchase Agreement, dated May 15, 2008, between American Water Capital Corp. and the purchasers party thereto (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed May 19, 2008) with respect to the 6.55% Series H Senior Notes due May 15, 2023.
10.1#	Third Amended and Restated Credit Agreement, dated as of October 26, 2022, by and among American Water Works Company, Inc., American Water Capital Corp., each of the Lenders party thereto, Wells Fargo Bank, National Association, as administrative agent, JPMorgan Chase Bank, N.A., as syndication agent, and Mizuho Bank, Ltd., PNC Bank, National Association, and U.S. Bank National Association, as co-documentation agents (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed on October 31, 2022).
10.2	Support Agreement, dated June 22, 2000, together with First Amendment to Support Agreement, dated July 26, 2000, by and between American Water Works Company, Inc. and American Water Capital Corp. (incorporated by reference to Exhibit 10.3 to American Water Capital Corp.'s Registration Statement on Form S-1, File No. 333-145757-01, and American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-145757, filed October 11, 2007).
10.3*	Offer Letter for Employment, dated as of February 2, 2022, between American Water Works Company, Inc. and M. Susan Hardwick (incorporated by reference to Exhibit 10.3 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 16, 2022).
10.4*	Offer Letter for Employment, dated February 16, 2021, between American Water Works Company, Inc. and Cheryl Norton (incorporated by reference to Exhibit 10.13 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2021).
10.5*	Offer Letter for Employment, dated January 21, 2022, between American Water Works Company, Inc. and James H. Gallegos (incorporated by reference to Exhibit 10.11 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed April 27, 2022).
10.6*	Offer Letter for Employment, dated April 27, 2022, between American Water Works Company, Inc. and John C. Griffith (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed July 27, 2022).
10.7*	Amended and Restated American Water Works Company, Inc. Deferred Compensation Plan, dated as of January 1, 2001 (incorporated by reference to Exhibit 10.9 to American Water Capital Corp.'s Registration Statement on Form S-1, File No. 333-145757-01, and American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-145757, filed October 11, 2007).
10.8*	Nonqualified Deferred Compensation Plan for Non-Employee Directors of American Water Works Company, Inc., as amended and restated, effective as of January 1, 2009 (incorporated by reference to Exhibit 10.38 to American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-155245, filed November 18, 2008).
10.8.1*	Nonqualified Savings and Deferred Compensation Plan for Employees of American Water Works Company, Inc. and Its Designated Subsidiaries, as amended and restated, effective as of June 1, 2018 (incorporated by reference to Exhibit 10.9.3 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 19, 2019).
10.8.2*	Amendment No. 2019-1 to the Nonqualified Savings and Deferred Compensation Plan for Employees of American Water Works Company, Inc. and its Designated Subsidiaries, as amended and restated, effective as of November 1, 2019 (incorporated by reference to Exhibit 4.1.2 to American Water Works Company, Inc.'s Registration Statement on Form S-8, File No. 333-235598, filed December 19, 2019).
10.9*	Amended and Restated American Water Works Company, Inc. Executive Retirement Plan, dated as of March 1, 2007 (incorporated by reference to Exhibit 10.8 to American Water Capital Corp.'s Registration Statement on Form S-1, File No. 333-145757-01, and American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-145757, filed October 11, 2007).
10.10.1*	American Water Works Company, Inc. Annual Incentive Plan (incorporated by reference to Appendix C to American Water Works Company, Inc.'s Definitive Proxy Statement, File No. 001-34028, filed March 27, 2015).
10.10.2*	Amendment 2016-1 to American Water Works Company, Inc. Annual Incentive Plan (now known as the Annual Performance Plan), effective January 1, 2016 (incorporated by reference to Exhibit 10.14.2 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 25, 2016).

Exhibit Number	Exhibit Description
10.11*	Second Amended and Restated American Water Works Company, Inc. and its Designated Subsidiaries 2017 Nonqualified Employee Stock Purchase Plan, adopted on July 27, 2018, effective as of February 5, 2019 (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed October 31, 2018).
10.12.1*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan, as amended (incorporated by reference to Appendix B to American Water Works Company, Inc.'s Definitive Proxy Statement, File No. 001-34028, filed March 27, 2015).
10.12.2*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2016 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.2.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 4, 2016).
10.12.3*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2017 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.1.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2017).
10.12.4*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2016 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.3.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 4, 2016).
10.12.5*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2016 Performance Stock Unit Grant Form B-1 (incorporated by reference to Exhibit 10.3.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 4, 2016).
10.12.6*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2017 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.2.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2017).
10.12.7*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2017 Performance Stock Unit Grant Form B-1 (incorporated by reference to Exhibit 10.2.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2017).
10.12.8*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2013 Stock Unit Grant Form for Non-Employee Directors (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 7, 2013).
10.12.9*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2014 Stock Unit Grant Form for Non-Employee Directors (incorporated by reference to Exhibit 10.5 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 6, 2014).
10.12.10*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2016 Stock Unit Grant Form for Non-Employee Directors (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 3, 2016).
10.13.1*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 2, 2017).
10.13.2*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2018 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 2, 2018).
10.13.3*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2019 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 1, 2019).
10.13.4*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 6, 2020).
10.13.5*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2021).
10.13.6*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Restricted Stock Unit Grant (for Chief Executive Officer and Chief Operating Officer) (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2021).
10.13.7*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Restricted Stock Unit Grant (for M. Susan Hardwick) (incorporated by reference to Exhibit 10.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2021).
10.13.8*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2022 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed April 27, 2022).
10.13.9*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2022 Restricted Stock Unit Grant (for CEO, CFO and COO) (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed April 27, 2022).
10.13.10*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2017 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.5 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed May 12, 2017).
10.13.11*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2017 Performance Stock Unit Grant Form B-1 (incorporated by reference to Exhibit 10.7 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed May 12, 2017).
10.13.12*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2018 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.7 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 2, 2018).
10.13.13*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2018 Performance Stock Unit Grant Form B-1 (incorporated by reference to Exhibit 10.8 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 2, 2018).
10.13.14*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2019 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.6 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 1, 2019).
10.13.15*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2019 Performance Stock Unit Grant Form B-1 (corrected) (incorporated by reference to Exhibit 10.14.33 to American Water Works Company, Inc.'s Quarterly Report on Form 10-K, File No. 001-34028, filed February 18, 2020).
10.13.16*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.8 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 6, 2020).
10.13.17*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Performance Stock Unit Grant Form A-2 (incorporated by reference to Exhibit 10.9 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 6, 2020).
10.13.18*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Performance Stock Unit Grant Form B-1 (incorporated by reference to Exhibit 10.13 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 6, 2020).

Exhibit Number	Exhibit Description
10.13.19*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Performance Stock Unit Grant Form B-2 (incorporated by reference to Exhibit 10.14 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 6, 2020).
10.13.20*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.5 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2021).
10.13.21*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Performance Stock Unit Grant Form A-2 (for CEO and COO) (incorporated by reference to Exhibit 10.6 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2021).
10.13.22*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Performance Stock Unit Grant Form A-3 (for M. Susan Hardwick) (incorporated by reference to Exhibit 10.7 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2021).
10.13.23*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Performance Stock Unit Grant Form B-1 (as amended) (filed herewith).
10.13.24*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Performance Stock Unit Grant Form B-2 (as amended, for CEO and COO) (filed herewith).
10.13.25*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Performance Stock Unit Grant Form B-3 (as amended, for M. Susan Hardwick) (filed herewith).
10.13.26*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2022 Performance Stock Unit Grant Form A (incorporated by reference to Exhibit 10.4 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed April 27, 2022).
10.13.27*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2022 Performance Stock Unit Grant Form A (for CEO, CFO and COO) (incorporated by reference to Exhibit 10.5 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed April 27, 2022).
10.13.28*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2022 Performance Stock Unit Grant Form B (incorporated by reference to Exhibit 10.7 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed April 27, 2022).
10.13.29*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2022 Performance Stock Unit Grant Form B (for CEO, CFO and COO) (incorporated by reference to Exhibit 10.8 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed April 27, 2022).
10.13.30*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2017 Non-Employee Director Stock Unit Grant (incorporated by reference to Exhibit 10.9 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed May 12, 2017).
10.13.31*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2022 Stock Unit Grant Form for Non-Employee Directors (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed July 27, 2022).
10.13.32*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2022 Stock Unit Grant Form for Non-Employee Directors elected on December 7, 2022 (filed herewith).
10.14*	American Water Works Company, Inc. Executive Severance Policy, as amended and restated as of July 27, 2021 (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 2, 2021).
10.15*	American Water Works Company, Inc. Change of Control Severance Policy, dated as of July 27, 2021 (incorporated by reference to Exhibit 10.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 2, 2021).
10.16#*	American Water Works Company, Inc. Pension Plan for Employees, as amended and restated effective December 31, 2022 (filed herewith).
10.17#	Secured Seller Note Agreement, dated December 9, 2021, by and among Lakehouse Bidco Inc., Lakehouse Buyer Inc., American Water Resources, LLC, Pivotal Home Solutions, LLC, American Water Resources Holdings, LLC, American Water Resources of Texas, LLC and American Water Enterprises, LLC (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed December 9, 2021).
10.18	Revenue Share Agreement, dated December 9, 2021, by and among American Water Works Company, Inc., American Water Resources, LLC, Pivotal Home Solutions, LLC and American Water Resources Holdings, LLC (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed December 9, 2021).
21.1	Subsidiaries of American Water Works Company, Inc. (filed herewith).
22.1	Guaranteed Securities (filed herewith).
23.1	Consent of PricewaterhouseCoopers LLP (filed herewith).
31.1	Certification of M. Susan Hardwick, President and Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act (filed herewith).
31.2	Certification of John C. Griffith, Executive Vice President and Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act (filed herewith).
32.1	Certification of M. Susan Hardwick, President and Chief Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act (furnished herewith).
32.2	Certification of John C. Griffith, Executive Vice President and Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act (furnished herewith).
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101)

Certain schedules and exhibits to this agreement have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The Company will furnish the omitted schedules and exhibits to the SEC upon request.

* Denotes a management contract or compensatory plan or arrangement.

Instruments defining the rights of holders of certain issues of long-term debt of the Company and certain of its consolidated subsidiaries have not been filed as exhibits to this report because the authorized principal amount of any one of such issues does not exceed 10% of the Company's consolidated total assets. The Company agrees to furnish a copy of each such instrument to the SEC upon request.

The Stock Purchase Agreement filed as [Exhibit 2.1.1](#), the Membership Interest Purchase Agreement filed as [Exhibit 2.2](#), and the Secured Seller Note Agreement filed as [Exhibit 10.17](#) to this Annual Report on Form 10-K have been included to provide investors and security holders with information regarding the terms of the respective agreements. The filing of these agreements is not intended to provide any other factual information about the parties thereto, or any of their respective subsidiaries or affiliates. The representations, warranties and covenants contained in the respective agreements (i) were made by the parties thereto only for purposes of that respective agreement and as of specific dates; (ii) were made solely for the benefit of the parties to the respective agreement; (iii) may be subject to limitations agreed upon by the contracting parties, including being qualified by confidential disclosures exchanged between the parties in connection with the execution of the respective agreement (such disclosures include information that has been included in public disclosures, as well as additional non-public information); (iv) may have been made for the purposes of allocating contractual risk between the parties to the respective agreements instead of establishing these matters as facts; and (v) may be subject to standards of materiality applicable to the contracting parties to the respective agreements that differ from those applicable to investors.

Investors should not rely on the representations, warranties and covenants or any descriptions thereof as characterizations of the actual state of facts or condition of the parties to the respective agreements thereto, or any of their respective subsidiaries or affiliates. Additionally, the representations, warranties, covenants, conditions and other terms of the respective agreements may be subject to subsequent waiver or modification. Moreover, information concerning the subject matter of the representations, warranties and covenants may change after the date of the respective agreement, which subsequent information may or may not be fully reflected in the Company's public disclosures. The respective agreements should not be read alone, but should instead be read in conjunction with the other information regarding the Company that is or will be contained in, or incorporated by reference into, the reports and other documents that are filed by the Company with the SEC.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 15th day of February, 2023.

AMERICAN WATER WORKS COMPANY, INC.

BY: /s/ M. SUSAN HARDWICK
M. Susan Hardwick
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed on the 15th day of February, 2023, by the following persons in the capacities indicated.

 /s/ M. SUSAN HARDWICK
M. Susan Hardwick
President and Chief Executive Officer
(Principal Executive Officer and Director)

 /s/ JOHN C. GRIFFITH
John C. Griffith
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

 /s/ MELISSA K. WIKLE
Melissa K. Wikle
Chief Accounting Officer
(Principal Accounting Officer)

 /s/ LAURIE P. HAVANEC
Laurie P. Havanec
(Director)

 /s/ JULIA L. JOHNSON
Julia L. Johnson
(Director)

 /s/ GEORGE MACKENZIE
George MacKenzie
(Director)

 /s/ JAMES G. STAVRIDIS
James G. Stavridis
(Director)

 /s/ JEFFREY N. EDWARDS
Jeffrey N. Edwards
(Director)

 /s/ MARTHA CLARK GOSS
Martha Clark Goss
(Director)

 /s/ KIMBERLY J. HARRIS
Kimberly J. Harris
(Director)

 /s/ PATRICIA L. KAMPLING
Patricia L. Kampling
(Director)

 /s/ KARL F. KURZ
Karl F. Kurz
(Board Chair)

 /s/ MICHAEL L. MARBERRY
Michael L. Marberry
(Director)

DESCRIPTION OF AMERICAN WATER WORKS COMPANY, INC.'S EQUITY SECURITIES

The following description of the common stock, par value \$0.01 per share (the "Common Stock"), of American Water Works Company, Inc., a Delaware corporation (the "Company"), is not intended to be complete. For more information regarding the Common Stock, please refer to the Company's Restated Certificate of Incorporation (the "Certificate of Incorporation"), and the Company's Amended and Restated Bylaws (the "Bylaws"), which have been included as [Exhibit 3.1](#) and [Exhibit 3.2](#), respectively, to the Company's Annual Report on Form 10-K for the year ended December 31, 2022. The following descriptions are based on the Certificate of Incorporation and Bylaws in effect as of February 15, 2023. The terms and provisions of the Certificate of Incorporation and Bylaws are hereby incorporated by reference herein. The terms of these securities also may be affected by the General Corporation Law of the State of Delaware (the "DGCL").

General

The Company's authorized capital stock consists of 500,000,000 shares of Common Stock and 50,000,000 shares of preferred stock. As of January 31, 2023, there were 181,858,619 shares of Common Stock outstanding and no shares of preferred stock outstanding.

Common Stock

Voting Rights

Other than with respect to director elections, except as otherwise required by law, all matters to be voted on by the Company's shareholders must be approved by a majority of the shares present in person or proxy at such meeting and entitled to vote on the subject matter. With respect to uncontested director elections, the Bylaws require that in order to be elected, a director nominee must receive a majority of the votes cast (for this purpose, a majority of the votes cast means that the number of shares voted "for" a director nominee must exceed the number of votes cast "against" that nominee). For contested director elections where the number of nominees exceeds the number of directors to be elected, the Bylaws require that the directors shall be elected by the vote of a plurality of the shares represented in person or by proxy at any such meeting and entitled to vote on the election of directors.

Dividends

Holders of Common Stock will share equally in any dividend declared by the Company's board of directors (the "Board"), subject to the rights of the holders of any outstanding preferred stock.

Liquidation Rights

In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company's affairs, holders of Common Stock would be entitled, after payment of the liquidation preference to all holders of any outstanding preferred stock, to share ratably in the Company's assets that are legally available for distribution to shareholders after payment of liabilities. The Company must pay the applicable distribution to any holders of its preferred stock before it may pay distributions to the holders of Common Stock.

Other Rights

The Company's shareholders have no preemptive or other rights to subscribe for additional shares.

Preferred Stock

The Board may authorize the issuance of preferred stock from time to time in one or more series, without shareholder approval. Subject to the limits imposed by the DGCL, the Board is authorized to fix for any series of preferred stock the number of shares of such series and the voting powers (if any), designation, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions of such series. The Board is also authorized to increase or decrease the number of shares of any series, but not below the number of shares of that series then outstanding, without any further vote or action by the Company's shareholders.

The Board may authorize the issuance of preferred stock with voting or conversion rights that affect adversely the voting power or other rights of holders of Common Stock. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could have the effect of delaying, deferring or preventing a change in control, causing the market price of a share of Common Stock to decline, or impairing the voting and other rights of the holders of Common Stock.

Certain Anti-Takeover Provisions of the Certificate of Incorporation and Bylaws, and the DGCL

The following provisions of the Certificate of Incorporation and Bylaws could deter, delay or prevent a third party from acquiring the Company, even if doing so would benefit the Company's shareholders.

Undesignated Preferred Stock

The ability to authorize undesignated preferred stock makes it possible for the Board to authorize the issuance of preferred stock with super voting, special approval, dividend or other rights or preferences on a discriminatory basis that could impede the success of any attempt to acquire the Company. These and other provisions may have the effect of deferring, delaying or discouraging hostile takeovers, or changes in control or management of the Company.

Requirements for Advance Notification of Shareholder Meetings, Nominations and Proposals

The Bylaws provide that special meetings of shareholders may be called only upon the request of the majority of the members of the Board, upon request of the Chairman of the Board, or by the Secretary of the Company upon request of shareholders holding at least 15% of the outstanding Common Stock. The Bylaws prohibit the conduct of any business at a special meeting other than as specified in the notice for such meeting.

The Bylaws establish advance notice procedures with respect to shareholder proposals for annual meetings and the nomination of candidates for election as directors, other than nominations made by or at the direction of the Board or a committee thereof. A shareholder who wishes to bring a matter before a meeting or submit candidates for nomination as directors must comply with the Company's advance notice requirements and provide the Company with certain information, and, if applicable under the Bylaws, provide to the Company certain agreements and undertakings. Additionally, vacancies and newly created directorships may be filled only by a vote of a majority of the members of the Board then in office, even though less than a quorum, or by shareholders. These provisions may defer, delay or discourage a potential acquiror from conducting a solicitation of proxies to elect the acquiror's own slate of directors or otherwise attempting to obtain control of the Company.

Shareholder Action by Written Consent

As permitted by Section 228 of the DGCL, the Certificate of Incorporation states that any action required or permitted to be taken by the Company's shareholders must be effected at a duly called annual or special meeting and may not be effected by consent in writing by such shareholders.

Approval of Acquisition of Control by Public Utility Commissions

A significant number of the Company's regulated subsidiaries are subject to economic regulation by state public utility commissions. Some of these states have enacted laws that require regulatory approval for the acquisition of "control" of any regulated utility. In those states, obtaining "control" of the parent or any other company that controls a regulated utility also requires prior regulatory approval. The threshold for a change in control is a fact-specific inquiry that varies by state. For example, in some states, a presumption of control will arise when an acquiring party acquires more than 9.9% of the voting securities of the regulated utility or the controlling entity. In addition to ownership, other states may analyze the degree of influence or control an acquiror may exert over the company. Any person acquiring Common Stock in an offering or in any other purchase of Common Stock in an amount sufficient to trigger a change in control under state law would need the prior approval of the applicable state public utility commission.

Certain Other Provisions of the Certificate of Incorporation and Bylaws and the DGCL

Board of Directors

The Certificate of Incorporation provides that the number of directors is fixed in the manner provided in the Bylaws. The Bylaws provide that the number of directors will be fixed from time to time by the Board.

Business Combinations under the DGCL

The Company is subject to Section 203 of the DGCL, which prohibits a publicly held Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years after the time the shareholder became an "interested stockholder," subject to certain exceptions, including if, prior to such time, the board of directors approved the business combination or the transaction which resulted in the shareholder becoming an "interested stockholder." "Business combinations" include mergers, asset sales and other transactions resulting in a financial benefit to the "interested stockholder." Subject to various exceptions, an "interested stockholder" is a person who, together with his or her affiliates and associates, owns, or within the prior three years did own, 15% or more of the corporation's outstanding voting stock. These restrictions generally prohibit or delay

the accomplishment of mergers or other takeover or change-in-control attempts that are not approved by a company's board of directors.

Limitations of Liability and Indemnification of Directors and Officers

The DGCL authorizes corporations to limit or eliminate the personal liability of directors to corporations and their shareholders for monetary damages for breaches of directors' fiduciary duties. The Certificate of Incorporation includes a provision that eliminates the personal liability of directors for monetary damages for actions taken as a director to the fullest extent authorized by the DGCL. The DGCL does not permit exculpation for liability:

- for breach of the duty of loyalty;
- for acts or omissions not in good faith or involving intentional misconduct or knowing violation of law;
- under Section 174 of the DGCL (relating to unlawful dividends or stock repurchases); or
- for transactions from which the director derived an improper personal benefit.

The Certificate of Incorporation and Bylaws provide that the Company will indemnify its directors and officers to the fullest extent permitted by law. The Bylaws also expressly authorize the Company to carry directors' and officers' insurance providing indemnification for its directors, officers and certain employees and agents for certain liabilities.

The limitation of liability and indemnification provisions in the Certificate of Incorporation and Bylaws may discourage shareholders from bringing a lawsuit against the Company's directors for breach of their fiduciary duty. These provisions may also have the effect of reducing the likelihood of derivative litigation against the Company's directors and officers, even though such an action, if successful, might otherwise benefit the Company and its shareholders. In addition, an investment in the Common Stock may be adversely affected to the extent the Company pays the costs of settlement and damage awards against directors and officers in accordance with these indemnification provisions.

Proxy Access

The Bylaws permit an eligible shareholder or group of shareholders to include up to a specified number of director nominees in the Company's proxy materials for an annual meeting of shareholders. To qualify, the shareholders (or group of up to 20 shareholders) must have continuously owned for at least three years 3% or more of the Company's outstanding common stock. The maximum number of shareholder nominees permitted under this proxy access provision is the greater of (i) two or (ii) 20% of the total number of directors on the Company's board of directors as of the last day on which a proxy access notice may be submitted, rounded down to the nearest whole number.

Transfer Agent and Registrar

American Stock Transfer & Trust Company, LLC serves as the registrar and transfer agent for the Common Stock.

New York Stock Exchange Listing

The Common Stock is listed on the New York Stock Exchange under the trading symbol "AWK."

AMERICAN WATER WORKS COMPANY, INC.
2017 OMNIBUS EQUITY COMPENSATION PLAN
PERFORMANCE STOCK UNIT GRANT

This PERFORMANCE STOCK UNIT GRANT, dated as of February 16, 2021 (the “Date of Grant”), is delivered by American Water Works Company, Inc. (the “Company”) to _____ (the “Participant”).

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the “Plan”)) has adopted a 2021 Long Term Performance Plan (“2021 LTPP”) pursuant to which designated employees will be granted equity awards (collectively, the “Equity Award”) for shares of Common Stock of the Company, par value \$0.01 per share (the “Company Stock”);

WHEREAS, the Equity Award is comprised of three separate grants: a restricted stock unit and two performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2021 LTPP and to grant the Participant an Equity Award under the 2021 LTPP; and

WHEREAS, the Committee has determined that the performance stock unit portion of the Equity Award granted to the Participant pursuant to the 2021 LTPP shall be issued under the Plan, and the terms and conditions of the performance stock unit grant that may be earned based on Performance Goals (defined below) relating to compounded earnings per share, as set forth in Exhibit A attached hereto, shall be memorialized in this grant (the “Grant”).

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

1. Grant of Performance Stock Units. Subject to the terms and conditions set forth in this Grant and the Plan, the Company hereby grants to the Participant _____ performance stock units (the “Performance Units”). The Performance Units are contingently awarded and will be earned and distributable if and only to the extent that the Performance Goals and other conditions set forth in this Grant are met. Each Performance Unit shall be a phantom right and shall be equivalent to one share of Company Stock on the applicable payment date, as described in Paragraph 5 below. The number of Performance Units set forth above is equal to the target number of shares of Company Stock that the Participant will earn for 100% achievement of the Performance Goals described in this Grant (the “Target Award”).
 2. Performance Unit Account. The Company shall establish and maintain a Performance Unit account as a bookkeeping account on its records (the “Performance Unit Account”) for the Participant and shall record in such Performance Unit Account the number of Performance Units granted to the Participant. The Participant shall not have any interest in any fund or specific assets of the Company by reason of this grant or the Performance Unit Account established for the Participant.
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3. Performance Goals.

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

(b) As soon as administratively practicable following the end of the Performance Period (as defined in Paragraph 3(d) below), the Committee will determine whether and to what extent the Performance Goals have been met and the number of Performance Units the Participant has earned, if any. Except as described in Paragraph 4 below, the Participant must be employed by, or providing service to, the Employer on the last day of the Performance Period in order to earn the Performance Units.

(c) If a Change of Control occurs prior to the end of the Performance Period, the Company is not the surviving corporation (or survives only as a subsidiary of another corporation or entity (the “surviving corporation”)) and the Performance Units are not converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation), then the Performance Period will end on the date of the Change of Control and the Performance Units will be deemed earned at the Target Award level as of the date of the Change of Control (the “Change of Control Date”). In the event the Participant’s Performance Units are assumed by the surviving corporation but the Participant ceases to be employed by, or providing service to, the surviving corporation (or a parent or subsidiary of the surviving corporation) within twelve (12) months after the date of the Change of Control on account of (i) a termination of such Participant’s employment by the surviving corporation (or a parent or subsidiary of the surviving corporation) for any reason other than on account of Cause (as defined in paragraph 4(c) hereof), or on account of death or Disability (each as defined in the Plan), or (ii) a termination of employment or service by the Participant for Good Reason (as defined in the Plan), then the Performance Period will end on the date of such termination of employment or service (the “Termination Date”) and the Performance Units will be deemed earned at the Target Award level as of the Termination Date. For purposes of this Grant, “Change of Control” shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Grant unless the event constituting the Change of Control constitutes a change in ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the “Code”) and its corresponding regulations.

(d) For purposes of this Grant, the term “Performance Period” shall mean the three (3)-year period beginning on January 1, 2021 and ending December 31, 2023.

4. Termination of Employment or Service.

(a) Except as set forth in Paragraph 3(c), if, at least one year after the beginning of the Performance Period, but prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of any reason other than a termination for Cause (as defined below), the Participant will earn a pro-rata portion of the Performance Units, if the Performance Goals and the requirements of this Grant are met as of the

last day of the Performance Period. The pro-rata portion earned will be equal to the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, multiplied by a fraction, which fraction shall be equal to (i) 1/3, if the Participant's employment or service with the Employer terminates on or after January 31, 2022, but prior to January 31, 2023; (ii) 2/3, if the Participant's employment or service with the Employer terminates on or after January 31, 2023, but prior to January 31, 2024; and (iii) 3/3, if the Participant's employment or service terminates with the Employer on or after January 31, 2024. If the Participant ceases to be employed by, or provide service to, the Employer for any reason other than on account of Cause, the prorated number of Performance Units earned by the Participant pursuant to this Paragraph 4(a) will be distributed in accordance with Paragraph 5.

(b) If at any time prior to the earlier of January 31, 2022 or a Change of Control, the Participant's employment or service with the Employer is terminated by the Employer on account of any reason or no reason or by the Participant for any reason or no reason, all of the Performance Units subject to this Grant shall be immediately forfeited as of the date of the Participant's termination of employment or service with the Employer and the Participant shall not have any rights with respect to the distribution of any portion of the Performance Units.

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

5. Time and Form of Payment with Respect to Performance Units. Unless an election is made pursuant to Paragraph 6 below, the Participant will receive a distribution with respect to the Performance Units earned as described in Paragraphs 3 and 4 above within seventy (70) days following the earliest of (a) January 31, 2024 (the "Distribution Date"), (b) the Change of Control Date, or (c) the Termination Date. The Performance Units will be distributed in shares of Company Stock, with each Performance Unit earned equivalent to one share of Company Stock. Any Performance Units not earned because of the failure to attain the Performance Goals and service condition will be immediately forfeited.

6. Deferrals. The Participant may make an irrevocable election to defer the Distribution Date (or further defer the Deferred Date (as defined below), if applicable) of all of the Performance Units that are earned, plus dividend equivalents earned on such Performance Units as described in Paragraph 7 below, to a later date, provided that, except as to any election made by the Participant to accelerate the Deferred Date in the event of his or her death prior to the Deferred Date, (a) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (b) the deferred Distribution Date cannot be earlier than five

(5) years from the original Distribution Date under Paragraph 5 above (or five (5) years from the applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (c) the election must be made no less than twelve (12) months prior to the date of the Distribution Date (twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Distribution Date, the Participant must elect to defer 100% of the Performance Units, including corresponding dividend equivalents, earned by the Participant under this Grant, as well as 100% of the other performance stock units, including corresponding dividend equivalents, earned by the Participant under the 2021 LTPP, complete the deferral election form provided to the Participant, and return such form to the Company in the manner and by the deadline provided therein. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant's election pursuant to this Paragraph, if the Change of Control Date or the Termination Date occurs prior to the Deferred Date, the distribution of the Participant's earned Performance Units, plus corresponding dividend, equivalents will be the Change of Control Date or the Termination Date, as applicable. If a Distribution Date is delayed one or more times pursuant to any election made by the Participant pursuant to this Paragraph 6, the new Distribution Date shall be referred to as the "Deferred Date."

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

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

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

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

(a) To the extent permitted by Code section 409A, the obligation of the Company to deliver shares of Company Stock upon the Participant earning the Performance Units shall be subject to the condition that shares of Company Stock be qualified for listing on the New York Stock Exchange or another securities exchange and be registered under the Securities Act of 1933, as amended, and that any consent or approval of any governmental regulatory body that is necessary to issue shares of Company Stock has been so obtained, and that shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

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

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

(i) to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time) regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and/or from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Insider Trading and Prohibited Transactions Policy and the Personal Securities Trading and Preclearance Practice; and

(ii) that any shares of Company Stock received by the Participant upon the distribution of the earned Performance Units pursuant to this Grant shall be subject to the guidelines and restrictions set forth in the Company's Executive Stock Ownership Guidelines and Executive Stock Retention Requirements, effective as of July 26, 2019 (and as they may be amended, restated, supplemented and interpreted), and any applicable clawback or recoupment policies and other policies that may be implemented by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

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

12. Grant Subject to Plan Provisions. This Grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. In the event of any contradiction, distinction or difference between this Grant and the terms of the Plan, the terms of the Plan will control. Except as otherwise defined in this Grant, capitalized terms used in this Grant shall have the meanings set forth in the Plan. This Grant is subject to the interpretations, regulations and determinations concerning the Plan

established from time to time by the Committee in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (a) rights and obligations with respect to withholding taxes, (b) the registration, qualification or listing of the shares of Company Stock, (c) changes in capitalization of the Company, and (d) other requirements of applicable law. The Committee shall have the authority to interpret and construe this Grant pursuant to the terms of the Plan, its decisions shall be conclusive as to any questions arising hereunder. By accepting this Grant, the Participant agrees (i) to be bound by the terms of the Plan and this Grant, (ii) to be bound by the determinations and decisions of the Committee with respect to this Grant, the Plan and the Participant's rights to benefits under this Grant and the Plan, and (iii) that all such determinations and decisions of the Committee shall be binding on the Participant, his or her beneficiaries and any other person having or claiming an interest under this Grant and the Plan on behalf of the Participant.

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

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

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

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

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

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

19. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be (i) delivered by hand, (ii) delivered by a national overnight courier or delivery service, (iii) enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service, or (iv) in the case of notices by the Company to the Participant, delivered by e-mail or other electronic means (with confirmation of receipt to be made by any oral, electronic or written means).

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

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

[SIGNATURE PAGE FOLLOWS]

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

AMERICAN WATER WORKS COMPANY, INC.

By: Walter Lynch

A handwritten signature in black ink, appearing to read "Walter Lynch", is written over a light gray rectangular background.

Its: President and CEO

“PSU GRANT B – EPS”

EXHIBIT A

PERFORMANCE GOALS

The number of Performance Units that may be earned shall be determined based on the achievement of Compounded Earnings Per Share Growth (as described below) over the Performance Period.

Compounded Earnings Per Share (“EPS”) Growth – will be calculated based on fully diluted EPS calculated in accordance with US GAAP as reported in the Company’s audited consolidated financial statements adjusted to exclude all items of gain, loss or expense for the fiscal year determined to be extraordinary or unusual in nature or infrequent in occurrence or related to the disposal of a segment of a business or related to a change in accounting principle or, as determined by the Committee, any other change or event similar in nature. The starting point for the calculation will be adjusted EPS of \$3.51 for the year ended December 31, 2020. The ending point for the calculation will be EPS for the year ended December 31, 2023, adjusted to exclude all items of gain, loss or expense for the fiscal year determined to be extraordinary or unusual in nature or infrequent in occurrence or related to the disposal of a segment of a business or related to a change in accounting principle or, as determined by the Committee, any other change or event similar in nature.

The award scale for Compounded EPS Growth is as follows:

Compounded EPS Growth	
Actual Compounded EPS Growth	Target Award
10.0% or more	200%
9.0%	175%
8.0%	100%
7.0%	25%
< 6.0%	0%

If actual achievement of the Performance Goal does not meet threshold performance (i.e., less than 6.0% for Compounded EPS Growth, then that Performance Goal will be reflected in the final result for determining the number of earned Performance Units at its assigned weighting with a 0%. The maximum award that may be earned for each Performance Goal is capped at 200%, and the maximum award that may be earned by the Participant is capped at 200% of the Target Award.

Example:

The following is an example calculation for a Participant with a Target Award of 1,000 Performance Units:

Earnings Per Share

	12/31/2020 Adjusted	12/31/2023 Illustration
Adjusted diluted earnings per share from continuing operations	\$ 3.51	\$ 4.53
Compounded EPS growth		8.83%

Earned Performance Units

	Achievement	Award
Compounded EPS Growth	8.83%	162.5%

In this example, the individual who was awarded a Target Grant of 1,000 Performance Units would earn 1,625 Performance Units (1,000 x 1.625), which is convertible into an equivalent number of shares of Company Stock assuming all other terms and conditions of the Grant have been satisfied.

AMERICAN WATER WORKS COMPANY, INC.
2017 OMNIBUS EQUITY COMPENSATION PLAN
PERFORMANCE STOCK UNIT GRANT

This PERFORMANCE STOCK UNIT GRANT, dated as of February 16, 2021 (the “Date of Grant”), is delivered by American Water Works Company, Inc. (the “Company”) to _____ (the “Participant”).

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the “Plan”)) has adopted a 2021 Long Term Performance Plan (“2021 LTPP”) pursuant to which designated employees will be granted equity awards (collectively, the “Equity Award”) for shares of Common Stock of the Company, par value \$0.01 per share (the “Company Stock”);

WHEREAS, the Equity Award is comprised of three separate grants: a restricted stock unit and two performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2021 LTPP and to grant the Participant an Equity Award under the 2021 LTPP; and

WHEREAS, the Committee has determined that the performance stock unit portion of the Equity Award granted to the Participant pursuant to the 2021 LTPP shall be issued under the Plan, and the terms and conditions of the performance stock unit grant that may be earned based on Performance Goals (defined below) relating to compounded earnings per share, as set forth in Exhibit A attached hereto, shall be memorialized in this grant (the “Grant”).

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

1. Grant of Performance Stock Units. Subject to the terms and conditions set forth in this Grant and the Plan, the Company hereby grants to the Participant _____ performance stock units (the “Performance Units”). The Performance Units are contingently awarded and will be earned and distributable if and only to the extent that the Performance Goals and other conditions set forth in this Grant are met. Each Performance Unit shall be a phantom right and shall be equivalent to one share of Company Stock on the applicable payment date, as described in Paragraph 5 below. The number of Performance Units set forth above is equal to the target number of shares of Company Stock that the Participant will earn for 100% achievement of the Performance Goals described in this Grant (the “Target Award”).
 2. Performance Unit Account. The Company shall establish and maintain a Performance Unit account as a bookkeeping account on its records (the “Performance Unit Account”) for the Participant and shall record in such Performance Unit Account the number of Performance Units granted to the Participant. The Participant shall not have any interest in any fund or specific assets of the Company by reason of this grant or the Performance Unit Account established for the Participant.
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3. Performance Goals.

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

(b) As soon as administratively practicable following the end of the Performance Period (as defined in Paragraph 3(d) below), the Committee will determine whether and to what extent the Performance Goals have been met and the number of Performance Units the Participant has earned, if any. Except as described in Paragraph 4 below, the Participant must be employed by, or providing service to, the Employer on the last day of the Performance Period in order to earn the Performance Units.

(c) If a Change of Control occurs prior to the end of the Performance Period, the Company is not the surviving corporation (or survives only as a subsidiary of another corporation or entity (the “surviving corporation”)) and the Performance Units are not converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation), then the Performance Period will end on the date of the Change of Control and the Performance Units will be deemed earned at the Target Award level as of the date of the Change of Control (the “Change of Control Date”). In the event the Participant’s Performance Units are assumed by the surviving corporation but the Participant ceases to be employed by, or providing service to, the surviving corporation (or a parent or subsidiary of the surviving corporation) within twelve (12) months after the date of the Change of Control on account of (i) a termination of such Participant’s employment by the surviving corporation (or a parent or subsidiary of the surviving corporation) for any reason other than on account of Cause (as defined in Paragraph 4(e) hereof), or on account of death or Disability (each as defined in the Plan), or (ii) a termination of employment or service by the Participant for Good Reason (as defined in the Plan), then the Performance Period will end on the date of such termination of employment or service (the “Termination Date”) and the Performance Units will be deemed earned at the Target Award level as of the Termination Date. For purposes of this Grant, “Change of Control” shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Grant unless the event constituting the Change of Control constitutes a change in ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the “Code”) and its corresponding regulations.

(d) For purposes of this Grant, the term “Performance Period” shall mean the three (3)-year period beginning on January 1, 2021 and ending December 31, 2023.

4. Termination of Employment or Service.

(a) Except as set forth in Paragraphs 3(c) 4(b) or 4(c), if, at least one year after the beginning of the Performance Period, but prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of any reason other than a termination for Cause (as defined below), the Participant will earn a pro-rata portion of the Performance Units, if the Performance Goals and the requirements of this Grant

are met as of the last day of the Performance Period. The pro-rata portion earned will be equal to the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, multiplied by a fraction, which fraction shall be equal to (i) 1/3, if the Participant's employment or service with the Employer terminates on or after January 31, 2022, but prior to January 31, 2023; (ii) 2/3, if the Participant's employment or service with the Employer terminates on or after January 31, 2023, but prior to January 31, 2024; and (iii) 3/3, if the Participant's employment or service terminates with the Employer on or after January 31, 2024. If the Participant ceases to be employed by, or provide service to, the Employer for any reason other than on account of Cause, the prorated number of Performance Units earned by the Participant pursuant to this Paragraph 4(a) will be distributed in accordance with Paragraph 5.

(b) Notwithstanding any provision of this Agreement to the contrary, if prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of Normal Retirement, then the Participant will earn the number of Performance Units that would have been earned if the Participant has remained employed through the last day of the Performance Period, if the Performance Goals and the requirements of this Grant are met as of the last day of the Performance Period. If the Participant ceases to be employed by, or provide service to, the Employer on account of Normal Retirement pursuant to this subparagraph (b), the number of Performance Units that are earned based on the Performance Goals and other requirements of this Grant will be distributed in accordance with Paragraph 5. For purposes of this Grant, "Normal Retirement" shall mean termination of employment or service with the Employer (other than for Cause) after the Participant has attained age sixty (60) and has five (5) total years of employment or service with the Employer which includes at least three (3) consecutive full calendar years of service in the position of Chief Executive Officer, Chief Operating Officer or Chief Financial Officer, or any combination thereof.

(c) Notwithstanding any provision of this Agreement to the contrary, if prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of Early Retirement, then the Participant will earn 75% of the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, if the Performance Goals and the requirements of this Grant are met as of the last day of the Performance Period, and unearned Performance Units shall be immediately forfeited. If the Participant ceases to be employed by, or provide service to, the Employer on account of Early Retirement pursuant to this subparagraph (c), then the number of Performance Units that are earned based on the Performance Goals and other requirements of this Grant will be distributed in accordance with Paragraph 5. For purposes of this Grant, "Early Retirement" shall mean termination of employment or service with the Employer (other than for Cause) after the Participant has attained age fifty-five (55) and has five (5) total years of employment or service with the Employer which includes at least three (3) consecutive full calendar years of service in the position of Chief Executive Officer, Chief Operating Officer or Chief Financial Officer, or any combination thereof.

(d) Except as set forth in Paragraphs 4(b) or 4(c), if at any time prior to the earlier of January 31, 2022 or a Change of Control, the Participant's employment or service with the Employer is terminated by the Employer on account of any reason or no reason or by the Participant for any reason or no reason, all of the Performance Units subject to this Grant shall be immediately forfeited as of the date of the Participant's termination of employment or service

with the Employer and the Participant shall not have any rights with respect to the distribution of any portion of the Performance Units.

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

5. Time and Form of Payment with Respect to Performance Units. Unless an election is made pursuant to Paragraph 6 below, the Participant will receive a distribution with respect to the Performance Units earned as described in Paragraphs 3 and 4 above within seventy (70) days following the earliest of (a) January 31, 2024 (the "Distribution Date"), (b) the Change of Control Date, or (c) the Termination Date. The Performance Units will be distributed in shares of Company Stock, with each Performance Unit earned equivalent to one share of Company Stock. Any Performance Units not earned because of the failure to attain the Performance Goals and service condition will be immediately forfeited.

6. Deferrals. The Participant may make an irrevocable election to defer the Distribution Date (or further defer the Deferred Date (as defined below), if applicable) of all of the Performance Units that are earned, plus dividend equivalents earned on such Performance Units as described in Paragraph 7 below, to a later date, provided that, except as to any election made by the Participant to accelerate the Deferred Date in the event of his or her death prior to the Deferred Date, (a) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (b) the deferred Distribution Date cannot be earlier than five (5) years from the original Distribution Date under Paragraph 5 above (or five (5) years from the applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (c) the election must be made no less than twelve (12) months prior to the date of the Distribution Date (twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Distribution Date, the Participant must elect to defer 100% of the Performance Units, including corresponding dividend equivalents, earned by the Participant under this Grant, as well as 100% of the other performance stock units, including corresponding dividend equivalents, earned by the Participant under the 2021 LTPP, complete the deferral election form provided to the Participant, and return such form to the Company in the manner and by the deadline provided therein. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant's election pursuant to this Paragraph, if the Change of Control Date or the Termination Date occurs prior to the Deferred Date, the distribution of the Participant's earned Performance Units, plus corresponding dividend equivalents, will be the Change of Control Date

or the Termination Date, as applicable. If a Distribution Date is delayed one or more times pursuant to any election made by the Participant pursuant to this Paragraph 6, the new Distribution Date shall be referred to as the “Deferred Date.”

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

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

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

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

(a) To the extent permitted by Code section 409A, the obligation of the Company to deliver shares of Company Stock upon the Participant earning the Performance Units shall be subject to the condition that shares of Company Stock be qualified for listing on the New York Stock Exchange or another securities exchange and be registered under the Securities Act of 1933, as amended, and that any consent or approval of any governmental regulatory body that is necessary to issue shares of Company Stock has been so obtained, and that shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

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

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

(i) to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time) regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and/or from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Insider Trading and Prohibited Transactions Policy and the Personal Securities Trading and Preclearance Practice; and

(ii) that any shares of Company Stock received by the Participant upon the distribution of the earned Performance Units pursuant to this Grant shall be subject to the guidelines and restrictions set forth in the Company's Executive Stock Ownership Guidelines and Executive Stock Retention Requirements, effective as of July 26, 2019 (and as they may be amended, restated, supplemented and interpreted), and any applicable clawback or recoupment policies and other policies that may be implemented by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

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

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

13. No Rights as Stockholder. The Participant shall not have any rights as a stockholder of the Company, including the right to any cash dividends (except with respect to the dividend

equivalent rights provided in Paragraph 7), or the right to vote, with respect to any Performance Units.

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

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

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

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

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

19. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be (i) delivered by hand, (ii) delivered by a national overnight courier or delivery service, (iii) enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service, or (iv) in the case of notices by the Company to the Participant, delivered by e-mail or other electronic means (with confirmation of receipt to be made by any oral, electronic or written means).

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

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

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Company has caused this Grant to be executed, effective as of the Date of Grant.

AMERICAN WATER WORKS COMPANY, INC.

By: Karl F. Kurz

A handwritten signature in black ink, appearing to read "Kurz", written in a cursive style.

Its: Chairman of the Board

“PSU GRANT B – EPS”

EXHIBIT A

PERFORMANCE GOALS

The number of Performance Units that may be earned shall be determined based on the achievement of Compounded Earnings Per Share Growth (as described below) over the Performance Period.

Compounded Earnings Per Share (“EPS”) Growth – will be calculated based on fully diluted EPS calculated in accordance with US GAAP as reported in the Company’s audited consolidated financial statements adjusted to exclude all items of gain, loss or expense for the fiscal year determined to be extraordinary or unusual in nature or infrequent in occurrence or related to the disposal of a segment of a business or related to a change in accounting principle or, as determined by the Committee, any other change or event similar in nature. The starting point for the calculation will be adjusted EPS of \$3.51 for the year ended December 31, 2020. The ending point for the calculation will be EPS for the year ended December 31, 2023, adjusted to exclude all items of gain, loss or expense for the fiscal year determined to be extraordinary or unusual in nature or infrequent in occurrence or related to the disposal of a segment of a business or related to a change in accounting principle or, as determined by the Committee, any other change or event similar in nature.

The award scale for Compounded EPS Growth is as follows:

Compounded EPS Growth	
Actual Compounded EPS Growth	Target Award
10.0% or more	200%
9.0%	175%
8.0%	100%
7.0%	25%
< 6.0%	0%

If actual achievement of the Performance Goal does not meet threshold performance (i.e., less than 6.0% for Compounded EPS Growth), then that Performance Goal will be reflected in the final result for determining the number of earned Performance Units at its assigned weighting with a 0%. The maximum award that may be earned for each Performance Goal is capped at

200%, and the maximum award that may be earned by the Participant is capped at 200% of the Target Award.

Example:

The following is an example calculation for a Participant with a Target Award of 1,000 Performance Units:

Earnings Per Share

	12/31/2020 Adjusted	12/31/2023 Illustration
Adjusted diluted earnings per share from continuing operations	\$ 3.51	\$ 4.53
Compounded EPS growth		8.83%

Earned Performance Units

	Achievement	Award
Compounded EPS Growth	8.83%	162.5%

In this example, the individual who was awarded a Target Grant of 1,000 Performance Units would earn 1,625 Performance Units (1,000 x 1.625), which is convertible into an equivalent number of shares of Company Stock assuming all other terms and conditions of the Grant have been satisfied.

AMERICAN WATER WORKS COMPANY, INC.
2017 OMNIBUS EQUITY COMPENSATION PLAN
PERFORMANCE STOCK UNIT GRANT

This PERFORMANCE STOCK UNIT GRANT, dated as of February 16, 2021 (the “Date of Grant”), is delivered by American Water Works Company, Inc. (the “Company”) to M. Susan Hardwick (the “Participant”).

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the “Plan”)) has adopted a 2021 Long Term Performance Plan (“2021 LTPP”) pursuant to which designated employees will be granted equity awards (collectively, the “Equity Award”) for shares of Common Stock of the Company, par value \$0.01 per share (the “Company Stock”);

WHEREAS, the Equity Award is comprised of three separate grants: a restricted stock unit and two performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2021 LTPP and to grant the Participant an Equity Award under the 2021 LTPP; and

WHEREAS, the Committee has determined that the performance stock unit portion of the Equity Award granted to the Participant pursuant to the 2021 LTPP shall be issued under the Plan, and the terms and conditions of the performance stock unit grant that may be earned based on Performance Goals (defined below) relating to compounded earnings per share, as set forth in Exhibit A attached hereto, shall be memorialized in this grant (the “Grant”).

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

1. Grant of Performance Stock Units. Subject to the terms and conditions set forth in this Grant and the Plan, the Company hereby grants to the Participant 2,470 performance stock units (the “Performance Units”). The Performance Units are contingently awarded and will be earned and distributable if and only to the extent that the Performance Goals and other conditions set forth in this Grant are met. Each Performance Unit shall be a phantom right and shall be equivalent to one share of Company Stock on the applicable payment date, as described in Paragraph 5 below. The number of Performance Units set forth above is equal to the target number of shares of Company Stock that the Participant will earn for 100% achievement of the Performance Goals described in this Grant (the “Target Award”).
2. Performance Unit Account. The Company shall establish and maintain a Performance Unit account as a bookkeeping account on its records (the “Performance Unit Account”) for the Participant and shall record in such Performance Unit Account the number of Performance Units granted to the Participant. The Participant shall not have any interest in any fund or specific

assets of the Company by reason of this grant or the Performance Unit Account established for the Participant.

3. Performance Goals.

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

(b) As soon as administratively practicable following the end of the Performance Period (as defined in Paragraph 3(d) below), the Committee will determine whether and to what extent the Performance Goals have been met and the number of Performance Units the Participant has earned, if any. Except as described in Paragraph 4 below, the Participant must be employed by, or providing service to, the Employer on the last day of the Performance Period in order to earn the Performance Units.

(c) If a Change of Control occurs prior to the end of the Performance Period, the Company is not the surviving corporation (or survives only as a subsidiary of another corporation or entity (the “surviving corporation”)) and the Performance Units are not converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation), then the Performance Period will end on the date of the Change of Control and the Performance Units will be deemed earned at the Target Award level as of the date of the Change of Control (the “Change of Control Date”). In the event the Participant’s Performance Units are assumed by the surviving corporation but the Participant ceases to be employed by, or providing service to, the surviving corporation (or a parent or subsidiary of the surviving corporation) within twelve (12) months after the date of the Change of Control on account of (i) a termination of such Participant’s employment by the surviving corporation (or a parent or subsidiary of the surviving corporation) for any reason other than on account of Cause (as defined in Paragraph 4(e) hereof), or on account of death or Disability (each as defined in the Plan), or (ii) a termination of employment or service by the Participant for Good Reason (as defined in the Plan), then the Performance Period will end on the date of such termination of employment or service (the “Termination Date”) and the Performance Units will be deemed earned at the Target Award level as of the Termination Date. For purposes of this Grant, “Change of Control” shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Grant unless the event constituting the Change of Control constitutes a change in ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the “Code”) and its corresponding regulations.

(d) For purposes of this Grant, the term “Performance Period” shall mean the three (3)-year period beginning on January 1, 2021 and ending December 31, 2023.

4. Termination of Employment or Service.

(a) Except as set forth in Paragraphs 3(c) 4(b), 4(c) or 4(d), if, at least one year after the beginning of the Performance Period, but prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of any reason other than a termination for Cause (as defined below), the Participant will earn a pro-rata portion of the Performance Units, if the Performance Goals and the requirements of this Grant are met as of the last day of the Performance Period. The pro-rata portion earned will be equal to the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, multiplied by a fraction, which fraction shall be equal to (i) 1/3, if the Participant's employment or service with the Employer terminates on or after January 31, 2022, but prior to January 31, 2023; (ii) 2/3, if the Participant's employment or service with the Employer terminates on or after January 31, 2023, but prior to January 31, 2024; and (iii) 3/3, if the Participant's employment or service terminates with the Employer on or after January 31, 2024. If the Participant ceases to be employed by, or provide service to, the Employer for any reason other than on account of Cause, the prorated number of Performance Units earned by the Participant pursuant to this Paragraph 4(a) will be distributed in accordance with Paragraph 5.

(b) Notwithstanding any provision of this Agreement to the contrary, if prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of Normal Retirement, then the Participant will earn the number of Performance Units that would have been earned if the Participant has remained employed through the last day of the Performance Period, if the Performance Goals and the requirements of this Grant are met as of the last day of the Performance Period. If the Participant ceases to be employed by, or provide service to, the Employer on account of Normal Retirement pursuant to this subparagraph (b), the number of Performance Units that are earned based on the Performance Goals and other requirements of this Grant will be distributed in accordance with Paragraph 5. For purposes of this Grant, "Normal Retirement" shall mean termination of employment or service with the Employer (other than for Cause) after the Participant has attained age sixty (60) and has five (5) total years of employment or service with the Employer which includes at least three (3) consecutive full calendar years of service in the position of Chief Executive Officer, Chief Operating Officer or Chief Financial Officer, or any combination thereof.

(c) Notwithstanding any provision of this Agreement to the contrary, if prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of Early Retirement, then the Participant will earn 75% of the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, if the Performance Goals and the requirements of this Grant are met as of the last day of the Performance Period, and unearned Performance Units shall be immediately forfeited. If the Participant ceases to be employed by, or provide service to, the Employer on account of Early Retirement pursuant to this subparagraph (c), then the number of Performance Units that are earned based on the Performance Goals and other requirements of this Grant will be distributed in accordance with Paragraph 5. For purposes of this Grant, "Early

Retirement” shall mean termination of employment or service with the Employer (other than for Cause) after the Participant has attained age fifty-five (55) and has five (5) total years of employment or service with the Employer which includes at least three (3) consecutive full calendar years of service in the position of Chief Executive Officer, Chief Operating Officer or Chief Financial Officer, or any combination thereof.

(d) If at any time prior to January 31, 2024, the Participant’s employment or service with the Employer terminates on account of Normal Retirement or Early Retirement before achieving five (5) total years of employment or service with the Employer, but the Participant has completed a minimum of three (3) years of service in the position of Chief Financial Officer and has achieved the required Normal Retirement or Early Retirement age, then the Participant will earn the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, if the Performance Goal and the requirements of this Grant are met as of the last day of the Performance Period following the Participant’s termination of employment or service on account of Normal Retirement or Early Retirement, so long as the Participant has used good faith efforts (as determined by the Chief Executive Officer) to identify and develop a Chief Financial Officer successor who is approved by the Chief Executive Officer and the Board of Directors.

(e) Except as set forth in Paragraphs 4(b), 4(c) or 4(d), if at any time prior to the earlier of January 31, 2022 or a Change of Control, the Participant’s employment or service with the Employer is terminated by the Employer on account of any reason or no reason or by the Participant for any reason or no reason, all of the Performance Units subject to this Grant shall be immediately forfeited as of the date of the Participant’s termination of employment or service with the Employer and the Participant shall not have any rights with respect to the distribution of any portion of the Performance Units.

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

5. Time and Form of Payment with Respect to Performance Units. Unless an election is made pursuant to Paragraph 6 below, the Participant will receive a distribution with respect to the Performance Units earned as described in Paragraphs 3 and 4 above within seventy (70) days following the earliest of (a) January 31, 2024 (the “Distribution Date”), (b) the Change of

Control Date, or (c) the Termination Date. The Performance Units will be distributed in shares of Company Stock, with each Performance Unit earned equivalent to one share of Company Stock. Any Performance Units not earned because of the failure to attain the Performance Goals and service condition will be immediately forfeited.

6. Deferrals. The Participant may make an irrevocable election to defer the Distribution Date (or further defer the Deferred Date (as defined below), if applicable) of all of the Performance Units that are earned, plus dividend equivalents earned on such Performance Units as described in Paragraph 7 below, to a later date, provided that, except as to any election made by the Participant to accelerate the Deferred Date in the event of his or her death prior to the Deferred Date, (a) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (b) the deferred Distribution Date cannot be earlier than five (5) years from the original Distribution Date under Paragraph 5 above (or five (5) years from the applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (c) the election must be made no less than twelve (12) months prior to the date of the Distribution Date (twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Distribution Date, the Participant must elect to defer 100% of the Performance Units, including corresponding dividend equivalents, earned by the Participant under this Grant, as well as 100% of the other performance stock units, including corresponding dividend equivalents, earned by the Participant under the 2021 LTPP, complete the deferral election form provided to the Participant, and return such form to the Company in the manner and by the deadline provided therein. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant's election pursuant to this Paragraph, if the Change of Control Date or the Termination Date occurs prior to the Deferred Date, the distribution of the Participant's earned Performance Units, plus corresponding dividend equivalents, will be the Change of Control Date or the Termination Date, as applicable. If a Distribution Date is delayed one or more times pursuant to any election made by the Participant pursuant to this Paragraph 6, the new Distribution Date shall be referred to as the "Deferred Date."

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

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

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

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

(a) To the extent permitted by Code section 409A, the obligation of the Company to deliver shares of Company Stock upon the Participant earning the Performance Units shall be subject to the condition that shares of Company Stock be qualified for listing on the New York Stock Exchange or another securities exchange and be registered under the Securities Act of 1933, as amended, and that any consent or approval of any governmental regulatory body that is necessary to issue shares of Company Stock has been so obtained, and that shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

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

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

(i) to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time) regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and/or from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Insider Trading and Prohibited Transactions Policy and the Personal Securities Trading and Preclearance Practice; and

(ii) that any shares of Company Stock received by the Participant upon the distribution of the earned Performance Units pursuant to this Grant shall be subject to the guidelines and restrictions set forth in the Company's Executive

Stock Ownership Guidelines and Executive Stock Retention Requirements, effective as of July 26, 2019 (and as they may be amended, restated, supplemented and interpreted), and any applicable clawback or recoupment policies and other policies that may be implemented by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

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

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

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

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

15. Assignment and Transfers. No Performance Units or dividend equivalents awarded to the Participant under this Grant may be transferred, assigned, pledged, or encumbered by the Participant and the Performance Units and dividend equivalents shall be distributed during the lifetime of the Participant only for the benefit of the Participant. Any attempt to transfer, assign, pledge, or encumber the Performance Units or dividend equivalents under this Grant by the

Participant shall be null, void and without effect. The rights and protections of the Company hereunder shall extend to any successors or assigns of the Company. This Grant may be assigned by the Company without the Participant's consent.

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

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

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

19. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be (i) delivered by hand, (ii) delivered by a national overnight courier or delivery service, (iii) enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service, or (iv) in the case of notices by the Company to the Participant, delivered by e-mail or other electronic means (with confirmation of receipt to be made by any oral, electronic or written means).

20. Taxation; Code Section 409A. As applicable, this Grant is intended to comply with the requirements of section 409A of the Code and shall be interpreted and administered in accordance with Code section 409A. Notwithstanding any provision to the contrary herein, if the Performance Units constitute "deferred compensation" under section 409A of the Code, distributions made with respect to this Grant may only be made in a manner and upon an event permitted by Code section 409A. To the extent that any provision of the Grant would cause a conflict with the requirements of Code section 409A, or would cause the administration of the Grant to fail to satisfy the requirements of Code section 409A, such provision shall, to the extent practicable if permitted by applicable law, be deemed null and void. In the event that it is determined not feasible to void a provision of this Grant, such provision shall be construed in a manner as to comply with the Code section 409A requirements. This Grant may be amended

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

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

[SIGNATURE PAGE FOLLOWS]

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

AMERICAN WATER WORKS COMPANY, INC.

By: Walter Lynch

A handwritten signature in black ink, appearing to read "Walter Lynch", with a stylized flourish at the end.

Its: President and CEO

“PSU GRANT B – EPS”

EXHIBIT A

PERFORMANCE GOALS

The number of Performance Units that may be earned shall be determined based on the achievement of Compounded Earnings Per Share Growth (as described below) over the Performance Period.

Compounded Earnings Per Share (“EPS”) Growth – will be calculated based on fully diluted EPS calculated in accordance with US GAAP as reported in the Company’s audited consolidated financial statements adjusted to exclude all items of gain, loss or expense for the fiscal year determined to be extraordinary or unusual in nature or infrequent in occurrence or related to the disposal of a segment of a business or related to a change in accounting principle or, as determined by the Committee, any other change or event similar in nature. The starting point for the calculation will be adjusted EPS of \$3.51 for the year ended December 31, 2020. The ending point for the calculation will be EPS for the year ended December 31, 2023, adjusted to exclude all items of gain, loss or expense for the fiscal year determined to be extraordinary or unusual in nature or infrequent in occurrence or related to the disposal of a segment of a business or related to a change in accounting principle or, as determined by the Committee, any other change or event similar in nature.

The award scale for Compounded EPS Growth is as follows:

Compounded EPS Growth	
Actual Compounded EPS Growth	Target Award
10.0% or more	200%
9.0%	175%
8.0%	100%
7.0%	25%
< 6.0%	0%

If actual achievement of the Performance Goal does not meet threshold performance (i.e., less than 6.0% for Compounded EPS Growth, then that Performance Goal will be reflected in the final result for determining the number of earned Performance Units at its assigned weighting with a 0%. The maximum award that may be earned for each Performance Goal is capped at

200%, and the maximum award that may be earned by the Participant is capped at 200% of the Target Award.

Example:

The following is an example calculation for a Participant with a Target Award of 1,000 Performance Units:

Earnings Per Share

	12/31/2020 Adjusted	12/31/2023 Illustration
Adjusted diluted earnings per share from continuing operations	\$ 3.51	\$ 4.53
Compounded EPS growth		8.83%

Earned Performance Units

	<u>Achievement</u>	<u>Award</u>
Compounded EPS Growth	8.83%	162.5%

In this example, the individual who was awarded a Target Grant of 1,000 Performance Units would earn 1,625 Performance Units (1,000 x 1.625), which is convertible into an equivalent number of shares of Company Stock assuming all other terms and conditions of the Grant have been satisfied.

AMERICAN WATER WORKS COMPANY, INC.
2017 OMNIBUS EQUITY COMPENSATION PLAN
STOCK UNIT GRANT

This STOCK UNIT GRANT, dated as of December 7, 2022 (the “Date of Grant”), is delivered by American Water Works Company, Inc. (the “Company”) to _____ (the “Participant”).

RECITALS

WHEREAS, upon election to the Board of Directors of the Company (the “Board”) each non-employee director of the Company receives an annual stock unit grant that will be converted to shares of common stock of the Company, par value \$0.01 per share, (the “Company Stock”) at a later date;

WHEREAS, the Participant has been elected as a non-employee director on the Board, effective December 7, 2022; and

WHEREAS, the stock unit grant granted to the Participant shall be issued under the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the “Plan”) for service prior to the 2023 Annual Meeting of Shareholders as a non-employee member of the Board, and the terms and conditions of such stock unit shall be memorialized in this grant (the “Grant”).

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

1. Grant of Stock Units. Subject to the terms and conditions set forth in this Grant and the Plan, the Company hereby grants to the Participant _____ units (the “Stock Units”). Each Stock Unit shall be a phantom right and shall be equivalent to one share of Company Stock on the applicable distribution date, as described in Paragraph 4 below.

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

3. Vesting. The Participant shall be fully vested in the Stock Units credited to the Participant’s Stock Unit Account pursuant to this Grant on the Date of Grant.

4. Distribution. The Stock Units shall be converted to shares of Company Stock and distributed by the Company within thirty (30) days following the earlier of (i) August 11, 2023 (the “Specified Date”), (ii) the Participant’s separation from service (within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the “Code”) with the Company (the “Separation from Service Date”), or (iii) the date of a Change of Control (as defined below) (the “Change of Control Date”). At the time of distribution, all Stock Units shall be converted to an equivalent number of shares of Company Stock, and the Participant shall receive a single distribution of such shares of Company Stock, which shall be issued under the Plan. For purposes of this Grant, the term “Change of Control” shall have the same meaning as such term is defined in the Plan, except that a Change of Control shall not be deemed to have

occurred for purposes of this Grant unless the event constituting the Change of Control constitutes a change in ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Code and its corresponding regulations.

5. Dividend Equivalents. Until the earlier of the Specified Date, Separation from Service Date or Change of Control Date, if any dividends are paid with respect to the shares of Company Stock, the Company shall credit to a dividend equivalent account (the “Dividend Equivalent Account”) the value of the dividends that would have been distributed if the Stock Units credited to the Participant’s Stock Unit Account as of the date of payment of any such dividend were shares of Company Stock. At the same time that the Stock Units are converted to shares of Company Stock and distributed to the Participant, the Company shall pay to the Participant in a lump sum cash equal to the value of the dividends credited to the Participant’s Dividend Equivalent Account. No interest shall accrue on any dividend equivalents credited to the Participant’s Dividend Equivalent Account.

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

7. Acknowledgment by Participant. By accepting this Grant, the Participant acknowledges that with respect to any right to distribution pursuant to this Grant, the Participant is and shall be an unsecured general creditor of the Company without any preference as against other unsecured general creditors of the Company, and the Participant hereby covenants for himself or herself, and anyone at any time claiming through or under the Participant, not to claim any such preference, and hereby disclaims and waives any such preference which may at any time be at issue, to the fullest extent permitted by applicable law. The Participant also hereby agrees to be bound by the terms and conditions of the Plan and this Grant. The Participant further agrees to be bound by the determinations and decisions of the Board with respect to this Grant and the Plan and the Participant’s rights to benefits under this Grant and the Plan, and agrees that all such determinations and decisions of the Board shall be binding on the Participant, his or her beneficiaries and any other person having or claiming an interest under this Grant and the Plan on behalf of the Participant.

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

(a) The obligation of the Company to deliver shares of Company Stock upon the distribution of the Stock Units shall be subject to the condition that shares of Company Stock be qualified for listing on the New York Stock Exchange or another securities exchange and be registered under the Securities Act of 1933, as amended, and that any consent or approval of any governmental regulatory body that is necessary to issue shares of Company Stock has been so obtained, and that shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Board. The issuance of shares of Company Stock and the payment of cash to the Participant pursuant to this Grant is subject to any applicable taxes and other laws or regulations of the United States or of any state having jurisdiction thereof.

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

(i) to be bound by, and to comply with, the Company’s policies and practices (as they may be in effect from time to time) regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or

prohibited at any time and from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Insider Trading and Prohibited Transactions Policy and its Personal Securities Trading and Preclearance Practice; and

(ii) that the shares of Company Stock obtained by the Participant upon the distribution of the Stock Units shall not be transferred or disposed of by any means until the Participant owns enough shares of Company Stock, or shares underlying stock units convertible into shares of Company Stock, or time-based restricted Company Stock, to meet or exceed five (5) times the Participant's annual cash retainer, which ownership requirement must be satisfied by the fifth (5th) anniversary of the Participant's commencement of service as a director on the Board.

9. Grant Subject to Plan Provisions. This Grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. In the event of any contradiction, distinction or difference between this Grant and the terms of the Plan, the terms of the Plan will control. Except as otherwise defined in this Grant, capitalized terms used in this Grant shall have the meanings set forth in the Plan. This Grant is subject to the interpretations, regulations and determinations concerning the Plan established from time to time by the Board in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (i) rights and obligations with respect to withholding taxes, (ii) the registration, qualification or listing of the shares of Company Stock, (iii) changes in capitalization of the Company, and (iv) other requirements of applicable law. The Board shall have the authority to interpret and construe this Grant pursuant to the terms of the Plan, its decisions shall be conclusive as to any questions arising hereunder and the Participant's acceptance of this Grant is the Participant's agreement to be bound by the interpretations and decisions of the Board with respect to this Grant and the Plan.

10. No Rights as Shareholder. The Participant shall not have any rights as a shareholder of the Company, including the right to any cash dividends (except with respect to the dividend equivalent rights provided in Paragraph 5), or the right to vote, with respect to any Stock Units.

11. No Rights to Continued Service. This Grant shall not confer upon the Participant any right to be retained in the service of the Employer (as defined in the Plan) and shall not interfere in any way with the right to terminate the Participant's service at any time. The right to terminate at will the Participant's service at any time for any reason is specifically reserved.

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

13. Withholding. To the extent required by applicable law, the Participant shall be required to pay to the Company, or make other arrangements satisfactory to the Company to provide for the payment of, any federal, state, local or other taxes that the Company is required to withhold with respect to the Grant, vesting or distribution of the Stock Units and dividend equivalents.

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

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

16. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the records of the Company, or to such other address as the Participant may designate to the Company in writing. Any notice shall be delivered by hand, sent by facsimile, e-mail or other electronic means (with confirmation of receipt to be made by any oral, electronic or written means), or enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service.

17. Section 409A of the Code.

(a) This Grant is intended to comply with the requirements of section 409A of the Code and shall be interpreted and administered to avoid any penalty sanctions under section 409A of the Code. If any distribution cannot be provided or made at the time specified herein, then such distribution shall be provided in full at the earliest time thereafter when such sanctions cannot be imposed. In no event may the Participant designate the calendar year of distribution.

(b) Notwithstanding any provision to the contrary in this Grant, if any of the distributions under this Grant are payable to the Participant upon separation from service (within the meaning of section 409A of the Code) from the Employer, then if at the time of the Participant's separation from service the Participant is a "specified employee" (as such term is defined in section 409A(2)(B)(i) of the Code and its corresponding regulations) as determined by the Company (or any successor thereto) in its sole discretion in accordance with its specified employee determination policy, then all distributions to the Participant pursuant to this Grant shall be postponed for a period of six (6) months following the Participant's separation from service from the Employer. The postponed amounts shall be distributed to the Participant in a lump sum within thirty (30) days after the date that is six (6) months following the Participant's separation from service from the Employer. If the Participant dies during such six (6)-month period and prior to the distribution of the postponed amounts hereunder, the amounts delayed on account of section 409A of the Code shall be distributed to the personal representative of the Participant's estate within sixty (60) days after the date of the Participant's death, and any amounts not delayed shall be distributed to the personal representative of the Participant's estate in accordance with the terms of this Grant.

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

AMERICAN WATER WORKS COMPANY, INC.

By: M. Susan Hardwick

A handwritten signature in black ink, appearing to read "M. Susan Hardwick". The signature is written in a cursive, flowing style.

Its: President and CEO

**PENSION PLAN
FOR EMPLOYEES OF
AMERICAN WATER WORKS COMPANY, INC.
AND
ITS DESIGNATED SUBSIDIARIES**

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Certain tables to this Exhibit 10.16 have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The Company will furnish the omitted tables to the SEC upon request.

**PENSION PLAN FOR EMPLOYEES OF
AMERICAN WATER WORKS COMPANY, INC.
AND ITS DESIGNATED SUBSIDIARIES**

**ARTICLE I.
PURPOSE**

The purpose of this Plan is to provide retirement income for participating Employees. The pensions provided by the Plan will be in addition to any Social Security benefits payable under Federal or State law. The provisions of this Plan shall govern with respect to retirement income over any bargaining unit agreement, but shall not supersede, modify, change or substitute any terms and provisions not relating to retirement income of participating Employees that appear in such agreements. The rules set out in Appendix 2 shall apply should the Plan become a Top-Heavy Plan, as defined therein.

Effective as of July 1, 2011, in connection with that certain Stock Purchase Agreement, dated as of January 23, 2011, by and among the Company, Arizona-American Water Company, New Mexico-American Water Company, Inc. and EPCOR Water (USA), Inc., pursuant to which the Company agreed to sell all of the issued and outstanding stock of Arizona-American Water Company and New Mexico-American Water Company, Inc. to EPCOR Water (USA), Inc., (the "Sale") the Company transferred the assets and liabilities attributable to those Participants who are, or were previously, employed by Arizona-American Water Company and New Mexico-American Water Company, Inc. to the Pension Plan for Employees of Arizona-American Water Company and New Mexico-American Water Company, Inc. (the "Arizona-New Mexico Pension Plan"), a new pension plan established for such Participants. Such assets and liabilities included those attributable to active Participants as of June 30, 2011, terminated vested Participants, and retired Participants (or their Beneficiaries) who were receiving benefit payments from the Plan, all of whom are, or were previously, employed by Arizona-American Water Company or New Mexico-American Water Company, Inc. (collectively, the "Arizona-New Mexico Employees"). Any benefit to which an Arizona-New Mexico Employee may have been entitled under the Plan immediately prior to July 1, 2011 was not provided under the Plan, but instead was provided under the Arizona-New Mexico Pension Plan. In addition, with respect to any Participant who was transferred to the employment of Arizona-American Water Company and New Mexico-American Water Company, Inc. from the Employer on or after July 1, 2011 and prior to the consummation date of the Sale, assets and liabilities with respect to such Participant's Accrued Benefit under the Plan, if any, were transferred to the Arizona-New Mexico Pension Plan. Furthermore, with respect to any participant under the Arizona-New Mexico Pension Plan who transferred employment from Arizona-American Water Company and New Mexico-American Water Company, Inc. to the Employer prior to the consummation date of the Sale, assets and liabilities with respect to such participant's Accrued Benefit under the Arizona-New Mexico Pension Plan were transferred back to this Plan and be payable from this Plan to such transferred participant. The Arizona-New Mexico Employees described in this paragraph are identified in Appendix 6 attached hereto.

Effective as of May 1, 2012, in connection with that certain Stock Purchase Agreement, dated as of July 8, 2011, by and among the Company, Ohio-American Water Company, and Aqua Ohio, Inc. ("Aqua Ohio"), pursuant to which the Company agreed to sell all of the issued and outstanding stock of Ohio-American Water Company to Aqua Ohio (the "Sale"), the Company transferred the assets and liabilities attributable to those Participants who were previously employed by Ohio-American Water Company to the Retirement Income Plan for Aqua America, Inc. and Subsidiaries ("Aqua Plan"). Such assets and liabilities included those attributable to active Participants as of April 30, 2012, terminated vested Participants, and retired

Participants (or their Beneficiaries) who were receiving benefit payments from the Plan, all of whom are, or were previously, employed by Ohio-American Water Company ("Ohio Employees"). Any benefit to which an Ohio Employee may have been entitled under the Plan immediately prior to May 1, 2012 was not provided under the Plan, but instead was provided under the Aqua Plan.

In connection with that certain Stock Purchase Agreement by and among the Company, New York American Water Company, Inc., and Liberty Utilities Co., dated as of November 20, 2019, pursuant to which the Company agreed to sell all of the issued and outstanding stock of New York American Water Company, Inc. to Liberty Utilities Co., the Company transferred all Plan assets and liabilities attributable to the Transferring NYAWC Participants (as defined in Appendix 8) to the defined benefit plan designated by Liberty Utilities Co. and the related trust. This transfer is effective as of January 1, 2022. Special provisions governing Transferring NYAWC Participants are set forth in Appendix 8.

Effective as of 11:59:58 p.m. Eastern Time on December 31, 2022, the Company spun-off the assets and liabilities attributable to 12/31/2022 Spinoff Individuals (as defined below). Immediately thereafter, effective as of 11:59:59 p.m. Eastern Time on December 31, 2022 (such date and time, the "12/31/2022 Spinoff Effective Date"), the Company transferred the spun-off liabilities and assets into the Pension Plan for Certain Inactive Participants of American Water Works Company, Inc. and its Designated Subsidiaries (the "12/31/2022 Spinoff"). Effective as of the 12/31/2022 Spinoff Effective Date, a 12/31/2022 Spinoff Individual shall not be considered a Participant or Employee under this Plan, and shall not be entitled to a benefit under the Plan except as a beneficiary or an alternate payee under this Plan.

The Plan is now amended and restated to (1) incorporate prior amendments; (2) to reflect the 12/31/2022 Spinoff; and (c) to make certain clarifying changes.

The benefits payable under this Plan with respect to any Participant (including, with respect to benefits payable under this Plan prior to the 12/31/2022 Spinoff Effective Date, 12/31/2022 Spinoff Individuals) whose service terminated before the 12/31/2022 Spinoff Effective Date shall be determined under the provisions of the Plan as in effect when such Participant's service with the Employer terminated, except that the factors under Tables 2 through 4(a) shall be derived from the Tables in effect when the benefit in question is to begin. Notwithstanding the foregoing, the benefits payable under this Plan with respect to any individual who participated in a merged plan but terminated employment before the date that plan was merged into this Plan shall be determined under the provisions of the merged plan as in effect at the time the individual terminated employment.

Except as otherwise provided in an applicable Appendix, the terms of the Plan are as follows:

ARTICLE II.
DEFINITIONS

Section 2.1 Definitions. Unless the context clearly indicates otherwise, the following terms shall have the following meanings:

(a) “Accrued Benefit” means the accrued benefit of a Participant expressed in terms of a monthly single life annuity beginning at or after their Normal Retirement Date determined under Section 5.1 and 5.2, as applicable, on the basis of the Participant’s Years of Service for benefit accrual to the date as of which the computation is made. With respect to Transferring NYAWC Participants (as defined in Appendix 8), Accrued Benefits shall be determined with regard to the provisions under Appendix 8.

(b) “Actuarial Equivalent” means a benefit of equivalent value (A) computed on the basis set out in Tables 2 through 4(a), appended hereto, (B) derived based on interest rates and mortality tables set forth in Table 5 or (C) in any instance in which neither (A) nor (B) applies, based on an assumed interest rate of 8% and using the 1983 Group Annuity Mortality Table (set-back 1 year for Participants and set back 5 years for Contingent Annuitants). For the purpose of determining lump sum present values, the calculation shall be made using the “applicable mortality table” under section 417(e)(3)(B) of the Code and shall be based on the “applicable interest rate” under section 417(e)(3)(C) of the Code for the third calendar month preceding the year during which the Annuity Starting Date occurs (or as otherwise specified in the Plan for calendar years before January 1, 2023).

(c) “Administration Committee” means the Benefits Administration Committee and its successors and delegates. The Administration Committee shall be deemed to be the Plan’s “administrator” and “named fiduciary” as defined in sections 3(16)(A) and 402(a)(2), respectively, of ERISA, or any corresponding provisions of successor laws.

(d) “Annuity Starting Date” means the first day of the first month for which an amount is payable as an annuity or in any other form.

(e) “Board of Directors” means the Board of Directors of American Water Works Company, Inc.

(f) “Break-in-Service” means a 12 consecutive month period, measured from the date an Employee is first credited with an Hour of Service or any anniversary thereof (or their re-employment commencement date or any anniversary thereof), within which they are not credited with more than 500 Hours of Service.

(g) “Code” means the Internal Revenue Code of 1986, as amended, and, unless otherwise provided, applicable provisions of successor laws.

(h) “Company” means American Water Works Company, Inc., a Delaware corporation.

(i) “Contingent Annuitant” means:

- (i) the Participant's spouse; or
- (ii) the person designated by the Participant, with the consent of the Participant's spouse if the Participant is married, as Contingent Annuitant in a manner prescribed by the Administration Committee, or,
- (iii) if the Participant has no spouse and benefits are payable in the form of a life and certain annuity under Section 6.4(b)(ii), the Participant's estate.

A married Participant may designate a person or persons other than their spouse as Contingent Annuitant, provided that such spouse consents in writing in a manner prescribed by the Administration Committee which satisfies the requirements of Section 6.2. Such consent shall not be required if it is established to the satisfaction of the Administration Committee that the consent cannot be obtained because there is no spouse, because the spouse cannot be located or because of such other circumstances as the Secretary of the Treasury may prescribe by regulations. A subsequent spouse of the Participant shall not be bound by any such consent.

(j) "Continuous Service" means that uninterrupted period of employment, prior to the Normal, Early or Disability Retirement Date of an Employee with the Company, a Designated Subsidiary or former Designated Subsidiary, or Predecessor thereof. Transfers of employment between any corporations which are or were the Company, a Designated Subsidiary, a former Designated Subsidiary, or any Predecessor thereof, any absence due to temporary layoff not exceeding 12 months, Qualified Military Service or approved leave of absence for sickness, accident or other cause shall not be considered an interruption or termination of employment. Employees similarly situated shall be accorded uniform and nondiscriminatory treatment by the Administration Committee in approving leaves of absence. A completed year of Continuous Service means a 12-month period ending on the day prior to the anniversary date of employment during which the Employee's customary employment was for more than 1,100 hours. Notwithstanding the foregoing, each Employee who became a Participant on July 1, 1952 shall, if their service has been continuous since July 1, 1952, receive Continuous Service credit for all periods of employment prior to July 1, 1952 with the Company, any Predecessor thereof, or any Subsidiary or former Subsidiary from the date when they were first employed by such Company, Predecessor or Subsidiary, including any period of Qualified Military Service, but excluding any other period when not actively employed.

(k) "Designated Subsidiary" means any Subsidiary named by the Board of Directors as such under this Plan, or any Subsidiary to which, prior to July 1, 1975, the board of directors of its immediate parent company designated this Plan to be applicable, which naming may be changed by the Board of Directors from time to time. As of the effective date of this restatement of the Plan, the Designated Subsidiaries are listed in Exhibit A.

(l) "Disability Retirement Date" means the date a Participant retires before their Normal Retirement Date in accordance with the provisions of Section 4.3.

(m) “Early Retirement Date” means the first day of the calendar month coinciding with or immediately following the date a Participant reaches age 55, provided that the sum of their age and Years of Service is at least 70.

(n) “Earnings:”

(i) General Rule. Earnings shall mean, for any Participant, their total compensation for services as an Employee paid as an annual or other periodic salary or as an hourly wage (including overtime pay and shift differentials), by the Company, by any Designated Subsidiary, any former Designated Subsidiary or any Predecessor thereof, plus (a) amounts paid under the Company’s Annual Incentive Plan that have not been deferred by the Employee, (b) amounts that would be paid to the Employee during the year but for the Employee’s election under a cash or deferred arrangement described in section 401(k) of the Code or a cafeteria plan described in section 125 of the Code or a qualified transportation fringe benefit program described in section 132(0(4) of the Code, and (c) amounts paid under the Company’s Business Development Incentive Plan.

(ii) Maximum Annual Dollar Limit. The annual Earnings of each Participant (who performs at least one Hour of Service on or after July 1, 2002) taken into account in determining benefit accruals in any Plan Year beginning after December 31, 2001, shall not exceed the dollar limitation specified in section 401(a)(17) of the Code as in effect for the Plan Year (\$330,000 for 2023), adjusted for cost-of-living increases in accordance with section 401(a)(17)(B) of the Code; provided, however, that for the short Plan Year ending December 31, 2022, the dollar limitation specified in section 401(a)(17) of the Code shall be prorated in accordance with Treas. Reg. section 1.401(a)(17)-1(b)(3)(iii). The cost-of-living adjustment in effect for a calendar year applies to annual compensation for the determination period that begins with or within such calendar year. In determining benefit accruals in Plan Years beginning after December 31, 2001, the annual Earnings limit for any prior determination period shall be limited to \$200,000. Effective for Limitation Years beginning after July 1, 2007, this Section 2.1(n)(ii) shall also apply to Article C.3 of Appendix 2.

(o) [RESERVED]

(p) “Employee” means:

(i) an individual who is employed by the Employer;

(ii) an individual who is not employed by the Employer but is a Leased Employee within the meaning of section 414(n)(2) of the Code, provided that if the total number of Leased Employees constitutes 20% or less of the Employer’s nonhighly compensated work force, within the meaning of section 414(n)(5)(C)(ii) of the Code. The term “Employee” shall not include those Leased Employees covered by a “safe harbor” plan described in section 414(n)(5)(B) of the Code; and

(iii) when required under Section 2.1(u), for purposes of crediting Hours of Service, a former Employee.

Notwithstanding the foregoing, a 12/31/2022 Spinoff Individual who is rehired by an Employer on or after the 12/31/2022 Spinoff Effective Date shall not be an Employee for purposes of the Plan.

(q) “Employer” means the Company, its Designated Subsidiaries, and for purposes of computing an Employee’s Years of Service for purposes of vesting and eligibility, but not benefit accrual:

(i) any other employer included with the Company in a controlled group of corporations or trades or businesses within the meaning of section 414(b) or (c) of the Code, or an affiliated service group within the meaning of section 414(m) of the Code; and

(ii) any other entity required to be aggregated with the Company pursuant to regulations under section 414(o) of the Code;

provided, that any such employer shall be included with the term “Employer” only while member of such a group including the Company.

(r) “ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

(s) “Final Average Earnings” means, for any Employee, the average of the Employee’s Earnings for those 60 consecutive full months of the final 120 months of employment as an eligible Employee which yield the highest average. If within the 60-month period (or lesser period of employment) applicable in the determination of Final Average Earnings a Participant is absent due to layoff, sickness or accident, Qualified Military Service, leave of absence or other cause to the extent specified in Section 2.1(oo)(ii), their Earnings during such period of absence shall be considered to be their Scheduled Monthly Earnings. If within such 60-month period the Participant is absent due to a cause not specified in Section 2.1(oo)(ii), including but not limited to a strike or other work stoppage, their Final Average Earnings shall be computed on the basis of the last 60 months (or lesser period of employment) during which they actually received Earnings, or are absent under such circumstances that they are credited with Hours of Service under Section 2.1(oo)(ii). If a Participant does not have Earnings for 60 consecutive months, that Participant’s Final Average Earnings shall be the amount determined by dividing that Participant’s Earnings as an eligible Employee by the number of months in which Earnings were actually received. Notwithstanding the foregoing, in determining Final Average Earnings, overtime in the last month worked prior to the pension effective date will be the average monthly overtime earned during the twelve months prior to the month in which the Employee submits their application for retirement.

(t) “Fund” means the aggregate of the funds held by any Insurance Company under an Insurance Contract, other than those irrevocably committed to the purchase of annuity contracts, or by the Trustee or any other Investment Manager, for the purpose of providing retirement income benefits under the Plan for Participants, surviving spouses and Contingent Annuitants.

(u) “Hour of Service” means:

(i) each hour for which an Employee is paid, or entitled to payment, for the performance of duties for the Employer;

(ii) each hour for which an Employee is paid, or entitled to payment, by the Employer with respect to a period of time during which no duties are performed (irrespective of whether the employment relationship has terminated) due to vacation, holiday, illness, incapacity (including disability), layoff or jury duty; provided that, subject to Section 2.1(oo), an Employee shall be credited with no more than 501 Hours of Service on account of any single continuous period during which they perform no duties;

(iii) each hour for which back pay, irrespective of mitigation of damages, is either awarded or agreed to by the Employer employing an Employee;

(iv) solely for purposes of determining whether a Break-in-Service has occurred, each hour which would normally have been credited to the individual, or if that number of hours cannot be determined, 8 hours per working day, to a maximum of 501 hours, during any period throughout which the individual is absent from employment because of the individual’s pregnancy, the birth of the individual’s child, placement of a child with the individual in connection with the adoption of that child by the individual, or the individual’s need to provide care for such a child for the period immediately following that child’s birth or adoption; and,

(v) each other hour credited under Section 2.1(oo)(ii).

Hours of service shall be credited to the Employee for the applicable 12 month period or periods in which the duties are performed, for which the payment is made, or to which the award, agreement or leave pertains, except that in the case of hours credited under Section 2.1(u)(iv), relating to maternity and paternity leave, such hours shall be credited in the year in which the absence from work begins if necessary to avoid a Break-in-Service in that year, or in any other case, in the following year. Hours of Service under this Section 2.1(u) shall be credited consistent with the provisions of 29 CFR 2530.200b-2, issued by the United States Department of Labor, which provisions are incorporated herein by reference.

(v) “Insurance Company” means any insurance company or companies, from which retirement income benefits payable under the Plan may be purchased for Participants, their surviving spouses and Contingent Annuitants.

(w) “Insurance Contract” means any group deposit administration contract, immediate participation guaranteed contract or other policy of similar type or purpose entered into by the Company, under which retirement income benefits payable under the Plan may be paid to Participants, their surviving spouses and Contingent Annuitants.

(x) “Investment Committee” means the Retirement and Benefit Plans Investment Committee and its successors and delegates.

(y) “Investment Manager” means any “investment manager,” as that term is defined by section 3(38) of ERISA or any applicable provision of any successor law, which has investment control of any Plan assets pursuant to an agreement with the Company or the Plan (or its representative).

(z) “Late Retirement Date” means the actual date of retirement of a Participant who remains employed by the Employer after their Normal Retirement Date.

(aa) “Leased Employee” means any person who is not an Employee and who provides services to the Employer if:

(i) such services are provided pursuant to an agreement between the Employer and any other person;

(ii) such person has performed services for the Employer or for the Employer and related employees on a substantially full-time basis for a period of at least one year; and

(iii) such services are performed under the primary direction or control of the Employer.

(bb) “Limitation Year” means the calendar year.

(cc) “Normal Retirement Date” means the first day of the calendar month coinciding with or immediately following the date a Participant reaches age 65.

(dd) “Qualified Military Service” means any service in the “uniformed services” (as defined in Chapter 43 of Title 38 of the United States Code) by any Employee if such Employee is entitled to re-employment rights under such Chapter with respect to such service.

(ee) “Participant” means an Employee who has met the eligibility requirements of Sections 3.1, 3.2, and 3.3, as applicable. An individual who qualifies as a Participant shall continue to be a Participant until all benefits due them under the Plan have been paid. An individual who is not a U.S. citizen but who is seconded to employment with any U.S. Employer shall not be eligible to participate during any period while such individual is also covered by a pension plan maintained or contributed to by their non-U.S. Employer. Notwithstanding the foregoing, effective 12/31/2022 Spinoff Effective Date, a 12/31/2022 Spinoff Individual shall not be considered a Participant under this Plan, and shall not be entitled to a benefit under the Plan except as a beneficiary or an alternate payee under this Plan.

(ff) “Plan” means the Pension Plan for Employees of American Water Works Company, Inc. and its Designated Subsidiaries, as set forth in this document and the related Trust Agreement pursuant to which the Trust is maintained.

(gg) “Plan Year” means the 12 month period ending December 31. The period from July 1, 2022 through December 31, 2022 shall be a short Plan Year.

(hh) “Predecessor” means any corporation which was a constituent in a merger, consolidation, liquidation or similar combination of corporations.

(ii) “Scheduled Monthly Earnings” on any date means, in the case of any salaried Employee, their basic rate of monthly earnings at such date (exclusive of overtime payments and bonuses), and, in the case of any hourly-paid Employee, the amount determined by multiplying their average weekly earnings (exclusive of overtime payments and bonuses) at said date by 4 & 1/3. As used in the preceding sentence, “average weekly earnings” on any date means the amount determined by multiplying the hourly-paid Employee’s basic straight time hourly rate at said date by the number of hours in their normal work week; provided, however, that the basic straight time hourly rate and the number of hours in a normal work week of any such Employee on a shift schedule shall be averaged over the period covered by the shift cycle.

(jj) “Social Security Average Wage Base” means the average of the amounts considered “wages” under section 3121(a) (1) of the Code, or any applicable provision of any successor laws, for the calendar year including the date as of which a benefit is to be calculated under Section 4.3(c) and the preceding nine calendar years.

(kk) “Subsidiary” means any corporation, association or business trust, 50% or more of whose voting stock (not including shares having voting power only upon the happening of an event of default) is or was owned, directly or indirectly, by American Water Works Company, Inc., or by any corporation which was a constituent in a merger, consolidation, liquidation, transfer of substantially all of its assets in exchange for stock, or similar combination of corporations with or into the Company.

(ll) “12/31/2022 Spinoff Individual” means a Participant who, as of as of 11:59:58 p.m. Eastern Time on December 31, 2022, (i) commenced receiving a benefit pursuant to Article IV or VIII hereof prior to July 1, 2017, or (ii) terminated employment after satisfying the requirements of Article IV or VIII hereof and who was eligible to receive a deferred vested benefit, but in either case excluding a Participant whose pension benefits are or will be payable, in whole or in part, from one or more group annuity contracts. For purposes of clarification, the term “12/31/2022 Spinoff Individual” includes beneficiaries or alternate payees of a Participant who is a 12/31/2022 Spinoff Individual.

(mm) “Trust” means the legal entity created by the agreement (“Trust Agreement”) between the Company and the Trustee, fixing the rights and liabilities with respect to the control and management of those assets of the Fund held in the Trust.

(nn) “Trustee” means the trustee or trustees, and any successor or successors thereto, designated by the Board of Directors and named in the Trust Agreement or any amendment thereto.

(oo) “Year of Service” means:

(i) Service Prior to 1975 Anniversary. For periods prior to the first anniversary after July 1, 1975 of the date on which a Participant became an Employee, each year of Continuous Service included in a period of Continuous Service ending on that date.

(ii) Years of Service for Eligibility and Vesting. Except as otherwise provided under Section 2.1(oo)(iv) below, for purposes of eligibility to participate in the Plan, vesting and for meeting the eligibility requirements for survivor benefits or for a Normal, Late, Early or Disability Retirement Date, Years of Service shall be determined under this Section 2.1(oo)(ii). For periods beginning on or after the first anniversary after July 1, 1975 of the date on which a Participant became an Employee, or in the case of a Participant who first became an Employee on or after July 1, 1975, for periods beginning on or after the date the Participant became an Employee, each 12-month period commencing on their employment date or any anniversary thereof during which they complete at least 1,000 Hours of Service and which is not excluded by the provisions of Sections 9.1 and 9.2. For this purpose, an Employee for whom records of hours actually worked are not maintained, shall be credited with 8 Hours of Service for each day for which they are compensated for their services or for which they otherwise would have been compensated for their services during which they are absent due to (A) layoff not exceeding 12 months, (B) sickness or accident in accordance with the customary personnel practices of the respective Company or Designated Subsidiary, but not exceeding the first 24 months thereof, (C) Qualified Military Service, or (D) leave of absence, or other cause, approved by the Administration Committee pursuant to uniform and nondiscriminatory rules applicable to Employees similarly situated, provided that in each case the Employee returns to employment with the Company or a Designated Subsidiary or, if eligible to do so, retires, on or before the last day of the period for which service credit is granted under (A), (B), or (D), or, in the case of absence under (C), the last day on which the Employee's re-employment rights are protected by law.

Years of Service earned by Employees who are not included in an "Eligible Union Group," as described in Section 3.1(b), and have ceased for any reason to be eligible to accrue additional benefits under the Plan will be credited for purposes of vesting and for meeting the eligibility requirements for survivor benefits and Normal, Late, Early or Disability Retirement, but will not be credited for purposes of determining benefit accrual and computing a Participant's retirement income benefit under the Plan under Section 2.1(oo)(iii) below.

(iii) Years of Service for Benefit Accrual. Except as otherwise provided under Section 2.1(oo)(iv) below, for purposes of determining benefit accrual and computing a Participant's retirement income benefit under the Plan, a Year of Service shall be credited for each full 12-month period during which a Participant is credited with at least 1,000 Hours of Service. In addition, a Participant shall receive a partial Year of Service for a period of less than 12 months provided the Participant is credited with at least 1,000 Hours of Service during such period. Notwithstanding any other provision of this Plan, no period during which an individual was ineligible to be a Participant by reason of Section 3.1, 3.2 or 3.3 shall be a Year of Service for the purpose of computing the retirement income benefit, if any, to which such individual is entitled under this Plan.

A Participant shall receive credit for a partial Year of Service for an employment period of fewer than 12 months. That credit shall be determined as a fraction, the denominator of which shall be 365 and the numerator of which shall be the number of days

in the period beginning on the last anniversary date of their employment prior to the termination of their service or their Normal, Late, Early or Disability Retirement Date, and ending on the date of the termination of their service or their Normal, Late, Early or Disability Retirement Date, if their Hours of Service for such period equaled, or when annualized, would equal 1,000 or more.

(iv) Special Rules. For special service rules to be applied in computing Years of Service for purposes of benefit accrual, vesting and for meeting the eligibility requirements for survivor benefits or for a Normal, Late, Early or Disability Retirement Date, for Employees of certain acquired Subsidiaries which have become Designated Subsidiaries, see Appendices 3 and 4.

Union Participants described in Section 5.2(d) shall cease to be credited with Years of Service after December 31, 2005 for purposes of benefit accrual. Years of Service earned by union Participants described in Section 5.2(d) after December 31, 2005 will be credited for purposes of vesting and for meeting the eligibility requirements for survivor benefits and Normal, Late, Early or Disability Retirement.

To the extent applicable, any non-union Participant transferred from American Water Works Service Company, Inc. to American Water Enterprises, Inc. effective December 26, 2011 who is listed in Appendix 7, shall continue to be credited with Years of Service on and after December 26, 2011 for purposes of benefit accrual, as well as for vesting and for meeting the eligibility requirements for survivor benefits or for Normal, Late, Early or Disability Retirement Date, until such Participant subsequently terminates employment or is transferred from their December 26, 2011 classification to an ineligible employment classification.

To the extent applicable, any non-union Participant who, immediately prior to a transfer of employment to American Water Enterprises, Inc., is eligible to accrue additional benefits under the Plan under Section 3.2(b), shall continue to be credited with Years of Service on and after such transfer to American Water Enterprises, Inc. for purposes of benefit accrual, as well as for vesting and for meeting the eligibility requirements for survivor benefits or for Normal, Late, Early or Disability Retirement Date, until such Participant subsequently terminates employment or is transferred to an ineligible employment classification.

Section 2.2 Administration. The Plan shall be administered by the Administration Committee as more fully provided for in Article XI.

Section 2.3 Construction. The headings and subheadings in the Plan are inserted for convenience of reference only and are not to be considered in the construction of any provision of the Plan.

Section 2.4 Governing Law. Except to the extent such laws are superseded by ERISA or the Code, the laws of the State of New Jersey shall govern.

ARTICLE III.
PARTICIPATION

Section 3.1 New Participants.

(a) Except as specifically provided in Section 3.1(b) below, any Employee who was not a Participant in the Plan on January 1, 2006 shall forever remain ineligible for the Plan.

(b) Subject to the terms of the applicable collective bargaining agreement, a union Employee employed within an Eligible Union Group shall become a Participant on the first day of the calendar month next following their completion of one Year of Service. "Eligible Union Groups" include:

- (i) Union Employees hired prior to January 1, 2013 in the Company's call center at either the Alton, Illinois or Pensacola, Florida facility;
- (ii) Union Employees hired or rehired prior to February 1, 2009 at the Company's Sterling, Illinois facility;
- (iii) Union Employees employed on January 15, 2002 in the Company's water business acquired from Citizens Utility Company; or
- (iv) Local 423 union Employees hired before April 1, 2006 or Local 68 union Employees hired before May 1, 2006, who were participating in the Employees' Retirement Plan of Elizabethtown Water Company as of December 31, 2006.

An Employee who is hired or transferred into an Eligible Union Group shall become a Participant on or after January 1, 2006 only if the collective bargaining agreement applicable to that Eligible Union Group specifically provides for participation in the Plan by all members of that Eligible Union Group.

Section 3.2 Participants as of January 1, 2006.

(a) Except as provided in this Section 3.2, an Employee who was a Participant in this Plan as of January 1, 2006, shall remain eligible to participate in the Plan.

(b) Any Participant who, as of January 1, 2006, was not eligible to accrue benefits under the Plan shall forever remain ineligible to accrue benefits under the Plan without regard to a subsequent transfer to an eligible classification of employment, rehire, recall, or other resumption of employment unless that Participant is subsequently employed within one of the Eligible Union Groups and the collective bargaining agreement applicable to that Eligible Union Group specifically provides for participation in the Plan by all members of that Eligible Union Group.

(c) Any Participant who, on or after January 1, 2006, ceases for any reason to be eligible to accrue benefits under the Plan shall forever remain ineligible to accrue future benefits under the Plan without regard to a subsequent transfer to an eligible classification of employment, rehire, recall, or other resumption of employment unless that Participant is subsequently employed

within one of the Eligible Union Groups and the collective bargaining agreement applicable to that Eligible Union Group specifically provides for participation in the Plan by all members of that Eligible Union Group. Non-union Participants rehired on or after January 1, 2006, shall not be eligible to accrue additional benefits under the Plan.

(d) No union Participants hired or rehired on or after January 1, 2001 shall be eligible to accrue additional benefits under the Plan on or after January 1, 2006 unless employed within one of the Eligible Union Groups and the collective bargaining agreement applicable to that Eligible Union Group specifically provides for participation in the Plan by all members of that Eligible Union Group.

(e) Union Employees hired or rehired on or after January 1, 2001 who, on or after January 1, 2006, cease to be covered under a collective bargaining agreement between a union and the Company for any reason, including by transfer to non-union status (union Employees hired before January 1, 2001 and transferred to non-union status will, at the time of transfer, be treated as a non-union Employee hired before January 1, 2006) shall not be eligible to accrue additional benefits under the Plan on or after January 1, 2006; provided, however, union Employees hired before January 1, 2001 who are laid off and recalled to employment on or before December 31, 2005 shall be treated as having been hired before January 1, 2001 but subject on and after January 1, 2006 to the provisions in this Section 3.2.

(f) No Employee on whose behalf the Company or a Designated Subsidiary makes contributions to any employee pension benefit plan with respect to a period of current service shall be eligible to accrue benefits in this Plan for the same period of service.

(g) Any Participant who, immediately prior to a transfer of employment to American Water Enterprises, Inc., is eligible to accrue additional benefits under the Plan under Section 3.2(b) shall continue to accrue benefits under the Plan while employed by American Water Enterprises, Inc. until such Participant subsequently terminates employment or is transferred to an ineligible employment classification.

Section 3.3 Collective Bargaining.

(a) Any other provision of this Plan to the contrary notwithstanding, if any labor organization, which shall be recognized by the Company or a Designated Subsidiary as the representative for purposes of collective bargaining of any unit of Employees, does not enter into an agreement with the Company or a Designated Subsidiary providing for the participation of such Employees in this Plan, or having entered into such an agreement fails or refuses to continue the same in effect, the Employees so represented shall not, except to the extent of such Employees' vested interest under Section 8.1, be Participants in, or eligible to participate in, this Plan, its benefits, or in the funds held by the Insurance Company, the Trustee or any Investment Manager, provided that if the absence of an agreement occurs only during a period of negotiations which culminate in a new agreement providing for the participation of such Employees in this Plan, such Employees shall not lose any of the rights which they would otherwise have had hereunder.

(b) If any Employee becomes a Participant following a period during which they were ineligible to participate by reason of this Section 3.3, their Years of Service under this Plan shall not, for the purpose of computing the retirement income benefit, if any, to which they are entitled under this Plan, include any period during which they were so ineligible.

Section 3.4 Suspension of Benefits. A Participant who continues in employment beyond age 65 shall not be entitled to payment of benefits while so employed, provided that the Plan notifies the Participant by personal delivery or first-class mail during the first calendar month following the Participant's Normal Retirement Date that their benefits will not be payable until their actual termination of employment. Such notification shall state that benefit payments are not being paid, in accordance with this Section 3.4, because the Participant is remaining in active employment, and shall include a copy of this Section 3.4 and a statement to the effect that applicable Department of Labor regulations may be found at 29 CFR § 2530.203-3.

Section 3.5 Transferring NYAWC Participants. Notwithstanding any other provision to the contrary, with respect to Transferring NYAWC Participants (as defined in Appendix 8), eligibility to participate shall be determined with regard to the provisions under Appendix 8.

Section 3.6 12/31/2022 Spinoff Individual. Notwithstanding any other provision to the contrary, on and after the 12/31/2022 Spinoff Effective Date, in no event shall a 12/31/2022 Spinoff Individual become an Employee or Participant, and in no event shall a 12/31/2022 Spinoff Individual be entitled to a benefit under this Plan, except as a beneficiary or an alternate payee under this Plan.

ARTICLE IV. RETIREMENT

Section 4.1 Normal Retirement and Late Retirement.

(a) Upon retirement at their Normal Retirement Date, a Participant shall be entitled to receive a monthly retirement income commencing on their Normal Retirement Date, which in accordance with Treas. Reg. section 1.411(a)-7(c)(1) shall be equal to the greatest of: (i) the Participant's Accrued Benefit that they could have commenced on or after the date the Participant has attained age 55, provided the sum of their age and Years of Service equals or exceeds 70; (ii) in the case of a Participant who, as of January 1, 2019, is not a "named executive officer" (as defined in Item 402(a)(3) of Regulation S-K of the Securities Act of 1933, as amended), the Participant's Accrued Benefit that they could have commenced on or after attaining age 62; or (iii) the Participant's Accrued Benefit payable at Normal Retirement Date, or in the case of (i), (ii) or (iii), as applicable, the Actuarial Equivalent of such Accrued Benefit in an amount determined under Sections 5.2, 5.6, 5.7 and, if applicable, Section 6.1(a).

(b) A Participant who continues to be employed after their Normal Retirement Date shall be entitled to receive a monthly retirement income commencing on their Late Retirement Date in an amount determined under Sections 5.2, 5.6, 5.7 and, if applicable, Section 6.1(a). Notwithstanding the foregoing, an executive shall have a Late Retirement Date only if they continue in employment with the Employer after their Normal Retirement Date by consent of the Company.

- (c) For purposes of this Section 4.1, an “executive” means a Participant:
- (i) who is an executive as defined in 29 CFR.541.1 and EEOC Reg. section 1625.12;
 - (ii) who is (A) in charge of a significant and substantial local or regional operation of the Employer, (B) in charge of a department or division of the Employer, or (C) in a high policy making position with the Employer;
 - (iii) who has attained age 65;
 - (iv) who has been in a position described in Sections 4.1(a) and 4.1(b) for the two-year period immediately prior to their retirement; and
 - (v) who is entitled to an immediate nonforfeitable annual retirement income, payable in the form of a single life annuity commencing at age 65 (or retirement, if later), from all employee pension, profit sharing, savings and deferred compensation plans sponsored by the Employer, which equals, in the aggregate, at least \$44,000 (or such other amount as may be described pursuant to 29 C.F.R. 541.1). There shall be excluded from the calculation of the retirement income all of the Participant’s contributions to all plans, including amounts rolled over from the plans of previous employers.

Section 4.2 Early Retirement.

(a) A Participant may retire on the first day of any month occurring on or after both attaining their Early Retirement Date and making application in writing to their Employer at least two full calendar months in advance of their elected Annuity Starting Date. Notwithstanding the foregoing, in the event a Subsidiary is named as a Designated Subsidiary effective after December 31, 1971, a Participant who is an Employee of such Designated Subsidiary may not retire under this Section 4.2(a) before being credited with five Years of Service under this Plan.

(b) In the event of retirement under the provisions of Section 4.2(a), the date of a Participant’s actual retirement shall be their Early Retirement Date and upon retirement at their Early Retirement Date a Participant shall be entitled to receive a monthly retirement income commencing on their Early Retirement Date in an amount determined under Sections 5.4, 5.6, 5.7 and, if applicable, Section 6.1(a).

(c) In the event a Participant who has applied for Social Security disability benefits applies for an Early Retirement benefit under this Section 4.2, commences payment of their Early Retirement benefit as of their elected Annuity Starting Date, and such elected Annuity Starting Date occurs prior to the date that an award of total and permanent disability benefits is made by the United States Social Security Administration (the “Award”), such Participant shall not be

permitted to change their Early Retirement benefit to a Disability Retirement benefit payable under Section 4.3 following the date of the Award. The foregoing shall apply regardless of the date of disability that is referenced in the Award. For purposes of clarity, a Participant for whom payment of their Early Retirement benefit has not yet commenced as of their elected Annuity Starting Date due to administrative delay shall be treated as having commenced payment of their Early Retirement benefit as of their elected Annuity Starting Date.

Section 4.3 Disability Retirement.

(a) A Participant who has completed 10 or more Years of Service, and who qualifies for disability retirement under this Section 4.3(a) shall be retired as of the first day of the month following the first month in which the Administration Committee has received both (i) the Participant's written request for disability retirement, and (ii) evidence reasonably satisfactory to the Administration Committee that the Participant has been determined by the United States Social Security Administration to qualify for total and permanent disability benefits under the Social Security Act. A Participant shall be eligible for disability retirement benefits if, as a result of mental or physical illness or injury (other than self-inflicted) while actively employed, they qualify for disability benefits under the Social Security Act. Disability benefit payments shall commence in either the month in which the disabled Participant is retired, as described above, or in the next following month, as may be administratively practicable. Such payments under the Plan shall be made retroactively to the first day of the month following the date as of which the Participant is deemed to be disabled by the Social Security Administration, or, if later, to the last day of the Participant's eligibility for continuation of the Participant's salary or hourly wages as sick pay under an applicable Employer sick pay plan. The sum of any retroactive payments shall be paid in a lump sum, without interest, as part of the first monthly payment of disability benefits. A Participant shall provide such reasonable evidence of continued Social Security disability as the Administration Committee may require from time to time. Disability benefits shall be discontinued if the Participant ceases to qualify for disability benefits under the Social Security Act. A Participant who becomes disabled, while actively employed, on or after attaining age 65, shall be considered to have retired under Section 4.1 and will be entitled to a monthly retirement income, if any, in an amount determined under Sections 5.2, 5.6, 5.7 and, if applicable, Section 6.1(a).

(b) Notwithstanding the above, if a Participant's disability is determined by the Social Security Administration to qualify under the Social Security Act prior to July 1, 2001, and the Participant's benefit was in pay status, the benefit shall be determined under the provisions of the Plan in effect prior to July 1, 2001.

(c) In the event of retirement under the provisions of Section 4.3, the date specified in Section 4.3 shall be the Participant's Disability Retirement Date, and the Participant shall be entitled to receive for life, or as long as their disability continues to qualify under the Social Security Act, a monthly retirement income commencing on their Disability Retirement Date in an amount determined under Sections 5.5, 5.6, 5.7 and, if applicable, Section 6.1(a); provided that if at their Disability Retirement Date, a Participant would be eligible for Early Retirement but for the two months' notice requirement, they may elect to retire early under the provisions of Section 4.2(a).

- (d) A Participant shall not be eligible for a benefit payable under this Section 4.3 if the provisions of Section 4.2(c) apply.

ARTICLE V.
RETIREMENT INCOME LIFE BENEFITS

Section 5.1 For Participants Who Retired Prior to July 1, 2001. Except as otherwise specifically provided in Appendix 1, the monthly retirement income payable to a Participant whose retirement date occurred on or before July 1, 2001 shall be continued after June 30, 2001 in the same amount and subject to the same conditions as the monthly retirement income which such Participant was receiving under the Plan beginning on or before July 1, 2001.

Section 5.2 Normal or Late Retirement Income. A Participant's Normal or Late Retirement Income shall be determined as follows:

(a) For Active Non-Union Participants Retirement on or after July 1, 2001. An active non-union Participant retiring after June 30, 2001, except as modified by the provisions of Section 6.1(a), shall receive a monthly retirement income commencing on their Normal or Late Retirement Date in an amount equal to the following:

(i) For Years of Service prior to July 1, 2001, the sum of the following:

(A) 1.85% of their Final Average Earnings not in excess of the Social Security Average Wage Base, multiplied by their Years of Service up to a maximum of 25 years, plus

(B) 2.1 % of their Final Average Earnings in excess of the Social Security Average Wage Base, multiplied by their Years of Service up to a maximum of 25 years, plus

(C) 0.7% of their Final Average Earnings, multiplied by their Years of Service in excess of 25 years.

plus

(ii) For Years of Service on or after July 1, 2001, the sum of the following:

(A) 1.60% of their Final Average Earnings not in excess of the Social Security Average Wage Base, multiplied by their Years of Service up to a maximum of 25 years, plus

(B) 2.1 % of their Final Average Earnings in excess of the Social Security Average Wage Base, multiplied by their Years of Service up to a maximum of 25 years, plus

(C) 1.60% of their Final Average Earnings, multiplied by their Years of Service in excess of 25 years.

(iii) Years of Service credited before and after July 1, 2001 shall be aggregated in determining the 25-year maximum period.

(b) For Active Union Participants Retiring on or after July 1, 2001. An active union Participant retiring after June 30, 2001, except as modified by the provisions of Section 6.1(a), shall receive a monthly retirement income commencing on their Normal or Late Retirement Date in an amount equal to the following:

(i) For Years of Service prior to July 1, 2001, the sum of the following:

(A) 1.85% of their Final Average Earnings not in excess of the Social Security Average Wage Base, multiplied by their Years of Service up to a maximum of 25 years, plus

(B) 2.1 % of their Final Average Earnings in excess of the Social Security Average Wage Base, multiplied by their Years of Service up to a maximum of 25 years, plus

(C) 0.7% of their Final Average Earnings, multiplied by their Years of Service in excess of 25 years.

plus

(ii) 1.60% of their Final Average Earnings, multiplied by their Years of Service earned on or after July 1, 2001.

(c) For Participants Hired on or after July 1, 2001. Effective for Participants hired on or after July 1, 2001, except as modified by the provisions of Section 6.1(a), a Participant's monthly retirement income commencing on their Normal or Late Retirement Date shall be an amount equal to 1.60% of their Final Average Earnings multiplied by their Years of Service at Normal or Late Retirement Date.

(d) For Union Participants Hired On Or After January 1, 2001. Except as provided below in this Section 5.2(d), Section 3.1(b), or Section 3.2, the Accrued Benefit of a union Participant hired or rehired on or after January 1, 2001 shall be frozen as of December 31, 2005 and no further benefits shall accrue for such Participant under the Plan after December 31, 2005. Notwithstanding the foregoing, union Employees who:

(i) are employed at the Company's Sterling, Illinois facility and were hired or re-hired prior to February 1, 2009,

(ii) are employed in the Employer's call center at either the Alton, Illinois or Pensacola, Florida facility,

(iii) were union Employees on January 15, 2002 employed in the water business acquired from Citizens Utility Company, or

(iv) are Local 423 union Employees hired before April 1, 2006 or Local 68 union Employees hired before May 1, 2006, who were participating in the Employees' Retirement Plan of Elizabethtown Water Company as of December 31, 2006, may continue to accrue benefits under the Plan for Years of Service on and after December 31, 2005.

Section 5.3 1994 Fresh Start Provisions. If the Accrued Benefit, computed as of June 30, 1994, of a Participant who is actively employed on July 1, 1994 was based on Earnings in excess of \$150,000, such Accrued Benefit shall be frozen as of June 30, 1994. The Accrued Benefit payable to such a Participant who retires at their Normal Retirement Date shall be the greater of:

(a) the sum of their Accrued Benefit as of June 30, 1994, plus their Accrued Benefit for each Year of Service for benefit accrual after June 30, 1994 computed in accordance with Section 5.2(a) above but based only on Earnings allowable under section 401(a)(17) of the Code as in effect for Plan Years beginning after 1993; or

(b) the Participant's Accrued Benefit computed under Section 5.2(a) using all of the Participant's Years of Service for benefit accrual, but limiting Earnings to the level in effect under section 401(a)(17) of the Code as of the Participant's retirement or other termination of service, as applicable.

Section 5.4 Early Retirement Income. The monthly retirement income commencing on a Participant's Early Retirement Date shall be an amount equal to their normal retirement income under Section 5.2 based on their Years of Service to their Early Retirement Date, multiplied by the appropriate factor, determined by their attained age and Years of Service at their Early Retirement Date, as set forth in the Schedule of Early Retirement Factors attached to this Plan as Table 1.

Section 5.5 Disability Retirement Income. The monthly retirement income commencing on a Participant's Disability Retirement Date shall be an amount equal to the benefit which they would have received pursuant to Section 5.2(a) or (b) or (c) based on their Years of Service and Final Average Earnings as of their Disability Retirement Date, without reduction for early commencement.

Section 5.6 Other Plan Benefits. In the case of a Participant who becomes a Participant by reason of the naming after June 30, 1985 of a Subsidiary as a Designated Subsidiary, their normal, late, early, or disability retirement income shall be adjusted downward to reflect benefits to which they are entitled under any other retirement plan or plans established by such Designated Subsidiary and the Administration Committee, acting under uniform rules of nondiscriminatory application with respect to the Employees of any such Designated Subsidiary, shall have the exclusive and binding discretion to make such adjustment as it determines to be equitable under all of the circumstances to the end that there be no duplication of benefits under this Plan and any other plan or plans. Notwithstanding the preceding sentence, no such adjustment shall be made for such amounts as are attributable to the Participant's contributions to such other plan or plans.

Section 5.7 Benefits Attributable to Merged Plans. In addition to any retirement income benefit payable to a Participant under this Plan, any Participant who was a participant in the California-American Water Company Employee Retirement Plan, the Seymour Water Company Retirement Plan, the West Virginia Water Company Pension Plan, the Brownsville Water Company Non-Bargaining Employees' Retirement Plan, the Brownsville Water Company Bargaining Employees' Retirement Plan and the Retirement Plan for Employees of California Water Company, which were merged into this Plan, shall also receive the amount of any benefit the Participant would have received from that merged plan, but for the merger. The benefit payable to any Participant who was a participant in the Pekin Water Works Company Pension Trust and who is given credit under Appendix 3 of this Plan in computing their Accrued Benefit under this Plan shall receive no additional benefit credit on account of such participation.

Section 5.8 Normal Form of Retirement Income. The normal form of retirement income shall be as follows:

(a) Unmarried Participants. If a Participant is not married on their Annuity Starting Date, their retirement income will be paid to them monthly for life, beginning with the first payment following their retirement and ending with the last payment payable prior to their death.

(b) Married Participants. If a Participant is married on their Annuity Starting Date, their retirement income will be paid to them in the form of a Qualified Joint and Survivor Annuity as described in Section 6.1(a).

ARTICLE VI.
BENEFIT ELECTIONS, SURVIVOR BENEFITS
AND RELATED REDUCTIONS IN BENEFITS

Section 6.1 Automatic Surviving Spouse Benefit.

(a) Qualified Joint and Survivor Annuity. A Participant who is married on their Annuity Starting Date, shall be paid a benefit for their life equal to that percentage determined by their attained age and the attained age of their spouse, set forth in the Table of Contingent Annuitant Percentages attached to the Plan as Table 2, of their normal retirement income under Section 5.2, their early retirement income under Section 5.4 or their disability retirement income under Section 5.5; and their spouse, if such spouse survives them, shall be paid a benefit equal to 50% of their reduced benefit. For any Participant retiring on a Late Retirement Date, Table 2 shall be applied based on the Participant's attained age and the attained age of the Participant's spouse as of the Participant's Late Retirement Date.

If a Participant's spouse dies within two years of the date payments to the Participant begin under this Section 6.1(a), beginning with the first payment following the death of such spouse, monthly retirement income payments to the Participant will be adjusted to be equal to the monthly amount that would have been paid to the Participant if the Participant's benefit had been determined solely under Section 5.8(a).

(b) Qualified Preretirement Survivor Annuity.

(i) Death Prior to Early Retirement Eligibility and Prior to Completing Ten Years of Service. In the event of the death of an actively employed married Participant who had completed at least five Years of Service but before they had completed at least ten Years of Service, such Participant's spouse shall be entitled to a benefit, payable, if such spouse is then surviving, on the first day of the month coincident with, or next following the later of (A) the date of the Participant's death or (B) the date the Participant would have attained age 55 had they survived, elected the 50% contingent annuity form of benefit, as determined under Table 2 based on their and their spouse's then attained ages, and then died.

(ii) Death Prior to Early Retirement Eligibility but After Ten Years of Service. In the event of a married Participant's death while actively employed, after they have completed ten Years of Service but prior to becoming eligible for Early Retirement, such Participant's spouse shall be entitled to receive the same monthly benefit to which the Participant would have been entitled had the Participant retired on the day before their death and had elected to receive the 100% contingent annuity form of benefit. The amount of such benefit shall be determined under Table 4, based on their attained age and the attained age of their spouse, except that for purposes of applying Table 4, the Participant's attained age, if less than age 55, shall be considered to be age 55 and their spouse's age shall be adjusted so that it bears the same relationship to age 55 as their actual attained ages bear to each other.

(iii) Death After Becoming Eligible for Early Retirement. In the event of a married Participant's death, while actively employed, while they are eligible for Early Retirement but for the applicable notice requirement under Section 4.2(a), such Participant's spouse shall be entitled to receive the same monthly benefit to which the Participant would have been entitled had the Participant retired on the day before their death and had elected to receive the 100% contingent annuitant form of benefit as determined under Table 4, based on their attained age and the attained age of their spouse.

(iv) Death After Becoming Eligible for Normal Retirement. In the event of a married Participant's death while actively employed, after their Normal Retirement Date, such Participant's spouse shall be entitled to receive the same monthly benefit to which the Participant would have been entitled had the Participant retired on their Late Retirement Date and had elected to receive the 100% contingent annuitant form of benefit as determined under Table 4, based on their attained age and the attained age of their spouse.

(v) Death of Vested Terminated Participant. In the event of a married Participant's death after they have completed five Years of Service, but before they had become eligible for Early Retirement, and who was not actively employed at the time of their death, such Participant's spouse shall be entitled to a benefit, payable, if such spouse is then surviving, on the first day of the month coincident with, or next following the later of (A) the date of the Participant's death or (B) the date the Participant would have attained age 55 had they survived, elected the 50% contingent annuity form of benefit, as

determined under Table 2 based on their and their spouse's then attained ages, and then died. Notwithstanding the foregoing, in the event a married Participant who is no longer actively employed dies after they have become eligible to elect to receive retirement income benefits under Section 8.1 and before their Normal Retirement Date, such Participant shall be considered to be actively employed on the date of their death, and their spouse, if surviving, will receive a benefit in accordance with Section 6.1(b)(iii) above.

Any benefit payable under this Section 6.1 shall terminate on the surviving spouse's death.

Section 6.2 Notice and Election Procedures.

(a) Initial Notice and Election. Within 180 days (90 days for plan years beginning prior to January 1, 2007) before a Participant's Annuity Starting Date, the Administration Committee shall supply the Participant with a written explanation describing the terms and conditions of the normal form of benefit payable to them under Section 5.8, the financial effect of the other forms of benefit available to them under the Plan and the relative value of the other forms of benefit compared to the normal form of benefit. The explanation shall also describe the Participant's right to waive the normal form of benefit and the effect of such waiver, the rights of the Participant's spouse, the right to revoke a previous waiver of the normal form of benefit, the effect of such a revocation and, if the Participant has not reached their Normal Retirement Date, the consequences of failing to defer payment until a later payment date. Finally, the explanation shall advise the Participant that their benefit shall be paid in such normal form, unless within 180 days (90 days for plan years beginning prior to January 1, 2007) before their Annuity Starting Date, they notify the Administration Committee of an election to receive a different form of benefit, and, if they are married:

(i) their spouse consents to their election in writing,

(ii) such election designates a Contingent Annuitant(s) other than their spouse (or form of benefit) that may not be changed without spousal consent, or the spouse's consent acknowledges the spouse's right to limit consent to a specific Contingent Annuitant(s) (or form of benefit), and expressly and voluntarily permits designations by the Participant without any requirement of further consent by the spouse; and

(iii) the spouse's consent acknowledges the effect of such election and is witnessed by a notary public.

(iv) Spouse shall mean effective June 26, 2013, the individual to whom a Participant is married, including a marriage of same-sex spouses that was validly entered into in a domestic or foreign jurisdiction whose laws authorize the marriage of two individuals of the same sex even if the married couple resides in a domestic or foreign jurisdiction that does not recognize the validity of same-sex marriages. Marriage does not include registered domestic partnerships, civil unions, or other similar formal relationships recognized under state law that are not denominated as a marriage under that state's law, and the term "Spouse" does not include individuals who have entered into such a formal relationship. Spouse means the spouse of a Participant on the date

benefits under the Plan commence, however, if the Participant should die prior to the date benefits under the Plan would have commenced to them, then the spouse will be the spouse to whom the Participant was married on the date of death. To the extent provided, under a qualified domestic relations order, the "Spouse" means a former Spouse of the Participant.

(b) Election Period; Extension of Election Period. A Participant's election period under this Section 6.2 shall be the 180-day period (90-day period for plan years beginning prior to January 1, 2007) ending on their Annuity Starting Date. If, by not later than the day before their Annuity Starting Date, the Participant notifies the Administration Committee of an election not to receive the normal form of benefit payable to them under Section 5.8, and their spouse (if any) has consented to such election, their benefit shall be paid in the alternate form selected by the Participant.

However, if by not later than the day before their Annuity Starting Date, the Participant requests the Administration Committee to furnish them with additional information relating to the effect of the normal form of benefit payable to them under the Plan, the election period under this Section 6.2 shall be extended and their Annuity Starting Date shall be postponed to a date not later than 180 days (90 days for plan years beginning prior to January 1, 2007) following the date the Administration Committee furnishes them with the additional information.

(c) Change of Election - Optional Form of Benefit. Any Participant electing an optional form of benefit under Section 6.3 or Section 6.4 may revoke such election and file a new election with the Administration Committee at any time prior to the Participant's Annuity Starting Date. Upon the Participant's Annuity Starting Date, their election shall become irrevocable.

(d) Notice and Election Procedures for Qualified Preretirement Survivor Annuity. Within the one-year period beginning on the date an Employee becomes a Participant, the Administration Committee shall provide the Participant with a written explanation of the spouse's preretirement death benefit. The written explanation shall notify the Participant that if they are married and they die before their Annuity Starting Date, their spouse shall receive the spouse's preretirement death benefit determined under Section 6.1(b).

Section 6.3 Monthly Income for Life Election. A Participant who is married on their Annuity Starting Date may, with their spouse's written and notarized consent, elect to have their normal or late retirement income under Section 5.2, their early retirement income under Section 5.4, or their disability retirement income under Section 5.5, in each case as limited by Section 5.6 and 5.7, paid in the form described in Section 5.8(a).

Section 6.4 Survivor and Lump Sum Benefits Available by Election.

(a) Participants whose benefits are not subject to an automatic surviving spouse benefit under Section 6.1 or who, with their spouse's written and notarized consent as described in Section 6.2, elect not to accept an automatic surviving spouse benefit may elect to provide benefits for their Contingent Annuitants as described below, or effective January 1, 2019, elect payment of benefits in the form of a lump sum payment if they meet the conditions set forth in subsection (h) below.

(b) Upon written notice executed by a Participant and filed with their Employer at least 60 days prior to their actual retirement date, a Participant may, subject to the limitations of this Section 6.4, designate any individual as their Contingent Annuitant and at the same time elect:

(i) a reduced benefit for life with the continuation of (A) 50%, (B) 75% (effective for Annuity Starting Dates after June 30, 2008), (C) 66-2/3%, or (D) 100% of such reduced benefit to their surviving Contingent Annuitant for the life of such Contingent Annuitant; or

(ii) a reduced benefit for life with the continuation of 100% of such reduced benefit to their Contingent Annuitant only to the extent required for the total number of monthly payments to the Participant and their Contingent Annuitant to equal either (A) 60, (B) 120, or (C) 180.

(c) In the event of such a designation and election, the reduced retirement income payments will be paid to the Participant, commencing on their Normal, Late, Early or Disability Retirement Date. The first payment, if any, to the Contingent Annuitant shall be made on the first day of the calendar month coincident with or following the death of the Participant, or as soon as administratively possible following the death of the Participant, provided payment is made retroactively to the first day of the month following the Participant's death. Payments to the Participant shall terminate with the last payment payable preceding their death.

(d) Any such election shall become effective upon the Participant's retirement unless otherwise provided by the Participant. The amount of the Participant's reduced retirement benefit shall be determined by multiplying their normal, late, early or disability retirement income by a percentage set forth in Table 2, 3, 4, or 4(a), as appropriate, depending upon their age and the age of their Contingent Annuitant as of the Participant's actual retirement date.

(e) If a Contingent Annuitant dies within two years of the date payments to the Participant begin under this Section 6.4, other than payments in a form described in Section 6.4(b)(ii), monthly retirement income payments to the Participant will be adjusted beginning with the first payment following the death of such Contingent Annuitant, to be equal to the monthly amount that would have been paid to the Participant if the Participant's benefit had been determined solely under Section 5.8(a). No such adjustment will be made to the benefit of a Participant whose benefit is being paid in a form described in Section 6.4(b)(ii).

(f) If a Participant's Contingent Annuitant is anyone other than their spouse, the present value of the payments to be made to the Participant as of the date such payments are to commence, computed by using the same mortality and interest assumptions as are used for purposes of Tables 2, 3, 4, and 4(a) must be more than 50% of the present value, as of such date and similarly computed, of all payments to be made to the Participant and their Contingent Annuitant. Any election of a Contingent Annuitant made in violation of this provision shall be void.

(g) In the event of the death of the Participant's Contingent Annuitant prior to the Participant's actual retirement date, the election of a Contingent Annuitant under Section 6.4 shall be inoperative.

(h) Effective January 1, 2019, a Participant whose Annuity Starting Date occurs on or after January 1, 2019, and who retires from employment with the Employer on or after December 31, 2018, may elect to receive their vested Accrued Benefit in a single sum payment which shall be an amount equal to the Actuarial Equivalent present value of the Participant's vested Accrued Benefit which would otherwise be payable at the Participant's Normal Retirement Date, excluding the value of any early retirement subsidy.

Section 6.5 Death Benefits for Unmarried Participants. An unmarried Participant who is actively employed on or after January 1, 2006 and who has completed at least five Years of Service may designate a Contingent Annuitant. The benefit to be provided to that Contingent Annuitant shall be as specified in (a) through (c) below:

(a) For Active and Terminated Vested Participants: Death Prior to Early Retirement Eligibility and Prior to Completing Ten Years of Service. In the event of an unmarried Participant's death after they have completed five Years of Service, but before they have become eligible for Early Retirement, whether such Participant is then actively employed or not, such Participant's Contingent Annuitant shall be entitled to a benefit, payable, if such Contingent Annuitant is then surviving, on the first day of the month coincident with or next following the later of (i) the date of the Participant's death or (ii) the date the Participant would have attained age 55 had they survived. The amount of such benefit shall be the same amount that such surviving Contingent Annuitant would have received had such Participant terminated their service, survived to age 55, elected the 50% contingent annuity form of benefit, as determined under Table 2 based on their and their Contingent Annuitant's then attained ages, and then died.

(b) For Active Participants: Death Prior to Early Retirement Eligibility but After Ten Years of Service. In the event of an unmarried Participant's death while actively employed, after they have completed ten Years of Service but prior to becoming eligible for Early Retirement, such Participant's Contingent Annuitant shall be entitled to receive the same monthly benefit to which the Participant would have been entitled had the Participant retired on the day before their death and elected to receive the 100% contingent annuity form of benefit. The amount of such benefit shall be determined under Table 4, based on their attained age and the attained age of their Contingent Annuitant, except that for purposes of applying Table 4, the Participant's attained age, if less than age 55, shall be considered to be age 55 and their Contingent Annuitant's age shall be adjusted so that it bears the same relationship to age 55 as their actual attained ages bear to each other.

(c) Death After Becoming Eligible for Early Retirement.

(i) Actively Employed Participants. In the event of an unmarried Participant's death, while actively employed and after becoming eligible for Early Retirement including after the Participant's Normal Retirement Date, such Participant's Contingent Annuitant shall be entitled to receive the same monthly benefit to which the Participant

would have been entitled had the Participant retired on the day before death and elected to receive the 100% contingent annuitant form of benefit as determined under Table 4, based on their attained age and the attained age of their Contingent Annuitant.

(ii) **Terminated Participants.** In the event of an unmarried Participant's death after their employment with the Employer has terminated and after becoming eligible for Early Retirement including after the Participant's Normal Retirement Date, such Participant's Contingent Annuitant shall be entitled to receive the same monthly benefit to which the Participant would have been entitled had the Participant retired on the day before death and elected to receive the 100% contingent annuitant form of benefit as determined under Table 4, based on their attained age and the attained age of their Contingent Annuitant.

(d) Any benefit payable under this Section 6.5 shall terminate on the surviving Contingent Annuitant's death.

Section 6.6 Required Distributions - Code Section 401(a)(9). Distributions under this Section 6.6 shall be made in accordance with section 401(a)(9) of the Code and the regulations thereunder, as generally described in this Section 6.6. The provisions of this Section 6.6 shall supersede any distribution option otherwise provided in the Plan to the extent that it is inconsistent with section 401(a)(9) of the Code, but shall not create or increase any benefit. Notwithstanding anything in the Plan to the contrary, the form and the timing of all distributions under the Plan shall be in accordance with regulations issued by the Department of the Treasury under section 401(a)(9) of the Code, including the incidental death benefit requirements of section 401(a)(9)(G) of the Code. The Plan shall apply the minimum distribution requirements of section 401(a)(9) of the Code in accordance with the final regulations under section 401(a)(9) that were published on April 17, 2002 and June 15, 2004, as set forth in Treas. Reg. § 1.401(a)(9)-2 through 1.401(a)(9)-9. The provisions of this Section 6.6 shall override any provisions of the Plan to the contrary.

(a) **Time and Manner of Distribution.**

(i) **Required Beginning Date.** The Participant's entire interest shall be distributed, or begin to be distributed, to the Participant no later than the Participant's Required Beginning Date.

(ii) **Death of Participant Before Distributions Begin.** If the Participant dies before distributions begin and the Participant's beneficiary is entitled to receive a death benefit, the Participant's entire interest shall be distributed, or begin to be distributed, no later than as follows:

(A) If the Participant's surviving spouse is the Participant's sole Designated Beneficiary, then distributions to the surviving spouse shall begin by December 31 of the calendar year immediately following the calendar year in which the Participant died, or by December 31 of the calendar year in which the Participant would have reached age 70½, if later.

(B) If the Participant's surviving spouse is not the Participant's sole Designated Beneficiary, then distributions to the Designated Beneficiary shall begin by December 31 of the calendar year immediately following the calendar year in which the Participant died.

(C) If there is no Designated Beneficiary as of September 30 of the year following the year of the Participant's death and benefits are payable in the form of a life and certain annuity under Section 6.4(b), the Participant's entire interest shall be distributed to the Participant's estate by the December 31 of the calendar year containing the fifth anniversary of the Participant's death.

(D) If the Participant's surviving spouse is the Participant's sole Designated Beneficiary and the surviving spouse dies after the Participant but before distributions to the surviving spouse begin, this Section 6.6(a)(ii), other than Section 6.6(a)(ii)(A), shall apply as if the surviving spouse were the Participant.

For purposes of this Section 6.6(a)(ii) and Section 6.6(d), distributions are considered to begin on the Participant's Required Beginning Date (or, if Section 6.6(a)(ii)(D) applies, the date distributions are required to begin to the surviving spouse under Section 6.6(a)(ii)(A)). If annuity payments irrevocably commence to the Participant before the Participant's Required Beginning Date (or to the Participant's surviving spouse before the date distributions are required to begin to the surviving spouse under Section 6.6(a)(ii)(B)), the date distributions are considered to begin is the date distributions actually commence.

(iii) Form of Distribution. Unless the Participant's interest is distributed in the form of an annuity purchased from an insurance company or in a single sum on or before the Required Beginning Date, as of the first Distribution Calendar Year distributions shall be made in accordance with Section 6.6(b), (c) and (d). If the Participant's interest is distributed in the form of an annuity purchased from an insurance company, distributions thereunder shall be made in accordance with the requirements of section 401(a)(9) of the Code and the regulations thereunder.

(b) Determination of Amount to be Distributed Each Year.

(i) General Annuity Requirements. If the Participant's interest is paid in the form of annuity distributions under the Plan, payments under the annuity shall satisfy the following requirements:

(A) the annuity distributions shall be paid in periodic payments made at intervals not longer than one year;

(B) the distribution period shall be over a life (or lives) or over a period certain not longer than the period described in Section 6.6(c) and (d);

(C) once payments have begun over a period certain, the period certain shall not be changed even if the period certain is shorter than the maximum permitted;

(D) payments shall either be non-increasing or increase only as follows:

(1) by an annual percentage increase that does not exceed the annual percentage increase in a cost-of-living index that is based on prices of all items and issued by the United States Bureau of Labor Statistics;

(2) to the extent of the reduction in the amount of the Participant's payments to provide for a survivor benefit upon death, but only if the beneficiary whose life was being used to determine the distribution period described in Section 6.6(c) dies or is no longer the Participant's beneficiary pursuant to a qualified domestic relations order within the meaning of section 414(p) of the Code;

(3) to provide cash refunds of employee contributions upon the Participant's death; or

(4) to pay increased benefits that result from a Plan amendment.

(ii) Amount Required to be Distributed by Required Beginning Date. The amount that must be distributed on or before the Participant's Required Beginning Date (or, if the Participant dies before distributions begin, the date distributions are required to begin under Section 6.6(b)(1)) is the payment that is required for one payment interval. The second payment need not be made until the end of the next payment interval even if that payment interval ends in the next calendar year. Payment intervals are the periods for which payments are received, e.g., bi-monthly, monthly, semi-annually, or annually. All of the Participant's benefit accruals as of the last day of the first Distribution Calendar Year shall be included in the calculation of the amount of the annuity payments for payment intervals ending on or after the Participant's Required Beginning Date.

(iii) Additional Accruals After First Distribution Calendar Year. Any additional benefits accruing to the Participant in a calendar year after the first Distribution Calendar Year shall be distributed beginning with the first payment interval ending in the calendar year immediately following the calendar year in which such amount accrues.

(c) Requirements for Annuity Distributions that Commence During Participant's Lifetime.

(i) Joint Life Annuities Where the Beneficiary is Not the Participant's Spouse. If the Participant's interest is being distributed in the form of a joint and survivor annuity for the joint lives of the Participant and a non-spouse beneficiary, annuity payments to be made on or after the Participant's Required Beginning Date to the Designated Beneficiary after the Participant's death must not at any time exceed the applicable percentage of the annuity payment for such period that would have been payable to the Participant using the table set forth in Q&A-2 of Treas. Reg. § 1.401(a)(9)-6. If the Annuity Starting Date precedes the year in which the Participant reaches age 70, the age difference to be used in determining the applicable percentage

referred to in the preceding sentence is reduced by the number of years that the Participant is younger than age 70 on their birthday in the calendar year that contains the Annuity Starting Date. If the form of distribution combines a joint and survivor annuity for the joint lives of the Participant and a non-spouse beneficiary and a period certain annuity, the requirement in the preceding two sentences shall apply to annuity payments to be made to the Designated Beneficiary after the expiration of the period certain.

(ii) Period Certain Annuities. Unless the Participant's spouse is the sole Designated Beneficiary and the form of distribution is a period certain and no life annuity, the period certain for an annuity distribution commencing during the Participant's lifetime may not exceed the applicable distribution period for the Participant under the Uniform Lifetime Table set forth in Treas. Reg. § 1.401(a)(9)-9 for the calendar year that contains the Annuity Starting Date. If the Annuity Starting Date precedes the year in which the Participant reaches age 70, the applicable distribution period for the Participant is the distribution period for age 70 under the Uniform Lifetime Table set forth in Treas. Reg. § 1.401(a)(9)-9 plus the excess of 70 over the age of the Participant as of the Participant's birthday in the year that contains the Annuity Starting Date. If the Participant's spouse is the Participant's sole Designated Beneficiary and the form of distribution is a period certain and no life annuity, the period certain may not exceed the longer of the Participant's applicable distribution period, as determined under this Section 6.6(c)(ii), or the joint life and last survivor expectancy of the Participant and the Participant's spouse as determined under the Joint and Last Survivor Table set forth in Treas. Reg. § 1.401(a)(9)-9, using the Participant's and spouse's attained ages as of the Participant's and spouse's birthdays in the calendar year that contains the Annuity Starting Date.

(d) Requirements For Minimum Distributions Where Participant Dies Before Date Distributions Begin.

(i) Participant Survived by Designated Beneficiary. If the Participant dies before the date distribution of their interest begins and there is a Designated Beneficiary entitled to a death benefit under the Plan, the Participant's entire interest will be distributed, beginning no later than the time described in Section 6.6(a)(ii)(A) or (B) over the life of the Designated Beneficiary or over a period certain not exceeding:

(A) unless the Annuity Starting Date is before the first Distribution Calendar Year, the life expectancy of the Designated Beneficiary determined using the Designated Beneficiary's age as of the Designated Beneficiary's birthday in the calendar year immediately following the calendar year of the Participant's death; or

(B) if the Annuity Starting Date is before the first Distribution Calendar Year, the life expectancy of the Designated Beneficiary determined using the Designated Beneficiary's age as of the Designated Beneficiary's birthday in the calendar year that contains the Annuity Starting Date.

(ii) No Designated Beneficiary. If the Participant dies before the date the distribution of their interest begins, the Participant's surviving spouse is the Participant's sole Designated Beneficiary, and the surviving spouse dies before distributions to the surviving spouse begin, this Section 6.6(d) will apply as if the surviving spouse were the Participant, except that the time by which distributions must begin will be determined without regard to Section 6.6(a)(ii)(A).

(e) Definitions.

(i) Designated Beneficiary. The individual who is designated as the Contingent Annuitant under Section 2.1(i) of the Plan and is the designated beneficiary under section 401(a)(9) of the Code and section 1.401(a)(9)-1, Q&A-4 of the Treasury regulations.

(ii) Distribution Calendar Year. A calendar year for which a minimum distribution is required. The first Distribution Calendar Year is the calendar year immediately preceding the calendar year that contains the Participant's Required Beginning Date.

(iii) Life Expectancy. Life expectancy as computed by use of the Single Life Table in Treas. Reg. § 1.401(a)(9)-9.

(iv) Required Beginning Date. April 1 of the calendar year following the year in which a Participant reaches age 70½ (age 72 for distributions required to be made after December 31, 2019 with respect to a Participant who attains age 70½ after such date). The monthly pension of a Participant whose Required Beginning Date is April 1 of the calendar year in which they incur a separation from service shall include an Actuarial Equivalent adjustment to reflect the commencement of payments after April 1 following the calendar year in which they attained age 70½. The Actuarial Equivalent adjustment described in the preceding sentence for any year shall reduce (but not below zero) any increase in the Participant's Accrued Benefit for the year attributable to additional Years of Service for benefit accrual and Final Average Earnings.

Section 6.7 Distributions Pursuant to a Qualified Domestic Relations Order. Any benefit payable to an alternate payee pursuant to a qualified domestic relations order ("QDRO"), as those terms are defined in section 414(p) of the Code, shall be paid in accordance with the terms of the QDRO. If permitted under the terms of the QDRO, an alternate payee may elect payment of benefits pursuant to a QDRO in the form of an Actuarially Equivalent lump sum distribution; provided, however that the alternate payee must exercise this election within the 90-day period following the notice to the alternate payee that the domestic relations order issued is a QDRO. Notwithstanding the foregoing, an alternate payee may not elect a lump sum form of distribution if payment of the Participant's benefit has commenced prior to the alternate payee's benefit election.

Section 6.8 Limited Lump Sum Election.

(a) **Eligibility.** A Participant who has terminated employment with a vested Accrued Benefit, who is entitled to benefits as of June 30, 2014, may elect to receive their benefit in a single lump sum payment, if the Participant satisfies the following criteria:

(i) the Participant has neither been reemployed by the Employer nor commenced benefits under the Plan prior to the date of distribution is made under this Section;

(ii) the Participant's benefit is not subject to payment pursuant to Section 6.6 as a required minimum distribution or Section 6.7 according to a QDRO; and

(iii) the Participant effectively returns a properly completed application for distribution under this Section, in such form and manner as required by the Administration Committee, during the period that begins September 10, 2014 and ends October 24, 2014, or such other dates established by the Administration Committee to provide an election period of no fewer than 30 days and applied in a uniform and nondiscriminatory manner.

(b) **Distribution to Beneficiary.** If a Participant described in subsection (a) is deceased, and if such Participant's surviving spouse or Contingent Annuitant is entitled to a future benefit under the Plan that has not yet commenced under the Plan prior to the date of distribution under this Section, such surviving spouse or Contingent Annuitant may elect to receive a distribution in the form of a single lump sum payment, if the surviving spouse or Contingent Annuitant effectively returns a properly completed application for distribution under this Section no later than October 24, 2014, in such form and manner as required by the Administration Committee.

(c) **Amount.** The amount of the single lump sum payment under this Section shall be an amount equal to the Actuarial Equivalent present value of the Participant's vested Accrued Benefit which would otherwise be payable at the Participant's Normal Retirement Date, as of November 1, 2014, including the value of any early retirement subsidy if the Participant is eligible for an Early Retirement Date.

(d) **Early Commencement of Benefits and Additional Forms of Distribution for Certain Participants.**

(i) A Participant who satisfies the requirements of subsection (a) who is not yet eligible for a Normal Retirement Date or an Early Retirement Date shall be eligible for a single lump sum payment under this Section.

(ii) A Participant described in subsection (d)(i) shall also be eligible for the normal form of payment under Section 5.8, which for a married Participant shall be an annuity providing a reduced benefit for life with the continuation of either 50% or 75%, as elected, of such reduced benefit to their surviving spouse. The Actuarial Equivalent of such Accrued Benefit shall be reduced in accordance with the factors set forth in Section 5.4 assuming the Participant would have otherwise begun to receive their benefit upon attainment of age 55 or current age, if older, then further reduced using the "applicable mortality table" under section 417(e)(3) of the Code and the "applicable interest rate" under section 417(e)(3) of the Code for the third calendar month preceding the calendar year during which the Annuity Starting Date occurs to the extent their Annuity Starting Date precedes their Early Retirement Date.

(e) Spousal Consent. Notwithstanding anything in this Section to the contrary, any election under this Section by a married Participant of any form of distribution, other than the normal form of benefit payable to them under Section 5.8, shall be subject to the spousal consent and notification requirements described in Section 6.2.

(f) Time of Distribution. Any single lump sum distributions elected under this Section must commence on November 1, 2014 or as soon as administratively feasible thereafter to cause all single lump sum distributions under this Section to occur during 2014.

(g) Closure of Limited Election Period. Notwithstanding anything to the contrary, nothing under this Section shall provide any Participant, spouse, surviving spouse or Contingent Annuitant the right to distribution in the form of a single lump sum payment that does not, for any reason whatsoever, satisfy all of the terms and conditions set forth in this Section.

ARTICLE VII.
BENEFIT PAYMENTS

Section 7.1 Purchase of Annuities. All retirement income will be provided either through (i) the purchase of annuities from, or other contractual arrangements with, an Insurance Company; or (ii) by direct payment from the Trust, as determined from time to time by the Administration Committee.

(a) In the event that a Participant, their surviving spouse, or their Contingent Annuitant is entitled to a retirement income of less than \$10 monthly, that retirement income may be paid quarterly, semi-annually, or annually, in amounts equal to 3, 6 or 12 times the monthly payment otherwise payable, respectively.

(b) Notwithstanding anything herein to the contrary, if the Actuarial Equivalent lump sum present value of a Participant's vested retirement income is \$5,000 or less on the date their distribution commences, such amount shall be paid to the Participant in a single cash lump sum without the Participant's consent as soon as administratively feasible in accordance with the following:

(i) If the Actuarial Equivalent present value of a Participant's vested retirement income is \$1,000 or less and the Participant does not elect to have such distribution paid directly to an "eligible retirement plan" in accordance with Section 7.2 of the Plan, the Participant's retirement income shall be paid directly to the Participant in a cash lump sum.

(ii) If the Actuarial Equivalent present value of a Participant's vested retirement income is more than \$1,000 but does not exceed \$5,000 and the Participant does not affirmatively elect to have such distribution paid directly to them or to an "eligible retirement plan" in accordance with Section 7.2 of the Plan, the Participant's retirement income shall be paid directly to an individual retirement account or annuity (an "IRA") established for the Participant pursuant to a written agreement between the

Administration Committee and the provider of the IRA that meets the requirements of section 401(a)(31) of the Code and the regulations thereunder. The Administration Committee shall establish and maintain procedures to inform each Participant to whom this Section 7.1(b)(ii) applies of the nature and operation of the IRA and the Participant's investments therein, the fees and expenses associated with the operation of the IRA, and the terms of the written agreement establishing such IRA on behalf of the Participant.

Section 7.2 Direct Rollovers.

(a) Eligibility. If one or more distributions from the Plan constitutes an "eligible rollover distribution" within the meaning of sections 402(c)(2) and (4) of the Code, a distributee may elect to have all or a portion (but not less than \$500) of the distribution paid directly to an "eligible retirement plan." As used herein, "eligible retirement plan" means an individual retirement account described in section 408(a) of the Code, an individual retirement annuity described in section 408(b) of the Code, an annuity plan described in Section 403(a) of the Code, an annuity contract described in section 403(b) of the Code, or a qualified trust described in section 401(a) of the Code that accepts the distributee's eligible rollover distribution. An eligible retirement plan also includes an eligible plan under section 457(b) of the Code that is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state and that agrees to account separately for amounts transferred into such plan from this Plan. For any portion of an eligible rollover distribution consisting of after-tax contributions that are not includable in gross income, an eligible retirement plan must agree to separately account for such portion. With respect to a distributee who is a non-spouse beneficiary, "eligible retirement plan" means an individual retirement account or annuity described in section 408(a) or 408(b) of the Code that is established on behalf of the designated beneficiary and that will be treated as an inherited individual retirement annuity pursuant to the provisions of section 402(c)(11) of the Code. Effective for distributions made on or after January 1, 2008, a "qualified rollover contribution" as described in section 408A(e) of the Code may be made from the Plan to a Roth IRA in a direct rollover subject to the rules and provisions set forth in section 408A(e) of the Code and any regulations issued thereunder. The recipient may not elect to have portions of an eligible rollover distribution paid directly to more than one eligible retirement plan. In addition, the recipient will not be permitted to elect a direct rollover with respect to eligible rollover distributions that are reasonably expected to total less than \$200 during the year.

(b) Procedures. The Administration Committee shall make such payment upon receipt from the recipient of the name of the eligible retirement plan to which such payment is to be made, a representation that the receiving plan is an "eligible retirement plan" as defined above, and such other information and/or documentation as the Administration Committee may reasonably require to make such payment.

(c) Failure to Elect. Except as otherwise provided under Section 7.1(b)(ii), if the recipient fails to elect whether or not a distribution is to be paid in a direct rollover, the recipient will be deemed to have elected not to have any portion of the distribution paid in a direct rollover.

(d) Application. For purposes of this Section 7.2, “distributee” means a Participant or former Participant. In addition, the Participant’s or former Participant’s surviving spouse or former spouse who is the alternate payee under a qualified domestic relations order, as defined in section 414(p) of the Code, are distributees with regard to the interest of the spouse or former spouse. For distributions after June 30, 2008, the term distributee also shall include a beneficiary who is not the spouse or former spouse of the Participant or former Participant.

ARTICLE VIII.
VESTED BENEFITS IN THE EVENT OF TERMINATION OF EMPLOYMENT

Section 8.1 Vesting. A Participant whose employment is terminated for any reason other than death or retirement, and who has completed five or more Years of Service at the date of their termination of employment shall be entitled to receive a monthly retirement income beginning on their Normal Retirement Date equal to their normal retirement income under the Plan as in effect as of the date of their termination of employment, based on their full and partial Years of Service at such date of termination of employment. However, if they make written application to their Employer at least two months in advance, such a Participant shall be entitled to receive their benefit, reduced as provided in Section 5.4, beginning with the first day of any calendar month following the month in which the sum of the years of their attained age and their completed Years of Service is at least 70, provided they have then attained at least age 55. Notwithstanding the foregoing, a Participant shall automatically become 100% vested on the date they reach age 65.

Section 8.2 Payment of Vested Termination Benefit.

(a) Forms of Payment. A Participant entitled to benefits under Section 8.1, shall, for purposes of Section 6.1(a) and Section 6.3, be treated as though the date on which their benefits under Section 8.1 are to begin were their actual retirement date. Such a Participant may elect any of the elective survivor benefits provided by Section 6.4.

(b) Termination Benefit For Certain Union Employees. A union Participant hired on or after January 1, 2001 but before January 1, 2006 who terminates employment with a vested Accrued Benefit on or after January 1, 2006, may elect to receive their benefit at any time in one of the following payment forms:

(i) a single lump sum payment in an amount equal to the Actuarial Equivalent present value of the Participant’s vested Accrued Benefit which would otherwise be payable at the Participant’s Normal Retirement Date, however, if the Participant is eligible for an Early Retirement Date at the time they terminate employment, the lump sum payment will reflect the value of the early retirement subsidy; or

(ii) a single life annuity which shall be the Actuarial Equivalent value of the single lump sum described in (i) above.

Notwithstanding the foregoing, if payment to the Participant occurred later than the close of the second Plan Year following the Plan Year in which such termination of employment occurred and such Participant is reemployed by the Employer, the Participant’s Accrued Benefit shall be

restored upon reemployment without the requirement that they make restoration contributions, provided, however their subsequent Accrued Benefit, if any, payable upon their subsequent termination of employment shall be offset by the Accrued Benefit attributable to the prior distribution.

Section 8.3 Failure to Vest. A Participant whose employment is terminated for any reason other than death or retirement and who has not completed at least five Years of Service at the time of their termination of employment for any reason other than death or retirement shall not be entitled to any benefits under the Plan. Amounts forfeited under this provision shall be applied to reduce the obligation of the Company and its Designated Subsidiaries to contribute under the Plan.

ARTICLE IX.
RE-EMPLOYMENT AND BREAKS-IN-SERVICE

Section 9.1 Re-employment before July 1, 1976. If a Participant who terminated employment with the Employer is re-employed before July 1, 1976, they shall be considered a new Employee for purposes of this Plan. In determining the amount of their retirement income as a new Employee, however, if the Participant has vested retirement income benefits under Section 8.1 due to prior service, their benefit shall be computed under Section 5.2 as if their service was continuous. The benefit payable to such Participant as a new Employee shall be the excess of the benefit so computed over the benefit payable on account of that prior service, without regard to any actuarial reductions to which that prior service benefit may have been subject.

Section 9.2 Re-employment after June 30, 1976 and before July 1, 1985. If a Participant terminates employment with the Employer and is re-employed after June 30, 1976 and before July 1, 1985, all of their Years of Service shall be recognized for all purposes of the Plan unless, at the time of their return to employment, the period of their absence was at least a one-year Break-in-Service, in which event:

(a) Years of Service occurring before the Break-in-Service shall not thereafter be recognized for any purpose of the Plan unless, immediately following the Break-in-Service, they completed one Year of Service; and,

(b) if, before the Break-in-Service, the Participant had no vested retirement income benefit under Section 8.1, Years of Service before the Break-in-Service shall not thereafter be recognized for any purpose of the Plan unless the number of Years of Service before the Break-in-Service exceeds the number of consecutive years of Break-in-Service.

Section 9.3 Re-employment after June 30, 1985. If a Participant terminates employment with the Employer and is re-employed after June 30, 1985, all of their Years of Service shall be recognized for all purposes of the Plan unless, at the time of their return to employment, the period of their absence was at least five consecutive Breaks-in-Service, in which event:

(a) Years of Service occurring before those Breaks-in-Service shall not thereafter be recognized for any purpose of the Plan unless, immediately following those Breaks-in-Service, they have completed one Year of Service; and,

(b) if, before those Breaks-in-Service, the Participant had no vested retirement income benefit under Section 8.1, Years of Service before those Breaks-in-Service shall not thereafter be recognized for any purpose of the Plan unless the number of Years of Service before those Breaks-in-Service exceeds the greater of five or the number of consecutive Breaks-in-Service.

Section 9.4 General. Anything herein to the contrary notwithstanding, a Break-in-Service shall not reduce any Participant's vested retirement income benefit, determined immediately before the Break-in-Service, nor shall Section 9.2 or Section 9.3 be interpreted to restore credit for Years of Service disregarded by reason of some earlier Break(s)-in-Service.

Section 9.5 Reinstatement of Years of Service for Benefit Accrual. A Participant's Years of Service for benefit accrual attributable to a prior cash-out or lump sum payment equal to the Actuarial Equivalent present value of a Participant's Accrued Benefit, shall be restored upon reemployment of the Participant if payment was made to the Participant later than the last day of the second Plan Year following the Participant's termination from employment with the Employer. Upon subsequent termination, the Accrued Benefit payable to the Participant shall be offset by the value of the previous lump sum distribution.

ARTICLE X. VETERANS' RE-EMPLOYMENT RIGHTS

Section 10.1 Qualified Military Service. Notwithstanding any provision of the Plan to the contrary, contributions, benefits and service credit with respect to Qualified Military Service will be provided in accordance with section 414(u) of the Code as summarized below:

(a) Crediting Service.

(i) An Employee re-employed by the Employer in accordance with Chapter 43 of Title 38 of the United States Code shall be treated as not having incurred a Break-in-Service with the Employer by reason of such Employee's period of Qualified Military Service.

(ii) Upon re-employment by the Employer in accordance with Chapter 43 of Title 38 of the United States Code, an Employee's period of Qualified Military Service shall be deemed service with the Employer for purposes of determining the vested percentage of the Employee's account.

(b) Earnings. An Employee who is in Qualified Military Service shall be treated as receiving Earnings from the Employer during such period of Qualified Military Service equal to:

(i) the Earnings the Employee would have received during such period if the Employee were not in Qualified Military Service, determined based on the rate of pay the Employee would have received from the Employer but for absence during the period of Qualified Military Service; or

(ii) if the Earnings the Employee would have received during such period was not reasonably certain, the Employee's average Earnings from the Employer during the 12-month period immediately preceding the Qualified Military Service (or, if shorter, the period of employment immediately preceding the Qualified Military Service).

Section 10.2 Death While In Qualified Military Service. Effective for deaths occurring on or after January 1, 2007, to the extent required by section 401(a)(37) of the Code and regulations or other guidance issued thereunder, the survivors of a Participant who dies while performing qualified military service (as defined in section 414(u) of the Code) shall be eligible for any additional benefits (other than benefit accruals relating to the period of qualified military service) that would have been provided under the Plan if the Participant had resumed employment and immediately thereafter terminated employment due to death.

ARTICLE XI PLAN ADMINISTRATION

Section 11.1 Administration Committee. The Plan shall be administered by the Administration Committee, which shall be a "named fiduciary" of the Plan and the Plan's "administrator," as those terms are defined by ERISA, and its agent designated to receive service of process. All matters relating to the administration of the Plan, including the duties imposed upon the Plan administrator by law, except those duties relating to the control or management of Plan assets, shall be the responsibility of the Administration Committee. No member of the Administration Committee shall act on any matter in which they alone are personally interested under the Plan. Except as may otherwise be provided by the Plan, the Administration Committee shall have all powers necessary or appropriate to administer and manage the Plan (except those authorities relating to the control or management of Plan assets) including, but not by way of limitation, the following:

(a) To interpret the provisions of the Plan and to decide any dispute that may arise regarding the rights of Participants thereunder. Any such determinations shall apply uniformly to all persons similarly situated and shall be binding and conclusive upon all interested persons.

(b) To determine all questions affecting the eligibility of any Employee to participate in the Plan, including, without limitation, to determine whether any individual performing services as an independent contractor is an Employee eligible to participate in the Plan and, if so, for what period.

(c) To compute the amount of benefits payable hereunder to any Participant.

(d) To authorize the application of funds to provide the retirement income benefits of Participants, surviving spouses and Contingent Annuityants.

(e) To appoint an actuary who shall make all actuarial computations required in the administration of the Plan, including those necessary to enable the Company and its Designated subsidiaries to comply with the provisions of Section 12.1.

(f) To employ such accountants, attorneys, consultants and other advisors as may be necessary or appropriate to the administration of the Plan and to delegate authority to such one or more members of the Administration Committee or such other Employee of an appropriate Employer as the Administration Committee shall determine.

(g) To prescribe from time to time, with the advice of an actuary, such actuarial assumptions as are necessary for the operation of the Plan. The factors and assumptions embodied in Tables 1 through 5 may be changed only by Plan amendment pursuant to Section 16.1(a).

(h) To authorize an amendment to the Plan extending the Plan to a group or groups of acquired employees in accordance with the terms and conditions set forth in any acquisition agreement previously approved by the Board of Directors, provided that no service shall be credited for benefit accrual purposes prior to the date on which the Plan is extended by the Company to the group or groups of acquired employees, except as specifically provided in the agreement approved by the Board of Directors.

Section 11.2 Investment Committee. All matters relating to the control and management of Plan assets shall, except to the extent delegated, be the responsibility of the Investment Committee. By way of example and not limitation, the Investment Committee shall perform the duties or assume the responsibilities listed below with respect to the Plan: (a) have the authority to select, appoint, retain or terminate service providers (e.g., trustees, custodians, investment managers and advisors, consultants); (b) enter into contracts or agreements with service providers; (c) establish formal criteria to select and monitor the performance of service providers; and (d) establish investment policies with respect to the funds supporting the Plan.

Section 11.3 Delegation and Allocation of Responsibility. Each of the Administration Committee and the Investment Committee may delegate their respective responsibilities to any individual and may allocate any of its responsibilities to one or more members of the Administration Committee or Investment Committee, as applicable. Persons to whom responsibilities have been delegated may not delegate to others any discretionary authority or discretionary control with respect to the management or administration of the Plan.

Section 11.4 Indemnification. The Company and Designated Subsidiaries shall, to the full extent permitted by law, indemnify and hold harmless each member of the Administration Committee and Investment Committee and each other director, officer or employee of the Company or of a Designated Subsidiary acting as a “fiduciary” of the Plan, as defined in section 3(21) of ERISA or any corresponding provisions of successor laws, against any liability or loss, including, without limitation, attorneys’ fees and other expenses, excise taxes, judgments, fines and amounts paid in settlement, reasonably incurred by such “fiduciary” in connection with any claim (or actions or proceedings in respect thereof) arising out of or based upon an alleged breach of fiduciary duty, provided that they acted in good faith and in a manner they reasonably believed to be in, or not opposed to, the best interests of the Plan and, with respect to any criminal proceeding, had no reasonable cause to believe their conduct was unlawful, and further

provided that the “fiduciary” shall have taken the steps required under any applicable insurance policy to preserve the coverage afforded by such insurance with respect to such liability or loss. If any action is brought against a “fiduciary” in respect of which indemnity may be sought against the Company or a Designated Subsidiary, they shall promptly notify the Company in writing of the institution of such action, and the Company shall assume the defense of such action, including the employment of counsel and payment of expenses, to the extent that the same is not assumed by the insurance company. The “fiduciary” shall bear the fees and expenses of any additional counsel retained by them.

Section 11.5 Claims Procedure. The Administration Committee shall administer a claims procedure as follows:

(a) Initial Claim. A Participant, surviving spouse or Contingent Annuitant (a “Claimant”), or the Claimant’s authorized representative, who believes themselves entitled to benefits under the Plan and who does not begin to receive those benefits within 120 days after the claimed benefit date may claim those benefits by submitting to their Employer within 90 days after the expiration of that 120-day period, a written notification of their claim of right to such benefits. A claim for benefits must be made in accordance with the procedures established by the Administration Committee. Except for benefits paid pursuant to the small benefit cash out provisions of Section 7.1, no benefit shall be paid under the Plan until a proper claim for benefits has been submitted to the Administration Committee. The Participant’s Employer shall forward that claim to the Administration Committee within five business days after it is filed.

(b) Procedure for Review. The Administration Committee shall establish administrative processes and safeguards designed to ensure and to verify that benefit claim determinations are made in accordance with the Plan document and that, where appropriate, the Plan provisions have been applied consistently with respect to similarly situated claimants.

(c) Claim Denial Procedure. In the event that the initial claim is wholly or partially denied, the Administration Committee shall, within 90 days (or in special cases, and upon prior written notice to the claimant, 180 days) of the receipt of the claim, provide written notice informing the Claimant of: (i) the reason or reasons for the denial, (ii) the specific reference to the Plan provisions on which the denial was based, (iii) any additional information which may be necessary to perfect the claim, with reasons therefor, and (iv) the procedure for reviewing the denial of the claim, including a description of the time limits applicable to the Plan’s review procedures and a statement of the Claimant’s right to bring a legal action following an adverse benefit determination on review.

(d) Appeal Procedure. In the case of an adverse benefit determination, the Claimant or their representative shall have the opportunity to appeal to the Administration Committee for review provided the Claimant submits a proper written application for appeal within 90 days of receipt of the notification of the adverse benefit determination. Failure to submit a proper application for appeal within such 90-day period will cause such

claim to be permanently denied. The Claimant shall have a right to: (i) review all pertinent documents and submit comments in writing, and (ii) receive, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant to the claim for benefits. The Administration Committee's review shall take into account all comments, documents, records and other information submitted by the Claimant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination.

(e) Decision on Appeal. No later than 60 days after its receipt of the request for review, the Administration Committee shall render a decision in writing. If special circumstances require extension, and upon prior written notice to the claimant, the Administration Committee's decision may be given within 120 days after receipt of the request for review. In the case of an adverse benefit determination on appeal, the written notice shall include: (i) the specific reason or reasons for the adverse determination, (ii) the specific reference to the Plan provision(s) on which the denial is based, (iii) a statement that the Claimant is entitled to receive, upon request and free of charge, reasonable access to and copies of all documents, records and other information relevant to the claim, and (iv) a statement of the Claimant's right to bring a legal action.

(f) Litigation. In order to operate and administer the claims procedure in a timely and efficient manner, any Claimant whose appeal with respect to a claim for benefits has been denied, and who desires to commence a legal action with respect to such claim, must commence such action in a court of competent jurisdiction within 90 days of receipt of notification of such denial. Failure to file such action by the prescribed time will forever bar the commencement of such actions.

Section 11.6 Plan Expenses. All fees of actuaries, accountants, attorneys, consultants or other advisors, and other expenses of the Plan, shall, as determined by the Administration Committee, be paid from the Fund or allocated among the Company and its Designated Subsidiaries.

ARTICLE XII. CONTRIBUTIONS

Section 12.1 Contributions.

(a) Contributions to Meet Funding Standards. The Company and its Designated Subsidiaries, shall each contribute to the Plan, by deposit with the Insurance Company or with the Trustee or other fiduciary of any trust or other fund which may be established by the Company to hold, manage and invest amounts contributed under the Plan by the Company or its Designated Subsidiaries, an amount which shall not be less than the amount necessary to prevent an accumulated funding deficiency, as defined in section 412 of the Code, section 302 of ERISA, or corresponding provisions of successor laws, with respect to those of its Employees who are Participants in the Plan.

(b) Special Rule; Return of Contributions. It is intended that the Plan and the Fund shall continue to qualify under section 401(a) of the Code and that contributions are conditioned upon their deductibility under section 404 of the Code. Therefore, Section 12.1 shall be subject to the following provisions:

(i) The entire contribution attributable to any Plan Year as to which deductibility is disallowed shall be returned to the Employer, to the extent of the amount of the disallowance, within one year after the disallowance. Nondeductible contributions that are treated as *de minimis* pursuant to Revenue Procedure 90-49 shall be returned to the Employer within one year of the date of the Plan actuary's certification of such non-deductibility.

(ii) In the case of a contribution which is made in whole or in part by reason of a mistake of fact, so much of such contribution as is attributable to the mistake of fact shall be returnable to the Employer upon demand by the Administration Committee, upon presentation of evidence of the mistake of fact to the Insurance Company and of calculations as to the impact of such mistake. Demand and repayment must be effectuated within one year after the payment of the contribution to which the mistake applies.

Income and gains attributable to the excess contributions may not be recovered by the Employer. Losses attributable to such contributions shall reduce the amount the Employer may recover.

Section 12.2 Management of Funds. All funds to provide the benefits of the Plan shall be deposited with the Insurance Company or the Trustee to be held, managed and disposed of in accordance with the terms of the Insurance Contract, the Trust Agreement or any agreement with any Investment Manager. At no time and under no circumstances may the funds or any part thereof or income therefrom prior to the satisfaction of all liabilities for benefits under the Plan be used for or diverted to purposes other than the exclusive benefit of Participants, surviving spouses or Contingent Annuitants under the Plan. No one shall have any interest in or right to any part of the assets or the earnings of the funds, except as and to the extent expressly provided in the Plan.

ARTICLE XIII.
MISCELLANEOUS

Section 13.1 Liability of the Company. The Company and its Designated Subsidiaries shall have no liability for the payment of benefits under the Plan, except to make the contributions required under Section 12.1, nor shall the Company or any Designated Subsidiary have any liability for the administration of the funds or assets paid over to the Insurance Company, the Trustee or any Investment Manager, and each Participant, surviving spouse and Contingent Annuitant shall look solely to the Insurance Company, or Trustee for any payments or benefits under the Plan.

Section 13.2 Non-Alienation of Benefits. No benefits payable under the Plan shall be subject in any manner to anticipation, assignment or pledge and any attempt to anticipate, assign or pledge the same shall be void; and no such benefit shall be in any manner liable for or subject to the debts, contracts, liabilities, engagements or torts of any Participant, surviving spouse or Contingent Annuitant. This Section 13.2 shall not preclude the Insurance Company or the Trustee from complying with the terms of a qualified domestic relations order as defined in section 414(p) of the Code, or applicable provisions of successor laws.

Section 13.3 Facility of Payment. If any Participant, surviving spouse or Contingent Annuitant is, in the judgment of either the Insurance Company or the Trustee, legally, physically or mentally incapable of personally receiving or receipting for any benefit due hereunder, the Insurance Company or the Trustee may make payment thereof to such other person, persons or institutions who, in the opinion of the Insurance Company or Trustee, are then maintaining or have custody of such Participant, surviving spouse or Contingent Annuitant until claim is made by the duly appointed guardian or other legal representative of such Participant, surviving spouse or Contingent Annuitant. Such payment shall constitute a full discharge of the liability of the Insurance Company or Trustee, to the extent thereof. Upon notice to the Insurance Company or Trustee of the appointment of a guardian or other legal representative of such Participant, surviving spouse or Contingent Annuitant, the Insurance Company or Trustee shall thereafter pay only to said guardian or other legal representative.

Section 13.4 Limitation on Benefits. Notwithstanding any other provisions of this Plan, the annual benefit, derived from Company, Designated Subsidiary or former Designated Subsidiary contributions, payable to any Participant under this Plan and any other defined benefit pension plan maintained by the Company or any Designated Subsidiary may not exceed the lesser of the amount determined under the primary limit or, effective until January 1, 2000, the combined limit provisions of Article C of Appendix 2, provided that in applying the combined limit any necessary reduction shall first be made in computing the benefit to be provided under this Plan.

Section 13.5 Right to Terminate Employment. The establishment or continuance of the Plan and of any Insurance Contract, Trust, or any contract with any Investment Manager, shall not confer upon any Participant the right to be continued in the employ of the Company or of any Designated Subsidiary and this Plan shall in no way restrict the right of the Company or of a Designated Subsidiary to terminate the employment of any employee, whether or not a Participant.

ARTICLE XIV.
TERMINATION OF THE PLAN - DISTRIBUTION OF ASSETS

Section 14.1 Order of Priorities. The Plan as a whole may be terminated at any time by the Board of Directors. In the event of such complete termination, or if for any reason the Plan is partially terminated the Accrued Benefits of all Participants affected by such complete or partial termination shall, to the extent then funded, become 100% vested. In the event of a complete or partial termination of the Plan, or upon a complete discontinuance of contributions required by Section 12.1, funds then held under the Plan for the benefit of affected Participants, surviving spouse and Contingent Annuitants shall be allocated to or for the benefit of the affected Participants, surviving spouse and Contingent Annuitants in the order set forth below and in the manner and amount provided in Sections 14.2 through 14.3.

(a) There shall first be credited to each Participant the amount, if any, necessary to provide that portion of their benefit derived from their own contributions.

(b) There shall then be credited to each Participant, surviving spouse and Contingent Annuitant whose benefit has been in pay status for at least three years as of the Plan's termination date, or whose benefit would have been in pay status during such period if the Participant had retired, and their benefit had begun immediately prior thereto, the amount, if any, necessary to provide the lowest level of benefit to which they were, or would have been, entitled under the provisions of the Plan in effect during the five-year period ending on the Plan's termination date.

(c) There shall then be credited to each Participant, surviving spouse and Contingent Annuitant whose vested Accrued Benefit has not been fully provided under (a) or (b) above, the amount, if any, necessary to provide that portion of their vested Accrued Benefit, determined immediately prior to the Plan's termination, which does not exceed the lesser of:

(i) a monthly annuity equal to the Participant's average monthly gross income during the five consecutive calendar years during which their gross income received from the Company was highest; or

(ii) \$750 multiplied by a percentage computed by dividing the Social Security Act contribution and benefit base at the time the Plan terminates by that base as in effect during 1974.

The amount allocated under this Section 14.1(c) shall be determined without regard to whether the Participant would be considered a "substantial owner" within the meaning of section 4022(b)(6) of ERISA, or any corresponding provisions of successor laws.

(d) There shall then be credited to each Participant, surviving spouse and Contingent Annuitant whose benefit has not been provided under (a) or (b) above, the amount, if any, necessary to provide the portion of their vested Accrued Benefit, determined immediately prior to the Plan's termination, not provided under (c) above. If the Plan has been amended during that five-year period, the allocation of assets to benefits described in (d) which are attributable to such amendments shall be made on the basis of such amendments in the order in which they became effective.

(e) Finally, there shall be credited to each Participant, surviving spouse and Contingent Annuitant the amount, if any, necessary to provide any benefit to which they are entitled under the Plan to the extent such benefit has not been provided above.

(f) If the assets of the Plan are insufficient to provide in full the benefits described in (a), (b) or (c) above, the assets shall be allocated pro rata among all Participants, surviving spouses and Contingent Annuitants in the affected group on the basis of the present value, as of the Plan's termination date, of their respective benefits. If the assets of the Plan are insufficient to provide all benefits described in (d) (after all benefits described in (a) through (c) have been provided) those assets will first be allocated to any nonforfeitable benefits described in (d) under the Plan as in effect five years prior to the termination date, and thereafter to other benefits described in (d).

Section 14.2 Method of Allocation. The allocation of funds held under the Plan shall, with the advice of the actuary, be calculated by the Investment Committee on the foregoing basis as of the date on which the Plan is discontinued or contributions are completely discontinued. When the calculations have been completed, and the Company shall have obtained such governmental approvals of the allocation of Plan assets, including approval by the Pension Benefit Guaranty Corporation, as the Investment Committee may determine to be necessary, such funds shall be allocated to or for the benefit of the respective Participants, surviving spouses and Contingent Annuitants of each class in the order, and to the extent, stated in Section 14.1 above, except that (a) no Participant, surviving spouse or Contingent Annuitant shall be entitled to a share of any such funds greater than the actuarial value, at the date of such discontinuance of the Plan or contributions, of the total retirement income to which such Participant, surviving spouse or Contingent Annuitant would have been entitled under the Plan at the Participant's Normal Retirement Date pursuant to Sections 5.2, 5.6, and 5.7 had the Plan or contributions not been discontinued and had such Participant continued in employment until their Normal Retirement Date without change in Final Average Earnings, and (b) except to the extent required to comply with Title IV of ERISA, or any corresponding provisions of any successor laws, no assets previously allocated to the benefit of any Participant, surviving spouse or Contingent Annuitant shall be reallocated. The Investment Committee shall have the right to determine whether the distribution shall be applied to purchase retirement income under any Insurance Contract or paid in cash. Any assets remaining after the distributions described in this Section 14.2 have been completed shall be allocated among, and returned to, the Company and its Designated Subsidiaries on the basis determined by the Investment Committee, with the advice of the actuary.

Section 14.3 Restricted Benefits.

(a) In the event of termination of the Plan, the benefit due any Participant or former Participant who is one of the 25 highest paid Participants shall be restricted in the manner set forth in this Section 14.3(a).

(i) Benefit Restriction. The annual payments to a Participant described above in this Section 14.3(a) shall be restricted to an amount equal to the payments that would be made on behalf of such Participant under a single life annuity that is the Actuarial Equivalent of the sum of the Participant's Accrued Benefit and the Participant's other benefits, as described below.

(ii) Definition of "Benefits". For purposes of this Section 14.3(a), the term "benefits" shall include loans in excess of the amounts set forth in section 72(p)(2)(A) of the Code, any periodic income, any withdrawal values payable to a living Participant, and any death benefits not provided for by insurance on the Participant's life.

(iii) Restrictions Not Applicable. The restrictions described in this Section 14.3(a) shall not apply if:

(A) after payment to a Participant described in this Section 14.3(a) of all benefits described in Section 14.3(a)(ii), the value of the Plan assets equals or exceeds 110% of the value of the current liabilities as defined in section 412(1)(7) of the Code for Plan Years beginning prior to January 1, 2008, and for Plan Years beginning on or after January 1, 2008, the funding target (as defined under section 430 of the Code), or

(B) the value of the benefits described in Section 14.3(a)(ii) for a Participant described in this Section 14.3(a) is less than 1% of the value of current liabilities.

(b) Any excess reserves arising by application of the provisions of Section 14.3(a), shall be used for the benefit of the other Participants, surviving spouses and Contingent Annuitants in accordance with Section 14.1.

(c) The provisions of Section 14.3(a) shall not restrict the purchase in full of retirement income benefits, including vested deferred benefits, called for by the Plan for any retired Participant, surviving spouse or Contingent Annuitant while the Plan is in full effect and its full current costs have been met; nor shall it restrict the purchase of any retirement income benefits withheld for a prior year (under the foregoing provisions) after all deficits for all prior years and full current costs have been met.

Section 14.4 Severance of a Subsidiary. If at any time any Designated Subsidiary ceases to be a Subsidiary or a Designated Subsidiary prior to termination of the Plan, the Employees of that Subsidiary shall then cease to be Participants in the Plan, and shall accrue no further benefits hereunder.

ARTICLE XV.
GOVERNMENTAL APPROVAL

Anything in this Plan to the contrary notwithstanding, the adoption of the Plan and any amendment thereto shall be conditioned upon the receipt of (A) a determination from the Commissioner of Internal Revenue to the effect that the Plan qualifies under the applicable provisions of the Code and (B) any required approval or authorization under any other applicable statute or regulation. Effective February 1, 2017, the Internal Revenue Service has discontinued the determination letter application program such that (A) shall no longer apply.

ARTICLE XVI.
AMENDMENTS

Section 16.1 Amendment.

(a) The Company and its Designated Subsidiaries hope and expect to continue the Plan indefinitely, but reserve the right to suspend or discontinue the Plan, or to reduce or discontinue contributions hereunder. The Plan may be amended at any time and from time to time by the Board of Directors or its properly authorized delegate. In addition, the Administration Committee shall have the right to amend this Plan in whole or in part at any time and from time to time, provided that any such amendment is administrative in nature, required by law, or does not materially increase the cost of the Plan to the Company, as determined by the Company's Treasurer in consultation with the Company's Chief Financial Officer. No amendment shall divest any vested interest of any Participant or beneficiary, and no amendment shall be effective unless the Plan continues to be for the exclusive benefit of the Participants and

their beneficiaries. In addition, no amendment shall decrease a Participant's vested interest, eliminate or reduce any benefit subsidy or early retirement benefit, or eliminate any optional form of benefit except in accordance with sections 411(d)(6) and 412(d)(2) (section 412(c)(8) for Plan Years beginning before July 1, 2008) of the Code.

(b) Notwithstanding the foregoing Section 16.1(a), any modification or amendment of the Plan, the Insurance Contract, any trust or other fund established under the Plan, or any provision thereof, may be made, retroactively if necessary, which the Company by action of the Board of Directors or its designee shall deem necessary or appropriate in order to comply with any applicable statute or regulations, including but not limited to the Code and the regulations thereunder.

Section 16.2 Merger, Consolidation or Transfer of Assets or Liabilities. The Company and its Designated Subsidiaries also reserve the right to merge or consolidate this Plan with any other pension plan qualified under applicable provisions of the Code, or to transfer any or all Plan assets or liabilities to any other pension plan qualified under applicable provisions of the Code, provided that, notwithstanding this Section 16.2, no such merger, consolidation or transfer of Plan assets or liabilities shall occur unless the benefit to which each affected Participant, surviving spouse or Contingent Annuitant would be entitled in the event of a plan termination immediately after such merger, consolidation or transfer will be at least equal to the benefit to which such Participant, surviving spouse or Contingent Annuitant would be entitled under this Plan if it terminated immediately prior to such merger, consolidation or transfer.

ARTICLE XVII.

LIMITATIONS APPLICABLE IF THE PLAN'S ADJUSTED FUNDING TARGET ATTAINMENT PERCENTAGE IS LESS THAN 80% OR IF THE PLAN SPONSOR IS IN BANKRUPTCY

Section 17.1 Limitations Applicable If the Plan's Adjusted Funding Target Attainment Percentage Is Less Than 80%, But Not Less Than 60%. Notwithstanding any other provisions of the Plan, if the Plan's adjusted funding target attainment percentage for a Plan Year is less than 80% (or would be less than 80% to the extent described in Section 17.1(b) below) but is not less than 60%, then the limitations set forth in this Section 17.1 apply.

(a) 50% Limitation on Single Sum Payments, Other Accelerated Forms of Distribution, and Other Prohibited Payments. A Participant or beneficiary is not permitted to elect, and the Plan shall not pay, a single sum payment or other optional form of benefit that includes a prohibited payment with an annuity starting date on or after the applicable section 436 measurement date, and the Plan shall not make any payment for the purchase of an irrevocable commitment from an insurer to pay benefits or any other payment or transfer that is a prohibited payment, unless the present value of the portion of the benefit that is being paid in a prohibited payment does not exceed the lesser of:

(i) 50% of the present value of the benefit payable in the optional form of benefit that includes the prohibited payment; or

(ii) 100% of the PBGC maximum benefit guarantee amount (as defined in section 1.436-1(d)(3)(iii)(C) of the Treasury Regulations).

The limitation set forth in this Section 17.1(a) does not apply to any payment of a benefit which under section 411(a)(11) of the Code may be immediately distributed without the consent of the Participant. If an optional form of benefit that is otherwise available under the terms of the Plan is not available to a Participant or beneficiary as of the annuity starting date because of the application of the requirements of this Section 17.1(a), the Participant or beneficiary is permitted to elect to bifurcate the benefit into unrestricted and restricted portions (as described in section 1.436-1(d)(3)(iii)(D) of the Treasury Regulations). The Participant or beneficiary may also elect any other optional form of benefit otherwise available under the Plan at that annuity starting date that would satisfy the 50%/PBGC maximum benefit guarantee amount limitation described in this Section 17.1(a), or may elect to defer the benefit in accordance with any general right to defer commencement of benefits under the Plan.

During a period when Section 17.1(a) applies to the Plan, Participants and beneficiaries are permitted to elect payment in any optional form of benefit otherwise available under the Plan that provides for the current payment of the unrestricted portion of the benefit (as described in section 1.436-1(d)(3)(iii)(D) of the Treasury Regulations), with a delayed commencement for the restricted portion of the benefit (subject to other applicable qualification requirements, such as sections 411(a)(11) and 401(a)(9) of the Code).

(b) Plan Amendments Increasing Liability for Benefits. No amendment to the Plan that has the effect of increasing liabilities of the Plan by reason of increases in benefits, establishment of new benefits, changing the rate of benefit accrual, or changing the rate at which benefits become nonforfeitable shall take effect in a Plan Year if the adjusted funding target attainment percentage for the Plan Year is:

(i) Less than 80%; or

(ii) 80% or more, but would be less than 80% if the benefits attributable to the amendment were taken into account in determining the adjusted funding target attainment percentage.

The limitation set forth in this Section 17.1(b) does not apply to any amendment to the Plan that provides a benefit increase under a Plan formula that is not based on compensation, provided that the rate of such increase does not exceed the contemporaneous rate of increase in the average wages of Participants covered by the amendment.

Section 17.2 Limitations Applicable If the Plan's Adjusted Funding Target Attainment Percentage Is Less Than 60%. Notwithstanding any other provisions of the Plan, if the Plan's adjusted funding target attainment percentage for a Plan Year is less than 60% (or would be less than 60% to the extent described in Section 17.2(b) below), then the limitations in this Section 17.2 apply.

(a) Single Sums, Other Accelerated Forms of Distribution, and Other Prohibited Payments Not Permitted. A Participant or beneficiary is not permitted to elect, and the Plan shall not pay, a single sum payment or other optional form of benefit that includes a prohibited payment with an annuity starting date on or after the applicable section 436 measurement date, and the Plan shall not make any payment for the purchase of an irrevocable commitment from an insurer to pay benefits or any other payment or transfer that is a prohibited payment. The limitation set forth in this Section 17.2(a) does not apply to any payment of a benefit which under Section 411(a)(11) of the Code may be immediately distributed without the consent of the Participant.

(b) Shutdown Benefits and Other Unpredictable Contingent Event Benefits Not Permitted to Be Paid. An unpredictable contingent event benefit with respect to an unpredictable contingent event occurring during a Plan Year shall not be paid if the adjusted funding target attainment percentage for the Plan Year is:

(i) Less than 60%; or

(ii) 60% or more, but would be less than 60% if the adjusted funding target attainment percentage were redetermined applying an actuarial assumption that the likelihood of occurrence of the unpredictable contingent event during the Plan Year is 100%.

(c) Benefit Accruals Frozen. Benefit accruals under the Plan shall cease as of the applicable section 436 measurement date. In addition, if the Plan is required to cease benefit accruals under this Section 17.2(c), then the Plan is not permitted to be amended in a manner that would increase the liabilities of the Plan by reason of an increase in benefits or establishment of new benefits.

Section 17.3 Limitations Applicable If the Plan Sponsor Is In Bankruptcy. Notwithstanding any other provisions of the Plan, a Participant or beneficiary is not permitted to elect, and the Plan shall not pay, a single sum payment or other optional form of benefit that includes a prohibited payment with an annuity starting date that occurs during any period in which the Plan sponsor is a debtor in a case under title 11, United States Code, or similar Federal or State law, except for payments made within a Plan Year with an annuity starting date that occurs on or after the date on which the Plan's enrolled actuary certifies that the Plan's adjusted funding target attainment percentage for that Plan Year is not less than 100%. In addition, during such period in which the Plan sponsor is a debtor, the Plan shall not make any payment for the purchase of an irrevocable commitment from an insurer to pay benefits or any other payment or transfer that is a prohibited payment, except for payments that occur on a date within a Plan Year that is on or after the date on which the Plan's enrolled actuary certifies that the Plan's adjusted funding target attainment percentage for that Plan Year is not less than 100%. The limitation set forth in this Section 17.3 does not apply to any payment of a benefit which under section 411(a)(11) of the Code may be immediately distributed without the consent of the Participant.

Section 17.4 Provisions Applicable After Limitations Cease to Apply.

(a) Resumption of Prohibited Payments. If a limitation on prohibited payments under Section 17.1(a), Section 17.2(a), or Section 17.3 applied to the Plan as of a section 436 measurement date, but that limit no longer applies to the Plan as of a later section 436 measurement date, then that limitation does not apply to benefits with annuity starting dates that are on or after that later section 436 measurement date.

In addition, after the section 436 measurement date on which the limitation on prohibited payments under Section 17.1(a) or 17.2(a) ceases to apply to the Plan, any Participant or beneficiary who had an annuity starting date within the period during which that limitation applied to the Plan is permitted to make a new election (within 90 days after the section 436 measurement date on which the limit ceases to apply or, if later, 30 days after receiving notice of the right to make such election) under which the form of benefit previously elected is modified at a new annuity starting date to be changed to a single sum payment for the remaining value of the Participant or beneficiary's benefit under the Plan, subject to the other rules in this Article XVII and applicable requirements of section 401(a) the Code, including spousal consent.

(b) Resumption of Benefit Accruals. If a limitation on benefit accruals under Section 17.2(c) applied to the Plan as of a section 436 measurement date, but that limitation no longer applies to the Plan as of a later section 436 measurement date, then benefit accruals shall resume prospectively and that limitation does not apply to benefit accruals that are based on service on or after that later section 436 measurement date, except as otherwise provided under the Plan. The Plan shall comply with the rules relating to partial years of participation and the prohibition on double proration under Department of Labor regulation 29 CFR section 2530.204-2(c) and (d).

In addition, benefit accruals that were not permitted to accrue because of the application of Section 17.2(c) shall be restored when that limitation ceases to apply if the continuous period of the limitation was 12 months or less and the Plan's enrolled actuary certifies that the adjusted funding target attainment percentage for the Plan Year would not be less than 60% taking into account any restored benefit accruals for the prior Plan Year.

(c) Shutdown and Other Unpredictable Contingent Event Benefits. If an unpredictable contingent event benefit with respect to an unpredictable contingent event that occurs during the Plan Year is not permitted to be paid after the occurrence of the event because of the limitation of Section 17.2(b), but is permitted to be paid later in the same Plan Year (as a result of additional contributions or pursuant to the enrolled actuary's certification of the adjusted funding target attainment percentage for the Plan Year that meets the requirements of section 1.436-1(g)(5)(ii)(B) of the Treasury Regulations), then that unpredictable contingent event benefit shall be paid, retroactive to the period that benefit would have been payable under the terms of the Plan (determined without regard to Section 17.2(b)). If the unpredictable contingent event benefit does not become payable during the Plan Year in accordance with the preceding sentence, then the Plan is treated as if it does not provide for that benefit.

(d) Treatment of Plan Amendments That Do Not Take Effect. If a Plan amendment does not take effect as of the effective date of the amendment because of the limitation of Section

17.2(b) or Section 17.2(c), but is permitted to take effect later in the same Plan Year (as a result of additional contributions or pursuant to the enrolled actuary's certification of the adjusted funding target attainment percentage for the Plan Year that meets the requirements of section 1.436-1(g)(5)(ii)(C) of the Treasury Regulations), then the Plan amendment must automatically take effect as of the first day of the Plan Year (or, if later, the original effective date of the amendment). If the Plan amendment cannot take effect during the same Plan Year, then it shall be treated as if it were never adopted, unless the Plan amendment provides otherwise.

Section 17.5 Notice Requirement. See section 101(j) of ERISA for rules requiring the plan administrator of a single employer defined benefit pension plan to provide a written notice to participants and beneficiaries within 30 days after certain specified dates if the plan has become subject to a limitation described in Section 17.1(a), Section 17.2, or Section 17.3.

Section 17.6 Methods to Avoid or Terminate Benefit Limitations. See section 436(b)(2), (c)(2), (e)(2), and (f) of the Code and section 1.436-1(f) of the Treasury Regulations for rules relating to employer contributions and other methods to avoid or terminate the application of the limitations set forth in Sections 17.1 through 17.3 for a Plan Year. In general, the methods a plan sponsor may use to avoid or terminate one or more of the benefit limitations under Sections 17.1 through 17.3 for a Plan Year include employer contributions and elections to increase the amount of plan assets which are taken into account in determining the adjusted funding target attainment percentage, making an employer contribution that is specifically designated as a current year contribution that is made to avoid or terminate application of certain of the benefit limitations, or providing security to the plan.

Section 17.7 Special Rules.

(a) Rules of Operation for Periods Prior to and After Certification of Plan's Adjusted Funding Target Attainment Percentage.

(i) In General. Section 436(h) of the Code and section 1.436-1(h) of the Treasury Regulations set forth a series of presumptions that apply (1) before the Plan's enrolled actuary issues a certification of the Plan's adjusted funding target attainment percentage for the Plan Year and (2) if the Plan's enrolled actuary does not issue a certification of the Plan's adjusted funding target attainment percentage for the Plan Year before the first day of the tenth month of the Plan Year (or if the Plan's enrolled actuary issues a range certification for the Plan Year pursuant to section 1.436-1(h)(4)(ii) of the Treasury Regulations but does not issue a certification of the specific adjusted funding target attainment percentage for the Plan by the last day of the Plan Year). For any period during which a presumption under section 436(h) of the Code and section 1.436-1(h) of the Treasury Regulations applies to the Plan, the limitations under Sections 17.1 through 17.3 are applied to the Plan as if the adjusted funding target attainment percentage for the Plan Year were the presumed adjusted funding target attainment percentage determined under the rules of section 436(h) of the Code and section 1.436-1(h)(1), (2), or (3) of the Treasury Regulations. These presumptions are set forth in Section 17.7(a)(ii) through (iv).

(ii) Presumption of Continued Underfunding Beginning First Day of Plan Year. If a limitation under Section 17.1, 17.2, or 17.3 applied to the Plan on the last day of the preceding Plan Year, then, commencing on the first day of the current Plan Year and continuing until the Plan's enrolled actuary issues a certification of the adjusted funding target attainment percentage for the Plan for the current Plan Year, or, if earlier, the date Section 17.7(a)(iii) or Section 17.7(a)(iv) applies to the Plan:

(A) The adjusted funding target attainment percentage of the Plan for the current Plan Year is presumed to be the adjusted funding target attainment percentage in effect on the last day of the preceding Plan Year; and

(B) The first day of the current Plan Year is a section 436 measurement date.

(iii) Presumption of Underfunding Beginning First Day of Fourth Month. If the Plan's enrolled actuary has not issued a certification of the adjusted funding target attainment percentage for the Plan Year before the first day of the fourth month of the Plan Year and the Plan's adjusted funding target attainment percentage for the preceding Plan Year was either at least 60% but less than 70% or at least 80% but less than 90%, or is described in section 1.436-1(h)(2)(ii) of the Treasury Regulations, then, commencing on the first day of the fourth month of the current Plan Year and continuing until the Plan's enrolled actuary issues a certification of the adjusted funding target attainment percentage for the Plan for the current Plan Year, or, if earlier, the date Section 17.7(a)(iv) applies to the Plan:

(A) The adjusted funding target attainment percentage of the Plan for the current Plan Year is presumed to be the Plan's adjusted funding target attainment percentage for the preceding Plan Year reduced by 10 percentage points; and

(B) The first day of the fourth month of the current Plan Year is a section 436 measurement date.

(iv) Presumption of Underfunding On and After First Day of Tenth Month. If the Plan's enrolled actuary has not issued a certification of the adjusted funding target attainment percentage for the Plan Year before the first day of the tenth month of the Plan Year (or if the Plan's enrolled actuary has issued a range certification for the Plan Year pursuant to section 1.436-1(h)(4)(ii) of the Treasury Regulations but has not issued a certification of the specific adjusted funding target attainment percentage for the Plan by the last day of the Plan Year), then, commencing on the first day of the tenth month of the current Plan Year and continuing through the end of the Plan Year:

(A) The adjusted funding target attainment percentage of the Plan for the current Plan Year is presumed to be less than 60%; and

(B) The first day of the tenth month of the current Plan Year is a section 436 measurement date.

(b) New Plans, Plan Termination, Certain Frozen Plans, and Other Special Rules.

(i) First 5 Plan Years. The limitations in Section 17.1(b), Section 17.2(b), and Section 17.2(c) do not apply to a new plan for the first 5 plan years of the plan, determined under the rules of section 436(i) of the Code and section 1.436-1(a)(3)(i) of the Treasury Regulations.

(ii) Plan Termination. The limitations on prohibited payments in Section 17.1(a), Section 17.2(a), and Section 17.3 do not apply to prohibited payments that are made to carry out the termination of the Plan in accordance with applicable law. Any other limitations under this Section of the Plan do not cease to apply as a result of termination of the Plan.

(iii) Exception to Limitations on Prohibited Payments Under Certain Frozen Plans. The limitations on prohibited payments set forth in Sections 17.1(a), 17.2(a), and 17.3 do not apply for a Plan Year if the terms of the Plan, as in effect for the period beginning on September 1, 2005, and continuing through the end of the Plan Year, provide for no benefit accruals with respect to any Participants. This Section 17.7(b)(iii) shall cease to apply as of the date any benefits accrue under the Plan or the date on which a Plan amendment that increases benefits takes effect.

(iv) Special Rules Relating to Unpredictable Contingent Event Benefits and Plan Amendments Increasing Benefit Liability. During any period in which none of the presumptions under Section 17.7(a) apply to the Plan and the Plan's enrolled actuary has not yet issued a certification of the Plan's adjusted funding target attainment percentage for the Plan year, the limitations under Section 17.1(b) and Section 17.2(b) shall be based on the inclusive presumed adjusted funding target attainment percentage for the Plan, calculated in accordance with the rules of section 1.436-1(g)(2)(iii) of the Treasury Regulations.

(c) Special Rules Under PRA 2010.

(i) Payments Under Social Security Leveling Options. For purposes of determining whether the limitations under Section 17.1(a) or 17.2(a) apply to payments under a social security leveling option, within the meaning of section 436(j)(3)(C)(i) of the Code, the adjusted funding target attainment percentage for a Plan Year shall be determined in accordance with the "Special Rule for Certain Years" under section 436(j)(3) of the Code and any Treasury Regulations or other published guidance thereunder issued by the Internal Revenue Service.

(ii) Limitation on Benefit Accruals. For purposes of determining whether the accrual limitation under Section 17.2(c) applies to the Plan the adjusted funding target attainment percentage for a Plan Year shall be determined in accordance with the "Special Rule for Certain Years" under section 436(j)(3) of the Code (except as provided under section 203(b) of the Preservation of Access to Care for Medicare Beneficiaries and Pension Relief Act of 2010, if applicable).

(d) Interpretation of Provisions. The limitations imposed by this Section of the Plan shall be interpreted and administered in accordance with section 436 of the Code and section 1.436-1 of the Treasury Regulations.

Section 17.8 Definitions. The definitions in the following Treasury Regulations apply for purposes of Sections 17.1 through 17.7: section 1.436-1(j)(1) defining adjusted funding target attainment percentage; section 1.436-1(j)(2) defining annuity starting date; section 1.436-1(j)(6) defining prohibited payment; section 1.436-1(j)(8) defining section 436 measurement date; and section 1.436-1(j)(9) defining an unpredictable contingent event and an unpredictable contingent event benefit.

Section 17.9 Effective Date. The rules in Sections 17.1 through 17.8 are effective for Plan Years beginning after December 31, 2007.

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IN WITNESS WHEREOF, the Company has caused this duly adopted Plan to be executed below by its duly authorized officer or representative on the date set forth below.

AMERICAN WATER WORKS COMPANY, INC.

By: /s/ MARTIN FALKENBERG
Martin Falkenberg
SVP, Deputy CHRO
As Member of the Benefits Administration Committee

Date: December 28, 2022

EXHIBIT A

LIST OF DESIGNATED SUBSIDIARIES

- American Water Enterprises, Inc.
 - American Water Operations and Maintenance, Inc.
 - American Water Services CDM, Inc.
- American Water Works Service Company, Inc.
- California-American Water Company
- Hawaii American Water Company
- Illinois-American Water Company
- Indiana-American Water Company
- Iowa-American Water Company
- Kentucky-American Water Company
- Maryland-American Water Company
- Missouri-American Water Company
- New Jersey-American Water Company, Inc.
- Pennsylvania-American Water Company
- Tennessee-American Water Company
- Virginia-American Water Company
- West Virginia-American Water Company

Ex. A

APPENDIX 1

INCREASE IN RETIREMENT INCOME FOR CERTAIN RETIRED PARTICIPANTS

Increase Effective October 1, 1980.

(1) Effective October 1, 1980, the monthly benefits of Participants who retired prior to January 1, 1978, and of surviving spouses and Contingent Annuitants of any such Participants who were receiving benefits under the Plan shall be increased in accordance with the provisions of Paragraph 2 of this Appendix 1.

(2) The amount of monthly benefit payable to a former or retired Participant or to their surviving spouse or Contingent Annuitant under the Plan shall be increased by 4% for each full calendar year, or fraction thereof, between the effective date of the Participant's commencement of monthly benefits and December 31, 1977, up to a maximum of 32% of such monthly benefit.

(3) Any potential benefit which may become payable to the surviving spouse or Contingent Annuitant of a Participant whose benefit is adjusted under Paragraph 2 of this Appendix 1 shall be adjusted by the same percentage as is applied in adjusting the Participant's benefit.

Increase Effective October 1, 1985.

(4) Effective October 1, 1985, the monthly benefits of Participants who retired prior to January 1, 1984 and of any surviving spouses and Contingent Annuitants who were receiving benefits under the Plan shall be increased in accordance with the provisions of Paragraph (5) of this Appendix 1. That increase shall be in addition to any increase provided under Paragraphs (1) through (3) above, but shall not apply to any benefit attributable to any plan merged into this Plan.

(5) The amount of monthly benefit payable to a former or retired Participant or to their surviving spouse or Contingent Annuitant under the Plan shall be increased by 3% for each full calendar year, or fraction thereof, between the effective date of the Participant's commencement of monthly benefits and December 31, 1983, up to a maximum of 18% of such monthly benefit.

(6) Any potential benefit which may become payable to the surviving spouse or Contingent Annuitant of a Participant whose benefit is adjusted under Paragraph (4) of this Appendix 1 shall be adjusted by the same percentage as is applied in adjusting the Participant's benefit.

APPENDIX 2

TOP-HEAVY PROVISIONS AND BENEFIT LIMITS

A. Top-Heavy Plan Definitions.

The following words and phrases as used herein have the following meanings unless a different meaning is plainly required by the context:

A.1 “Account Balance” means the sum of:

A.1.1 the present value, as of the Top-Heavy Valuation Date, of a Participant’s Accrued Benefit under the Plan, determined in the same manner as Actuarial Equivalent forms of benefit are determined under the Plan;

A.1.2 the balance, as of the Top-Heavy Valuation Date, standing to the credit of a Participant (including a surviving spouse or Contingent Annuitant of such Participant) in any Defined Contribution Plan maintained by the Employer, including contributions that would be allocated as of the Top-Heavy Valuation Date, even though these amounts are not yet required to be contributed, and any contribution attributable (A) to a plan-to-plan transfer or rollover contribution from another qualified employee pension benefit plan or a rollover individual retirement account, accepted before January 1, 1984, or (B) a related plan-to-plan transfer or rollover individual retirement account; and

A.1.3 the aggregate distributions made with respect to such Participant (including a surviving spouse or Contingent Annuitant of such Participant) under the Plan during the five-year period ending on the Determination Date. If a distribution is made in the form of an annuity contract, the amount of such distribution shall be equal to the actuarial value of the contract, determined on the date of the distribution. Benefits paid on account of death shall only be included to the extent of the present value of the decedent’s Accrued Benefit immediately prior to death.

The term “Account Balance” shall not include any amount held or distributed on behalf of any Participant who is a Former Key Employee, or who has performed no service for the Employer (other than benefits under qualified plans maintained by the Employer) at any time during the five-year period ending on the Determination Date or any amount attributable to qualified voluntary employee contributions (within the meaning of section 219(e)(2) of the Code).

A.2 “Aggregation Group” means:

A.2.1 a Required Aggregation Group, or

A.2.2 a Permissive Aggregation Group.

A.3 “Compensation” shall include all amounts that are treated as wages for Federal income tax withholding under section 3401(a) of the Code (determined without regard to any rules that limit the remuneration included in wages based on the nature or location of the employment or the services performed) and actually paid to the Participant during the Limitation Year. Notwithstanding the foregoing, for Limitation Years beginning on and after July 1, 2007, Compensation includes regular pay as described in Treas. Reg. § 1.415(c)-(2)(e)(3) if paid by the end of the Limitation Year that includes the Employee’s termination of employment, or if later, 2½ months after the Employee’s termination of employment. Any payments not described in the foregoing sentence shall not be considered Compensation if paid after separation from service,

even if they are paid by the later of 2½ months after the date of separation from service or the end of the Limitation Year that includes the date of severance from employment. Effective for distributions made on and after January 1, 2009, Compensation shall include the amount of any military differential wage payments made by the Employer to a Participant in accordance with section 3401(h) and section 414(u)(12) of the Code.

A.4 “Defined Benefit Plan” means any employee pension plan maintained by the Employer that is qualified under section 401(a) of the Code and is not a Defined Contribution Plan.

A.5 “Defined Contribution Plan” means an employee pension plan maintained by the Employer that is qualified under section 401(a) of the Code and provides for an individual account for each Participant and for benefits based solely on the amount contributed to the Participant’s account, and any income, expenses, gains and losses, and any forfeitures of accounts of other Participants that may be allocated to such Participant’s account.

A.6 “Determination Date” means:

A.6.1 if the Plan is not included in an Aggregation Group, the last day of the preceding Plan Year; or

A.6.2 if the Plan is included in an Aggregation Group, the Determination Date as determined under Section A.6.1 that falls within the same calendar year of each other plan included in such Aggregation Group.

A.7 “Employer” means the Employer as defined in Section 2.1(q) of the Plan.

A.8 “Former Key Employee” means an Employee or former Employee who is a Non-Key Employee with respect to the Plan for the Plan Year if such individual was a Key Employee with respect to the Plan for any prior Plan Year.

A.9 “Key Employee” means any Employee or former Employee (including any deceased Employee) who at any time during the Plan Year that includes the Determination Date was an officer of the Employer having annual Compensation greater than the dollar amount specified in section 416(i)(1) of the Code as in effect for the Plan Year (\$200,000 for 2023), adjusted for cost-of-living (and subject to proration in any short Plan Year), a five-percent owner of the Employer, or a one-percent owner of the Employer having annual Compensation of more than \$150,000 (subject to proration in any short Plan Year). For this purpose, annual Compensation means Compensation within the meaning of section 415(c)(3) of the Code. The determination of who is a Key Employee will be made in accordance with section 416(i)(1) of the Code and the applicable regulations and other guidance of general applicability issued thereunder.

A.10 “Non-Key Employee” means any Participant in the Plan (including a surviving spouse or Contingent Annuitant of such Participant) who is not a Key Employee with respect to the Plan for the Plan Year.

A.11 “Permissive Aggregation Group” means:

A.11.1 each plan of the Employer included in a Required Aggregation Group; and

A.11.2 each other plan of the Employer if the group of plans consisting of such plan or plans included in the Required Aggregation Group, when considered as a single plan, meets the requirements of section 401(a)(4) and section 410 of the Code.

A.12 “Required Aggregation Group” means:

A.12.1 each plan of the Employer in which a Key Employee participated (regardless of whether such plan has been terminated) during the Plan Year ending on the Determination Date; and

A.12.2 each other plan of the Employer which enables any plan described in Section A.12.1 to meet the requirements of section 401(a)(4) or section 410 of the Code, including any such plan terminated within the one-year period ending on the Determination Date.

A.13 “Top-Heavy Group” means an Aggregation Group in which, as of the Determination Date, the sum of:

A.13.1 the aggregate of the Account Balances of Key Employees under all Defined Contribution Plans included in such Aggregation Group, and

A.13.2 the aggregate of the present value of cumulative accrued benefits for Key Employees under all Defined Benefit Plans included in such Aggregation Group,

exceeds 60% of the sum of such aggregates determined for all Employees included in the Aggregation Group.

A.14 “Top-Heavy Plan” means the Plan, if as of the Determination Date:

A.14.1 the aggregate of the Account Balances of Key Employees exceeds 60% of the aggregate of the Account Balances of all Employees; or

A.14.2 the Plan is part of a Required Aggregation Group which is a Top-Heavy Group.

Notwithstanding Section A.14.1 and Section A.14.2, the Plan shall not be considered a Top-Heavy Plan for any Plan Year in which the Plan is a part of a Required Aggregation Group or a Permissive Aggregation Group which is not a Top-Heavy Group.

A.15 “Top-Heavy Valuation Date” means the Determination Date.

B. Top-Heavy Plan Provisions.

Notwithstanding anything in the Plan to the contrary, if the Plan is a Top-Heavy Plan within the meaning of Section A.14 and section 416(g) of the Code for any Plan Year beginning after December 31, 1983, then the Plan shall meet the requirements of Section B.1, Section B.2 and Section B.3 for each such Plan Year.

B.1 Minimum Vesting Requirement. The vested interest of a Participant who is credited with an Hour of Service after the Plan becomes a Top-Heavy Plan will be determined under a schedule which is not less favorable to the Participant than the following:

<u>Years of Service</u> <u>As Defined in</u> <u>Section 2.1(oo)(ii).</u>	<u>Vested Interest</u>
Less than one	0%
One but less than two	20%
Two but less than three	40%
Three but less than four	60%
Four but less than five	80%
Five or more	100%

B.2 Minimum Benefit or Contribution Requirement.

B.2.1. This Plan shall provide a minimum annual retirement benefit for each such Plan Year for each Participant who is a Non-Key Employee in an amount equal to 2% of such Participant's average Compensation for the period of consecutive years (not exceeding five) during which the Participant had the greatest aggregate Compensation from the Employer, multiplied by the Participant's Years of Service, not to exceed 10.

B.2.2 The minimum benefit or contribution shall be made for each Non-Key Employee who is employed at the end of the Plan Year in question, regardless of whether such Non-Key Employee has been credited with 1,000 Hours of Service in such Plan Year and regardless of such Non-Key Employee's level of Compensation.

B.3 Change in Top-Heavy Status. If the Plan becomes a Top-Heavy Plan and subsequently ceases to be a Top-Heavy Plan, the vesting schedule in Section B.1 shall continue to apply in determining the vested percentage of the Accrued Benefit of any Participant who had at least five Years of Service as of the last day of the last Plan Year in which the Plan was a Top-Heavy Plan. For all other Participants, the vesting schedule in Section B.1 shall apply only to their Accrued Benefit as of such last day.

B.4 Determination of Present Values and Amounts. Effective for Plan Years beginning after December 31, 2001, this Paragraph shall apply for purposes of determining the present values of Accrued Benefits and the amounts of Account Balances of Employees as of the Determination Date.

B.4.1 The present values of Accrued Benefits and the amounts of Account Balances of an Employee as of the Determination Date shall be increased by the distributions made with respect to the Employee under the Plan and any plan aggregated with the Plan under section 416(g)(2) of the Code during the one-year period ending on the Determination Date. The preceding sentence shall also apply to distributions under a terminated plan which, had it not been terminated, would have been aggregated with the Plan under section 416(g)(2)(A)(i) of the Code. In the case of a distribution made for a reason other than severance from employment, death, or disability, this provision shall be applied by substituting “five-year period” for “one-year period.”

B.4.2 The Accrued Benefits and Account Balances of any individual who has not performed services for the Employer during the one-year period ending on the Determination Date shall not be taken into account.

B.5 Minimum Benefits. Effective for Plan Years beginning after December 31, 2001, for purposes of satisfying the minimum benefit requirements of section 416(c)(1) of the Code and the Plan, in determining Years of Service with the Employer, any service with the Employer shall be disregarded to the extent that such service occurs during a Plan Year when the Plan benefits (within the meaning of section 410(b) of the Code) no Key Employee or former Key Employee.

C. Limitations on Benefits - Code Section 415 Limit.

C.1 Effective for Limitation Years ending after December 31, 2001, in no case shall the annual benefit with respect to any Participant payable under the Plan and all other Defined Benefit Plans, when expressed in the form of an annual single life annuity (with no ancillary benefits), exceed the “maximum permissible benefit” which shall be the lesser of the amount determined under Paragraph C.1.1 or C.1.2 (both adjusted where required, as provided in Paragraph C.1.3, and, if applicable, in Paragraph C.1.4 or Paragraph C.1.5):

C.1.1 the dollar limitation specified in section 415(b)(1)(A) of the Code, as in effect for the Limitation Year (\$215,000 for 2017), as adjusted, effective January 1 of each year under section 415(d) of the Code in such manner as the Secretary of the Treasury shall prescribe (the “Defined Benefit Dollar Limitation”); or

C.1.2 the greater of \$10,000 or 100% of the Participant’s average annual Compensation received during the three consecutive years of Continuous Service (years of participation in the Plan for Limitation Years beginning before January 1, 2006) with the Employer and all 50% related employers during which they receive the greatest aggregate annual Compensation. The \$10,000 restriction shall not apply if the Participant participates in any defined contribution plan maintained by the Employer, a 50% related employer or a predecessor employer. For purposes of determining the \$10,000 amount, the benefit payable to the Participant under the Plan for a Limitation Year reflects all amounts payable under the Plan for the Limitation Year (except as otherwise provided in Treas. Reg. § 1.415(d)-1) and are not adjusted for faun of benefit or commencement date.

C.1.3 If the Participant has fewer than 10 years of participation in the Plan, the Defined Benefit Dollar Limitation shall be multiplied by a fraction, (i) the numerator of which is the number of years (or part thereof) of participation in the Plan and (ii) the

denominator of which is 10. In the case of a Participant who has fewer than 10 Years of Service with the Employer, the Defined Benefit Dollar Limitation shall be multiplied by a fraction (i) the numerator of which is the number of years (or part thereof) of service with the Employer and (ii) the denominator of which is 10.

C.1.4 If the benefit of a Participant begins prior to age 62, the Defined Benefit Dollar Limitation applicable to the Participant at such earlier age is an annual benefit payable in the form of a straight life annuity beginning at the earlier age that is the Actuarial Equivalent of the Defined Benefit Dollar Limitation applicable to the Participant at age 62 (adjusted under Paragraph C.1.3 above, if required). The Defined Benefit Dollar Limitation applicable at an age prior to age 62 is determined as the lesser of (i) the Actuarial Equivalent (at such age) of the Defined Benefit Dollar Limitation computed using the interest rate provided under Section 2.1(b), or (ii) the Actuarial Equivalent (at such age) of the Defined Benefit Dollar Limitation computed using a 5 percent interest rate. Any decrease in the Defined Benefit Dollar Limitation determined in accordance with this Paragraph C.1.4 shall not reflect a mortality decrement if benefits are not forfeited upon the death of the Participant. If any benefits are forfeited upon death, the full mortality decrement is taken into account.

Effective for Limitation Years beginning on and after July 1, 2007, the defined benefit dollar limitation applicable at an age prior to age 62 is determined as the lesser of (1) the actuarial equivalent at such age of the defined benefit dollar limitation computed using a 5% interest rate and the applicable mortality table under section 417(e)(3) of the Code, or (2) the amount determined by multiplying the defined benefit dollar limitation by the ratio of the annual amount of the single life annuity beginning at such earlier age (computed using the interest rate and mortality table as applicable under Section 2.1(b)) to the annual amount of the single life annuity under the Plan commencing at age 62 (with both such amounts determined without application of the rules of section 415 of the Code).

C.1.5 If the benefit of a Participant begins after the Participant attains age 65, the Defined Benefit Dollar Limitation applicable to the Participant at the later age is the annual benefit payable in the form of a straight life annuity beginning at the later age that is Actuarially Equivalent to the Defined Benefit Dollar Limitation applicable to the Participant at age 65 (adjusted under Paragraph C.1.3 above, if required). The Actuarial Equivalent of the Defined Benefit Dollar Limitation applicable at an age after age 65 is determined as the lesser of (i) the Actuarial Equivalent (at such age) of the Defined Benefit Dollar Limitation computed using the interest rate provided under Section 2.1(b), or (ii) the Actuarial Equivalent (at such age) of the Defined Benefit Dollar Limitation computed using a 5 percent interest rate. For these purposes, mortality between age 65 and the age at which benefits commence shall be ignored.

Effective for Limitation Years beginning on and after July 1, 2007, for benefits commencing after age 65, the dollar limitation shall be determined as the lesser of (1) the actuarial equivalent at such age of the defined benefit dollar limitation computed using an interest rate of 5% and the applicable mortality table described under section 417(e)(3) of the Code, or (2) the amount determined by multiplying the defined benefit dollar limitation by the ratio of (A) the annual amount of the single life annuity beginning at such later age (computed using the interest rate and mortality assumptions for delayed retirement benefits under the Plan,

if applicable) to (B) the annual amount of the single life annuity under the Plan commencing at age 65 (computed without using the interest rate and mortality assumptions for delayed retirement benefits under the Plan, if applicable) (with both such amounts in (A) and (B) determined without application of the rules of section 415 of the Code). The amount of the annual benefit commencing at such later age is the annual amount of the benefit (determined without regard to section 415 of the Code) computed by disregarding the Participant's accruals after age 65, but including actuarial adjustments even if such adjustments are applied to offset benefit accrual.

C.1.6 Benefit increases resulting from the increase in the limitations of section 415(b) of the Code shall be provided to all Participants with benefits limited by section 415(b) of the Code who, (i) as of January 1, 2002 have commenced receipt of their benefit under the Plan; or (ii) are credited with at least one Hour of Service on or after January 1, 2002.

C.1.7 If a Participant's benefit is payable in any form other than a straight life annuity, the determination as to whether the limitation of this Paragraph C.1 has been satisfied shall be made by adjusting such benefit to the form of a straight life annuity using an interest rate equal to the greater of 5% or the interest rate provided under Section 2.1(b). However, for purposes of such adjustment, any ancillary benefit that is not directly related to retirement income benefits and that portion of any joint and survivor annuity that constitutes a Qualified Joint and Survivor Annuity shall not be taken into account. Notwithstanding the foregoing, for purposes of adjusting any form of benefit subject to the requirements of section 417(e)(3) of the Code, the interest rate used shall not be less than the greater of (i) the applicable interest rate under section 417(e)(3) of the Code for the October immediately preceding the calendar year during which the Annuity Starting Date occurs, provided that the lump sum present value for distributions made on or before October 1, 2007, shall not be less than the lump sum present value based on the applicable interest rate under section 417(e)(3) of the Code for the third calendar month preceding the calendar month in which the Annuity Starting Date occurs, or (ii) the interest rate specified in Section 2.1(b).

Notwithstanding anything herein to the contrary, for purposes of adjusting any form of benefit subject to section 417(e)(3) of the Code for Plan Years beginning in 2004 or 2005, the interest rate used shall not be less than the greater of (i) 5.5%, or (ii) the interest rate specified in Section 2.1(b).

Notwithstanding the foregoing, effective for Limitation Years beginning on and after July 1, 2007, for purposes of applying the limitations under this Article C, if a Participant's benefits are payable in a form of benefit other than a single life annuity or a qualified joint and survivor annuity, the benefit shall be limited as follows. The benefit shall be converted to a single life annuity using the interest rate and mortality assumptions specified in the Plan for the Actuarial Equivalent of the particular form of benefit payable. The single life annuity, which has been so determined, shall be compared to the single life annuity computed using a 5% interest rate assumption (or for any form of benefit subject to section 417(e)(3) of the Code, the applicable interest rate as defined in section 417(e)(3) of the Code) and the IRS mortality table prescribed in section 415(b)(2)(E)(v) of the Code). The greater of these two amounts shall be the applicable limit for the benefit payable in a form other than a single life annuity or a qualified joint and survivor annuity.

Effective as of January 1, 2006, if a Participant's benefit is payable in a form subject to section 417(e)(3) of the Code, such benefit shall be adjusted, for purposes of applying the limitations under this Article C, so that it is the greater of (1) a straight life annuity determined using the interest rate and mortality table as applicable under Section 2.1(b), (2) a straight life annuity determined using an interest rate of 5.5% and the applicable mortality table described under section 417(e)(3) of the Code, or (3) a straight life annuity determined using the interest rate that produces a benefit of not more than 105% of the benefit that would be produced using the applicable interest rate and applicable mortality table described under section 417(e)(3) of the Code.

C.2 Applicable Mortality Table for Distributions With Annuity Starting Dates on or after December 31, 2002. Notwithstanding any other Plan provisions to the contrary, the applicable mortality table used for purposes of adjusting any benefit or limitation under section 415(b)(2)(B), (C), or (D) of the Code as set forth in this Article C (unless another mortality table is either required under section 415(b) of the Code or otherwise referenced in this Article C) is the table prescribed in Rev. Rul. 2007-67 for Plan Years beginning after December 31, 2007 (Rev. Rul. 2001-62 for Plan Years beginning before January 1, 2008), or such other table as the Secretary of the Treasury may prescribe.

C.3 Definition of Compensation. For purposes of this Article C, Compensation shall include all amounts that are treated as wages for Federal income tax withholding under section 3401(a) of the Code (determined without regard to any rules that limit the remuneration included in wages based on the nature or location of the employment or the services performed) and actually paid to the Participant during the Limitation Year, plus amounts that would be paid to the Employee during the year but for the Employee's election under a cash or deferred arrangement described in section 401(k) of the Code, a cafeteria plan described in section 125 of the Code, a qualified transportation fringe benefit program described in section 132(f)(4) of the Code, a simplified employee pension described in section 402(h) of the Code or an annuity program described in section 403(b) of the Code.

Notwithstanding the foregoing, for Limitation Years beginning on and after July 1, 2007, Compensation includes regular pay as described in Treas. Reg. § 1.415(c)-(2)(e)(3) if paid by the end of the Limitation Year that includes the Employee's termination of employment, or if later, 2½ months after the Employee's termination of employment. Any payments not described in the foregoing sentence shall not be considered Compensation if paid after separation from service, even if they are paid by the later of 2½ months after the date of separation from service or the end of the Limitation Year that includes the date of severance from employment.

C.4 Application of the provisions of this Section C of this Appendix 2 in effect for Limitation Years beginning on and after July 1, 2007, shall not cause the maximum permissible benefit for any Participant to be less than the Participant's accrued benefit under all the defined benefit plans of the Employer or a predecessor employer as of the end of the last Limitation Year beginning before July 1, 2007 under provisions of the plans that were both adopted and in effect before April 5, 2007 determined in accordance with the requirements of section 415 of the Code in effect on that date.

C.5 Notwithstanding the foregoing, the Plan hereby incorporates by reference section 415 of the Code and the regulations promulgated thereunder.

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APPENDIX 3

SPECIAL SERVICE CREDITING RULES

A. General Rules.

A.1 Vesting and Benefit Accrual. The following special service crediting rules shall be applied in determining the earliest commencement date for service credit, for benefit accrual and vesting for employees of the following named subsidiaries which have, either by designation in accordance with Section 2.1(k) or by merger into a Designated Subsidiary become Designated Subsidiaries.

A.2 Eligibility for Early Retirement. For purposes of computing eligibility for Early Retirement in accordance with Section 4.2, Years of Service with a Subsidiary which has, after December 31, 1971, become a Designated Subsidiary, whether by designation in accordance with Section 2.1(k) or by merger into a Designated Subsidiary, shall be taken into account, but only after the Participant in question has completed 5 Years of Service after the first date upon which they were employed by a Designated Subsidiary.

A.3 Early Retirement Reduction Factors. Unless otherwise specified below, Years of Service for determining the applicable Early Retirement Reduction Factor under Table 1 shall be determined in the same manner as Years of Service for benefit accrual.

A.4 Break-in-Service Rules. These rules are subject to the Break-in-Service rules of Section 9.1 through 9.4 and are not to be construed to require the crediting of Years of Service for any purpose if those Years of Service are disregarded under the provisions of those Sections or under the applicable provisions in effect when the Participant in question sustained their first Break-in-Service.

B. Special Rules.

B.1 California-American Water Co. Service for all Employees who first became Employees by reason of the acquisition of California-American Water Co. shall begin no earlier than December 28, 1970 for purposes of vesting and benefit accrual. However, in determining eligibility for Early Retirement and in applying the Early Retirement Reduction Factors of Table 1, Years of Service with California-American Water Company before December 28, 1970 shall be taken into account. See Table 5 for Special Option Factors.

B.2 Hershey Water Company. Service for all purposes for [Employee Name Omitted] and [Employee Name Omitted], who are entitled to a nonforfeitable benefit under a pension plan maintained by HERCO, Inc. and its subsidiaries, shall begin April 19, 1977. For all other Employees who became Employees by reason of the acquisition of Hershey Water Company, service for all purposes shall begin on their date of hire by HERCO, Inc., nearest April 19, 1977, the date of acquisition of Hershey Water Company.

B.3 Norristown Water Company. Service for all purposes shall begin on such Employee's date of hire nearest January 11, 1962, the date Norristown Water Company was acquired.

B.4 Paradise Valley Water Co. Service for all purposes shall begin on such Employee's date of hire nearest December 3, 1969, the date Paradise Valley Water Co. was acquired.

B.5 Village Water Company. Service for all purposes for [Employee Name Omitted] shall begin on July 10, 1967. Service for all purposes for all others shall begin December 28, 1970.

B.6 West Virginia Water Company. Service for all Employees who first became Employees by reason of the acquisition of West Virginia Water Company shall begin, for purposes of vesting and benefit accrual, no earlier than December 1, 1970. However, in determining eligibility for Early Retirement, and in applying the Early Retirement reduction factors of Table 1, Years of Service with West Virginia Water Company shall be taken into account. See Table 5 for Special Option Factors.

B.7 Yardley Water Company. Service for all purposes for Employees who became Employees by reason of the acquisition of Yardley Water Company shall begin on December 1, 1970.

B.8 Pekin Water Works Company. Service for all purposes for [Employee Name Omitted], [Employee Name Omitted] and [Employee Name Omitted] shall begin on January 1, 1982. Service for all purposes for [Employee Name Omitted], [Employee Name Omitted] and [Employee Name Omitted] will begin on their date of hire by Pekin Water Works Company nearest the date Pekin Water Works Company was acquired. Their accrued benefits under the Pekin Water Works Company Pension Trust shall be frozen as of May 1, 1982, and the retirement income benefits earned by those Employees under this Plan reduced by the amount of that frozen benefit. Service for all purposes for Employees covered by a collective bargaining agreement entered into by Pekin Water Works Company and in effect on January 1, 1982 will commence on April 1, 1982.

B.9 Seymour Water Co. Service for benefit accrual for Employees who became Employees by reason of the acquisition of Seymour Water Co. will commence on March 16, 1982. For vesting purposes, such Employees will be given credit for service with Seymour Water Co. from their date of hire nearest March 16, 1982. See Table 5 for Special Option Factors.

B.10 New Mexico-American Water Company. Service for all Employees who first became Employees pursuant to the terms of the Asset Acquisition Agreement between Clovis Water Company and New Mexico-American Water Company shall include Years of Service with Southwestern Public Service Company for purposes of determining eligibility to participate, vesting, benefit accrual, eligibility for Early Retirement under Section 4.2, including, for purposes of satisfying the minimum service requirement thereof, eligibility for Disability Retirement under Section 4.3 and eligibility for surviving spouse benefits under Section 6.1(b), and in applying the Early Retirement Reduction Factors of Table 1.

B.11 Indiana-American Water Company, Inc. Service for benefit accrual for employees previously covered by the Indiana-American Water Company, Inc. - Plumbers and Steam-Fitters Local 157 Pension Plan (Terre Haute Bargaining Unit) (the "Terre Haute Pension Plan"), shall begin on May 11, 1987. For purposes of vesting under Section 8.1 and disability retirement under Section 4.3, service for all such employees shall include service taken into account under the Terre Haute Pension Plan. Service for all such employees for purposes of eligibility for early retirement shall include all service credited under the Terre Haute Pension Plan for purposes of determining whether any such employee's age and Years of Service total at least 70, provided that no such employee shall be entitled to early retirement under the Plan before May 11, 1992.

B.12 Brownsville Water Company. Service for all purposes under the Plan other than for benefit accrual shall begin on such Employee's date of hire by Brownsville Water Company nearest the date that that company was acquired, which was July 1, 1990. Service for benefit accrual under the Plan for such Employee shall begin July 1, 1990.

B.13 California Water Company. Service for all purposes under the Plan other than for benefit accrual shall begin on such Employee's date of hire by California Water Company nearest the date that that company was acquired, which was July 1, 1990. Service for benefit accrual under the Plan for such Employee shall begin July 1, 1990.

B.14 Certain Transferred Employees. For purposes of computing the monthly normal or late retirement income under Section 5.2 of any Employee of California-American Water Company, West Virginia Water Company, Yardley Water Company, New Mexico-American Water Company or any other Subsidiary, who had been employed by the Company or a Designated Subsidiary and who was transferred to a Subsidiary that, at the time of such transfer was not, but subsequently became, a Designated Subsidiary, that Employee's service with such Subsidiary during the period before it became a Designated Subsidiary shall be credited to the same extent as if it had been performed for the Company or a Designated Subsidiary. In addition, during that interval, such Employee shall be considered a Participant for purposes of eligibility for Early Retirement under Section 4.2 and 5.4, eligibility for Disability Retirement under Section 4.3 and 5.5, and eligibility for survivor benefits under Section 6.1 and 6.3.

B.15 Northern Michigan Water Company. Service for benefit accrual for Employees who first became Employees by reason of the acquisition of Northern Michigan Water Company will commence on August 31, 1993, the Closing Date under the Stock Purchase Agreement dated as of January 30, 1993. For eligibility to participate, vesting and eligibility for early retirement under the Plan, service with Northern Michigan Water Company shall be counted.

B.16 Ohio Suburban Water Company. Service for benefit accrual for Employees who first became Employees by reason of the acquisition of Ohio Suburban Water Company will commence on August 31, 1993, the Closing Date under the Stock Purchase Agreement dated as of January 30, 1993. For eligibility to participate, vesting and eligibility for early retirement under the Plan, service with Ohio Suburban Water Company shall be counted.

B.17 Missouri Cities Water Company. Service for benefit accrual for Employees who first became Employees by reason of the acquisition of Missouri Cities Water Company will commence on August 31, 1993, the Closing Date under the Stock Purchase Agreement dated as of January 30, 1993. For eligibility to participate, vesting and eligibility for early retirement under the Plan, service with Missouri Cities Water Company shall be counted.

B.18 Indiana Cities Water Corporation. Service for benefit accrual for Employees who first became Employees by reason of the acquisition of Indiana Cities Water Corporation will commence on August 31, 1993, the Closing Date under the Stock Purchase Agreement dated as of January 30, 1993. For eligibility to participate, vesting and eligibility for early retirement under the Plan, service with Indiana Cities Water Corporation shall be counted.

B.19 Country Place Water Co., Inc. and Country Place Water Treatment Co., Inc. (Monroe County), PA. Service for all purposes under the Plan for non-union Employees who first became Employees by reason of the acquisition of Country Place Water Co., Inc. or Country Place Water Treatment Co., Inc. will commence on June 30, 1995.

B.20 Pennsylvania Gas and Water Company. Service for all purposes under the Plan other than for benefit accrual shall begin on such Employee's date of hire by Pennsylvania Gas and Water Company nearest February 16, 1996, the closing date under the Asset Purchase Agreement by and among Pennsylvania Enterprises, Inc., Pennsylvania Gas and Water Company, American Water Works Company, Inc. and Pennsylvania-American Water Company. Service for benefit accrual under the Plan for such Employee shall begin February 16, 1996.

B.21 Hawaii American Water. Service for benefit accrual for Employees who first became Employees by reason of the acquisition of Hawaii American Water will commence on July 1, 1998. For eligibility to participate, vesting and eligibility for early retirement under the Plan, service with Hawaii American Water shall be counted.

B.22 United Water Resources, Inc.

(a) Service for benefit accrual for employees previously covered under the United Water Resources, Inc. Retirement Plan, shall begin on the following dates:

<u>Location</u>	<u>Date</u>
United Water of Indiana	February 1, 2000
United Water of West Lafayette	February 1, 2000
United Water of Virginia	February 29, 2000
United Water of Missouri	May 1, 2000
United Water of Illinois	May 31, 2000

For eligibility to participate and vesting under the Plan, service with United Water Resources, Inc. shall be counted.

(b) Service for all purposes for Employees previously covered under the United Waterworks Inc. Employees' Retirement Plan (the "United Waterworks Plan") whose terms and conditions of employment are covered by a union contract shall include all service taken into account under the United Waterworks Plan. Accrued Benefits under the Plan shall be determined on the basis of the United Waterworks Plan formula in effect on the date(s) specified in (a) above, as applicable.

B.23 City of Coatesville Authority. Service for benefit accrual purposes for Employees who first became Employees by reason of the Asset Purchase Agreement by and between the City of Coatesville Authority and American Water Works Company, Inc. will commence on March 23, 2001, the Closing Date under the Asset Purchase Agreement dated February 15, 2000 and amended on October 5, 2000. For eligibility to participate, vesting and eligibility for early retirement under the Plan, service with the City of Coatesville Authority shall be counted.

B.24 City of Florissant, MO. Service for benefit accrual for non-union Employees who first became Employees by reason of the acquisition of City of Florissant, MO will commence on November 1, 2001. For eligibility to participate, vesting and eligibility for early retirement under the Plan, service with City of Florissant, MO shall be counted.

B.25 Texas American Water Company. Service for all purposes under the Plan for Employees who first became Employees by reason of the acquisition of Texas American Water Company on November 1, 2001, will commence on July 1, 2002.

B.26 Citizens Utilities Companies. Service for benefit accrual purposes for Employees who first became Employees by reason of the Asset Purchase Agreement by and among Citizens Utilities Company and Certain of Its Affiliates and American Water Works Company, Inc. and Arizona-American Water Company will commence on January 15, 2002, the Closing Date under the Asset Purchase Agreement dated October 15, 1999. For eligibility to participate, vesting and eligibility for early retirement under the Plan, service with Citizens Utilities Companies shall be counted.

B.27 City of Webster Groves, MO. Service for benefit accrual for Employees who first became Employees by reason of the acquisition of City of Webster Groves, MO will commence on February 8, 2002. For eligibility to participate, vesting and eligibility for early retirement under the Plan, service with City of Webster Groves, MO shall be counted.

B.28 LP Water & Sewer Company (Monroe and Pike Counties), PA. Service for benefit accrual for non-union Employees who first became Employees by reason of the acquisition of LP Water & Sewer Company (Monroe and Pike Counties), PA will commence on April 3, 2002. For eligibility to participate, vesting and eligibility for early retirement under the Plan, service with LP Water & Sewer Company (Monroe and Pike Counties), PA shall be counted.

[Personal information intentionally omitted pursuant to Item 601(a)(6) of Regulation S-K]

APPENDIX 4

SPECIAL SERVICE CREDITING RULES AND BENEFIT PROVISIONS RELATING TO NEI ACQUISITION

NON-UNION EMPLOYEES.

Effective July 1, 2001, eligible non-union employees of Northwest Indiana Water Company, Northern Illinois Water Corporation, Long Island Water Corporation and St. Louis Water Company (collectively with their subsidiaries referred to as "NEI") began participation in the Plan. The following special rules apply only to the non-union employees of NEI who were hired prior to July 1, 2001.

I. NORTHWEST INDIANA WATER COMPANY

A. "Service Crediting" means all service including service with Northwest Indiana Water Company for purposes of vesting and for purposes of determining entitlement to Early Retirement.

For purposes of benefit accrual service, effective June 30, 2001, non-union employees shall cease to be credited with Years of Service under the Employees' Pension Plan of Northwest Indiana Water Company ("Northwest Indiana Plan") and will commence benefit accrual service under the Pension Plan for Employees of American Water Works Company, Inc. and Its Designated Subsidiaries.

B. "Early Retirement Date" means the first of the month following a Participant's 55th birthday and completion of 5 or more Years of Service.

C. "Early Retirement Income" means the monthly retirement income commencing on a Participant's Early Retirement Date in an amount equal to the sum of:

(i) their normal retirement benefit as determined under Section D(i) reduced to reflect the early commencement of benefits by multiplying such benefit by the fraction from the following schedule:

Lesser of: Years Until Age 65, or <u>Years of Vesting Service less than 30</u>	<u>Applicable Fraction</u>
10	15/30
9	16/30
8	17/30
7	18/30
6	19/30
5	20/30
4	22/30
3	24/30
2	26/30
1	28/30
0	30/30

plus

(ii) their normal retirement benefit as determined under Section D(ii) multiplied by the appropriate factor, determined by their attained age and Years of Service at their Early Retirement Date, as set forth in the Schedule of Early Retirement Factors attached to this Plan as Table 1.

D. “Normal Retirement Income”

Effective for any Participant retiring after June 30, 2001, except as modified by the provisions of Section 6.1(a) of the Plan, a Participant’s monthly retirement income commencing on their Normal or Late Retirement Date shall be an amount equal to the sum of the following:

(i) 1.667% of Final Average Earnings at retirement multiplied by Years of Service prior to July 1, 2001 as determined under the provisions of the Northwest Indiana Plan, up to a maximum of 30 years, plus

(ii) 1.60% of Final Average Earnings at retirement multiplied by Years of Service after July 1, 2001 to Normal or Late Retirement Date.

E. “Vested Benefits in the Event of Termination of Employment”

The benefit of any vested active Employee who terminates employment on or after July 1, 2001 and who is not yet eligible for Early Retirement, shall be determined in accordance with Section 1.C above.

II. LONG ISLAND WATER CORPORATION

A. “Service Crediting” means all service including service with Long Island Water Corporation (which became part of New York American Water Company, Inc. on October 4, 2012) for purposes of vesting and for purposes of determining entitlement to Early Retirement.

For purposes of benefit accrual service, effective June 30, 2001, non-union employees shall cease to be credited with Years of Service under the Long Island Water Corporation Employees Retirement Plan ("Long Island Plan") and will commence benefit accrual service under the Pension Plan for Employees of American Water Works Company, Inc. and Its Designated Subsidiaries.

B. "Early Retirement Income" means the monthly retirement income commencing on a Participant's Early Retirement Date in an amount equal to the sum of:

(i) their normal retirement benefit as determined under Section D(i) reduced 2% for each year (1/6% for each month) subsequent to age 62, and reduced 4% for each year (1/3% for each month) prior to age 62, by which the Participant's Early Retirement Date precedes their Normal Retirement Date, in accordance with the following table:

<u>Age at Early Retirement</u>	<u>Early Retirement Fraction</u>
65	1.00
64	.98
63	.96
62	.94
61	.90
60	.86
59	.82
58	.78
57	.74
56	.70
55	.66

plus

(ii) their normal retirement benefit as determined under Section D(ii) multiplied by the appropriate factor, determined by their attained age and Years of Service at their Early Retirement Date, as set forth in the Schedule of Early Retirement Factors attached to this Plan as Table 1.

C. "Supplemental Early Retirement Income"

In addition to the Early Retirement Income, a Supplemental Early Retirement Income, in the yearly amount of \$1,200 (\$100 per month) will be payable to the Participant, commencing on their Early Retirement Date and ceasing with the earlier of their death or their attainment of age 65, provided that:

(i) the Participant is an Employee on the date they elect an Early Retirement Date, and

(ii) the sum of the Participant's age and Years of Service equals 90 units.

The yearly amount of the Supplemental Early Retirement Income will be reduced by 5% for each unit by which the sum of the Participant's age and Years of Service is less than 90.

D. “Normal Retirement Income”

Effective for any Participant retiring after June 30, 2001, except as modified by the provisions of Section 6.1(a) of the Plan, a Participant's monthly retirement income commencing on their Normal or Late Retirement Date shall be an amount equal to the sum of the following:

- (i) 1.75% of Final Average Earnings at retirement multiplied by Years of Service prior to July 1, 2001, as determined under the Long Island Plan, plus
- (ii) 1.60% of Final Average Earnings at retirement multiplied by Years of Service after July 1, 2001 to Normal or Late Retirement Date.

In no event shall a Participant's Accrued Benefit be less than their Accrued Benefit earned under the terms of the Long Island Water Corporation Pension Plan as of June 30, 2001.

E. “Vested Benefits in the Event of Termination of Employment”

The benefit of any vested active Employee who terminates employment on or after July 1, 2001 and who is not yet eligible for Early Retirement, shall be determined in accordance with Section II.B above.

III. ST. LOUIS COUNTY WATER COMPANY

A. “Service Crediting” means all service including service with St. Louis County Water Company for purposes of vesting and for purposes of determining entitlement to Early Retirement.

For purposes of benefit accrual service, effective June 30, 2001, non-union employees shall cease to be credited with Years of Service under The St. Louis County Water Company Pension Plan and will commence benefit accrual service effective as of July 1, 2001 under the Pension Plan for Employees of American Water Works Company, Inc. and Its Designated Subsidiaries.

B. “Early Retirement Income” means the monthly retirement income commencing on a Participant's Early Retirement Date in an amount equal to the sum of:

- (i) their normal retirement benefit as determined under Section C(i) reduced to reflect the early commencement of benefits by multiplying such benefit by the applicable factor from Table 4(b); plus
- (ii) their normal retirement benefit as determined under Section C(ii) multiplied by the appropriate factor, determined by their attained age and Years of Service at their Early Retirement Date, as set forth in the Schedule of Early Retirement Factors attached to this Plan as Table 1.

C. “Normal Retirement Income”

Effective for any Participant retiring after June 30, 2001, except as modified by the provisions of Section 6.1(a) of the Plan, a Participant's monthly retirement income commencing on their Normal or Late Retirement Date shall be an amount equal to the sum of the following:

(i) 1.50% of Final Average Earnings at retirement multiplied by Years of Service prior to July 1, 2001, as determined under the St. Louis Plan, plus

(ii) 1.60% of Final Average Earnings at retirement multiplied by Years of Service after July 1, 2001 to Normal or Late Retirement Date.

D. "Vested Benefits in the Event of Termination of Employment"

The benefit of any vested active Employee who terminates employment on or after July 1, 2001 and who is not yet eligible for Early Retirement, shall be determined in accordance with Section III.B above.

IV. NORTHERN ILLINOIS WATER CORPORATION

A. "Service Crediting" means all service including service with Northern Illinois Water Corporation for purposes of vesting and for purposes of determining entitlement to Early Retirement.

For purposes of benefit accrual service, effective June 30, 2001, non-union employees shall cease to be credited with Years of Service under the Northern Illinois Water Corporation Retirement Income Plan ("Northern Illinois Plan") and will commence benefit accrual service effective as of July 1, 2001 under the Pension Plan for Employees of American Water Works Company, Inc. and Its Designated Subsidiaries.

B. "Early Retirement Date" means the first of the month following a Participant's attainment of age 55.

C. "Early Retirement Income" means the monthly retirement income commencing on a Participant's Early Retirement Date in an amount equal to the sum of:

(i) their normal retirement benefit as determined under Section D(i) reduced to reflect the early commencement of benefits by multiplying such benefit by the factor from the following schedule:

<u>Number of Years Early Retirement Date Precedes Normal Retirement Date</u>	<u>Applicable Factor</u>
1	.97
2	.94
3	.91
4	.88
5	.85
6	.82
7	.79
8	.76
9	.73
10	.70

plus

(ii) their normal retirement benefit as determined under Section D(ii) multiplied by the appropriate factor, determined by their attained age and Years of Service at their Early Retirement Date, as set forth in the Schedule of Early Retirement Factors attached to this Plan as Table 1.

D. “Normal Retirement Income”

Effective for any Participant retiring after June 30, 2001, except as modified by the provisions of Section 6.1(a) of the Plan, a Participant’s monthly retirement income commencing on their Normal or Late Retirement Date shall be an amount equal to the sum of the following:

(i) 1.33% of Final Average Earnings at retirement multiplied by Years of Service prior to July 1, 2001, as determined under the Northern Illinois Plan, plus

(ii) 1.60% of Final Average Earnings at retirement multiplied by Years of Service after July 1, 2001 to Normal or Late Retirement Date.

E. “Vested Benefits in the Event of Termination of Employment”

The benefit of any vested active Employee who terminates employment on or after July 1, 2001 and who is not yet eligible for Early Retirement, shall be determined in accordance with Section IV.C above.

UNION EMPLOYEES.

V. INDIANA-AMERICAN WATER COMPANY, INC. (formerly Northwest Indiana Water Corporation) - UNION EMPLOYEES AT THE NORTHWEST OPERATIONS FACILITY

Effective December 31, 2002, or as soon as administratively practicable thereafter, the Northwest Indiana Water Company Retirement Plan (the "Indiana Plan"), consisting of two different groups of union employees, was merged with and into the Plan. Effective January 1, 2003, all eligible union employees of Indiana-American Water Company, Inc. began participation in the Plan.

The following special rules apply only to each active Employee of Indiana-American Water Company, Inc. who, as of December 31, 2002, is both: (1) a member of the USWA, Local 13584 (including Local 13584-01) at the Company's northwest operations facility, and (2) a participant in the Indiana Plan (a "Local 13584 Participant"):

A. Service Crediting. All service with the Company, including service with Northwest Indiana Water Corporation and Indiana-American Water Company, Inc. shall be credited to a Local 13584 Participant for purposes of vesting and for purposes of determining entitlement to Early Retirement.

For purposes of benefit accrual service, effective December 31, 2002, a Local 13584 Participant will cease to be credited with years of service under the Indiana Plan. Thereafter, a Local 13584 Participant's benefit accrual service shall consist of benefit accrual service credited under the terms of the Indiana Plan through December 31, 2002, plus, beginning January 1, 2003, any additional benefit service credited under the terms of the Plan.

B. Early Retirement Date. A Local 13584 Participant's Early Retirement Date shall be the first of any month following the date they attain at least age 55 (but before age 65) and is credited with 5 Years of Service for vesting purposes.

C. Early Retirement Income. The benefit payable to a Local 13584 Participant commencing on their Early Retirement Date shall be a monthly amount equal to the sum of:

(i) their normal retirement benefit as determined under Section D(i) reduced to reflect the early commencement of benefits by multiplying such benefit by the factor from the following table:

Lesser of:
Years Until Age 65, or
Years of Service for Vesting
Purposes Less than 30

Applicable Fraction

10	15/30
9	16/30
8	17/30
7	18/30
6	19/30
5	20/30
4	22/30
3	24/30
2	26/30
1	28/30
0	30/30

plus

(ii) their normal retirement benefit as determined under Section D(ii) multiplied by the appropriate factor, determined by their attained age and Years of Service at their Early Retirement Date, as set forth in the Schedule of Early Retirement Factors attached to this Plan as Table 1.

D. Normal Retirement Income. Effective for any Local 13584 Participant retiring on and after January 1, 2003, except as modified by the provisions of Section 6.1(a) of the Plan, the benefit payable to a Local 13584 Participant commencing on their Normal or Late Retirement Date shall be a monthly amount equal to the sum of:

(i) 1.667% of Final Average Earnings at retirement multiplied by Years of Service prior to January 1, 2003, as determined under the provisions of the Indiana Plan, up to a maximum of 30 years, plus;

(ii) 1.60% multiplied by Years of Service credited to the Local 13584 Participant under the terms of the Plan on and after January 1, 2003, multiplied by their Final Average Earnings as defined by the Plan.

In no event shall a Local 13584 Participant's Accrued Benefit be less than their Accrued Benefit earned under the terms of the Indiana Plan as of December 31, 2002.

E. Vested Benefits in the Event of Termination of Employment. The benefit of any vested active Local 13584 Participant who terminates employment on or after January 1, 2003, and who is not yet eligible for Early Retirement, shall be determined in accordance with Section C above.

VI. MISSOURI-AMERICAN WATER COMPANY (formerly St. Louis County Water Company) - UNION EMPLOYEES

Effective June 30, 2003, the St. Louis County Water Company Pension Plan (the "St. Louis Plan"), consisting entirely of union Employees, was merged with and into the Plan. These union Employees continued to participate under the terms of the St. Louis Plan until January 1, 2004, at which time all eligible union employees of Missouri-American Water Company began participation in the Plan.

The following special rules apply only to each active Employee of Missouri-American Water Company who, as of December 31, 2003, is both: (1) a member of the Utility Workers Union of America Affiliated with the AFL-CIO, Local 335, and (2) a participant in the St. Louis Plan (a "Local 335 Participant"):

A. Service Crediting. All service with the Company, including service with St. Louis Water Company and Missouri-American Water Company, shall be credited to a Local 335 Participant for purposes of vesting and determining eligibility for early retirement, preretirement death benefits and disability benefits.

For purposes of benefit accrual service, effective December 31, 2003, a Local 335 Participant will cease to be credited with years of service under the St. Louis Plan. Thereafter, a Local 335 Participant's benefit accrual service shall consist of benefit accrual service credited under the terms of the St. Louis Plan through December 31, 2003, plus, beginning January 1, 2004, any additional benefit service credited under the terms of the Plan.

B. Early Retirement Income. The benefit payable to a Local 335 Participant commencing on their Early Retirement Date shall be a monthly amount equal to the sum of:

(i) their normal retirement benefit as determined under Section C(i) reduced to reflect the early commencement of benefits by multiplying such benefit by the factor from the following table:

<u>Age</u>	<u>Applicable Factor</u>
64	.970
63	.941
62	.913
61	.885
60	.859
59	.833
58	.808
57	.784
56	.760
55	.737

plus

(ii) their normal retirement benefit as determined under Section C(ii) multiplied by the appropriate factor, determined by their attained age and Years of Service at their Early Retirement Date, as set forth in the Schedule of Early Retirement Factors attached to this Plan as Table 1.

C. Normal Retirement Income. Effective for any Local 335 Participant retiring on and after January 1, 2004, except as modified by the provisions of Section 6.1(a) of the Plan, the benefit payable to a Local 335 Participant payable on their Normal or Late Retirement Date shall be a monthly amount equal to the sum of:

(i) 1.50% multiplied by years of service credited to the Local 335 Participant under the terms of the St. Louis Plan through December 31, 2003, multiplied by their Final Average Earnings as defined by the Plan;

plus

(ii) 1.60% multiplied by Years of Service credited to the Local 335 Participant under the terms of the Plan on and after January 1, 2004, multiplied by their Final Average Earnings as defined by the Plan.

In no event shall a Local 335 Participant's Accrued Benefit be less than their Accrued Benefit earned under the terms of the St. Louis Plan as of December 31, 2003.

D. Vested Benefits in the Event of Termination of Employment. The benefit of any vested active Local 335 Participant who terminates employment on or after January 1, 2004, and who is not yet eligible for Early Retirement, shall be determined in accordance with Section B above.

VII. LONG ISLAND WATER CORPORATION - UNION EMPLOYEES

Effective June 30, 2004, the Long Island Water Corporation Employees Retirement Plan (the "Long Island Plan"), consisting entirely of union Employees, was merged with and into the Plan. Effective July 1, 2004, all eligible union Employees of Long Island Water Company began participation in the Plan. Effective October 4, 2012, Long Island Water Corporation merged with New York Water Services Corporation, Aqua New York, Inc. and Aqua New York of Sea Cliff, Inc. to form New York American Water Company, Inc.

A. Special Rules for Union Employees Hired Prior to July 1, 2004. The following special rules apply only to each active Employee of New York American Water Company, Inc. (formerly Long Island Water Corporation) who, as of June 30, 2004 was both: (1) a member of the Utility Workers Union of America Local 365 at the Company's Long Island, New York facility, and (2) participating in the Long Island Plan (a "Local 365 Participant"):

(i) Service Crediting. All service with the Company, including service with Long Island Water Corporation and New York American Water Company, Inc., shall be credited to a Local 365 Participant for purposes of vesting, determining eligibility for early retirement, preretirement death benefits and disability benefits.

For purposes of benefit accrual service, effective June 30, 2004, a Local 365 Participant will cease to be credited with years of service under the Long Island Plan.

Thereafter, a Local 365 Participant's benefit accrual service shall consist of benefit accrual service credited under the terms of the Long Island Plan through June 30, 2004, plus, beginning July 1, 2004, any additional benefit service credited under the terms of the Plan.

- (ii) Early Retirement Income. The benefit payable to a Local 365 Participant on their Early Retirement Date shall be their normal retirement benefit as determined under Section C multiplied by the appropriate factor, determined by their attained age and Years of Service at their Early Retirement Date, as set forth in the Schedule of Early Retirement Factors attached to this Plan as Table 1.
- (iii) Normal Retirement Income. Effective for any Local 365 Participant retiring on or after July 1, 2004, except as modified by the provisions of Section 6.1(a) of the Plan, the benefit payable to a Local 365 Participant on their Normal or Late Retirement Date shall be a monthly amount equal to the sum of the following:
 - (a) 1.75% multiplied by years of service credited to the Local 365 Participant under the terms of the Long Island Plan through June 30, 2004, multiplied by their Final Average Earnings, as defined by the Plan, as of the earlier of July 31, 2010 or their actual termination of employment; plus
 - (b) 1.60% multiplied by Years of Service credited to the Local 365 Participant under the terms of the Plan on and after July 1, 2004 but before January 1, 2008, multiplied by their Final Average Earnings, as defined by the Plan, as of the earlier of July 31, 2010 or their actual termination of employment; plus
 - (c) the greater of:
 - (1) 1.60% multiplied by Years of Service credited to the Local 365 Participant under the terms of the Plan on and after August 1, 2010 through their date of retirement or other termination employment, multiplied by their Final Average Earnings, as defined by the Plan, as of their actual termination of employment; or
 - (2) 1.60% multiplied by Earnings, as defined by the Plan, for each Year of Service credited under the terms of the Plan on and after August 1, 2010 but before January 1, 2013.

In no event shall a Local 365 Participant's Accrued Benefit be less than their Accrued Benefit earned under the terms of the Long Island Plan as of June 30, 2004.

- (iv) Vested Benefits in the Event of Termination of Employment. The benefit of any vested active Local 365 Participant who terminates employment on or after July 1, 2004 and who is not yet eligible for Early Retirement, shall be determined in accordance with Section B above.
- B. Normal Retirement Income - Special Rules for Union Employees Hired On and After July 1, 2004. The following special rules apply only to an Employee of New York American Water Company, Inc. (formerly Long Island Water Corporation) who was hired on or after July 1, 2004, and is a member of the Utility Workers Union of America Local 365 at the Company's Long Island, New York facility ("New Local 365 Participant"). A New Local 365 Participant shall, upon meeting the eligibility

requirements of Section 3.1 of the Plan, commence participation under the terms of the Plan except as otherwise provided in this Section B.

Effective for any New Local 365 Participant hired before January 1, 2006, except as modified by the provisions of Section 6.1(a) of the Plan, a New Local 365 Participant's monthly retirement income commencing on their Normal or Late Retirement Date shall be an amount equal to the sum of the following:

- (i) 1.60% multiplied by Years of Service credited to the New Local 365 Participant on and after July 1, 2004 but before January 1, 2006, multiplied by their Final Average Earnings as of the earlier of December 31, 2005 or their actual termination of employment; plus
- (ii) the greater of:
 - (a) 1.60% multiplied by Years of Service credited to the New Local 365 Participant under the terms of the Plan on and after January 1, 2006 through their date of retirement or other termination employment, multiplied by their Final Average Earnings, as defined by the Plan, as of their actual termination of employment; or
 - (b) 1.60% multiplied by Earnings for each Year of Service credited to the New Local 365 Participant on and after January 1, 2006 but before January 1, 2013.

VIII. ILLINOIS-AMERICAN WATER COMPANY (formerly Northern Illinois Water Corporation) - UNION EMPLOYEES AT CHAMPAIGN, ILLINOIS

Effective June 30, 2004, the Northern Illinois Water Corporation Retirement Income Plan (the "Northern Illinois Plan"), consisting of two different groups of union employees, was merged with and into the Plan. Effective July 1, 2004, all eligible union employees of Illinois-American Water Company began participation in the Plan.

Employees of Illinois-American Water Company who are members of the IBEW Local 51 at the Company's Sterling, Illinois facility continue to participate under the terms of the former Northern Illinois Plan, as described in Article IX of this Appendix 4.

The following special rules apply only to each active Employee of Illinois-American Water Company who, as of June 30, 2004, is both: (1) a member of the Utility Workers Union of America, Local 500 at the Company's Champaign, Illinois facility, and (2) a participant in the Northern Illinois Plan (a "Local 500 Participant"):

A. Service Crediting. All service with the Company, including service with Northern Illinois Water Corporation and Illinois-American Water Company, shall be credited to a Local 500 Participant for purposes of vesting and for purposes of determining entitlement to Early Retirement.

For purposes of benefit accrual service, effective June 30, 2004, a Local 500 Participant will cease to be credited with years of service under the Northern Illinois Plan. Thereafter, a

Local 500 Participant's benefit accrual service shall consist of benefit accrual service credited under the terms of the Northern Illinois Plan through June 30, 2004, plus, beginning July 1, 2004, any additional benefit service credited under the terms of the Plan.

B. Early Retirement Date. A Local 500 Participant's Early Retirement Date shall be the first of any month following their attainment of age 55 but before age 65.

C. Early Retirement Income. The benefit payable to a Local 500 Participant commencing on their Early Retirement Date shall be a monthly amount equal to the sum of:

(i) their normal retirement benefit as determined under Section D(i) reduced to reflect the early commencement of benefits by multiplying such benefit by the factor from the following table:

<u>Number of Years Early Retirement Date Precedes Normal Retirement Date</u>	<u>Applicable Factor</u>
1	.97
2	.94
3	.91
4	.88
5	.85
6	.82
7	.79
8	.76
9	.73
10	.70

plus

(ii) their normal retirement benefit as determined under Section D(ii) multiplied by the appropriate factor, determined by their attained age and Years of Service at their Early Retirement Date, as set forth in the Schedule of Early Retirement Factors attached to this Plan as Table 1.

D. Normal Retirement Income. Effective for any Local 500 Participant retiring on and after July 1, 2004, except as modified by the provisions of Section 6.1(a) of the Plan, the benefit payable to a Local 500 Participant commencing on their Normal or Late Retirement Date shall be a monthly amount equal to the sum of:

(i) 1.33% multiplied by years of service credited to the Local 500 Participant under the terms of the Northern Illinois Plan through June 30, 2004, multiplied by their Final Average Earnings as defined by the Plan; plus

(ii) 1.60% multiplied by Years of Service credited to the Local 500 Participant under the terms of the Plan on and after July 1, 2004, multiplied by their Final Average Earnings as defined by the Plan.

In no event shall a Local 500 Participant's Accrued Benefit be less than their Accrued Benefit earned under the terms of the Northern Illinois Plan as of June 30, 2004.

E. Vested Benefits in the Event of Termination of Employment. The benefit of any vested active Local 500 Participant who terminates employment on or after July 1, 2004 and who is not yet eligible for Early Retirement, shall be determined in accordance with Section C above.

IX. ILLINOIS-AMERICAN WATER COMPANY (formerly Northern Illinois Water Corporation) - UNION EMPLOYEES AT STERLING, ILLINOIS

Effective June 30, 2004, the Northern Illinois Water Corporation Retirement Income Plan (the "Northern Illinois Plan"), consisting of two different groups of union employees, was merged with and into the Plan. Employees of Illinois-American Water Company who were members of the IBEW Local 51 at the Company's Sterling, Illinois facility continued to participate under the terms of the former Northern Illinois Plan, as described in this Article IX prior to July 1, 2012. This Article IX is updated effective July 1, 2012, in accordance with the most recent collective bargaining agreement.

The following special rules apply only to each active Employee of Illinois-American Water Company who was: (1) as of June 30, 2004, both: (a) a member of the IBEW Local 51 at the Company's Sterling, Illinois facility, and (b) a participant in the Northern Illinois Plan; or (2) hired on or after July 1, 2004, but prior to February 1, 2009, as a member of the IBEW Local 51 at the Company's Sterling, Illinois facility (collectively "Local 51 Participants"). Except as otherwise provided under this Article IX, a Local 51 Participant shall participate in and be subject to all provisions of the Plan.

A. Definitions. All capitalized terms which are not defined below shall have the meaning given to them under Section 2.1 of the Plan.

(i) "Actuarial Equivalent" means, effective July 1, 2012, a benefit of equivalent value determine in accordance with Section 2.1(b) of the Plan; provided, however, notwithstanding any other Plan provision to the contrary, the value of an optional form of benefit (other than for benefit determinations subject to the requirements of section 417(e)(3) of the Code) elected by a Local 51 Participant with an Annuity Starting Date on or after July 1, 2012, will not be less than the value of that optional form of benefit based on their accrued benefit as of June 30, 2012, an interest rate of 7.5 percent and the mortality table as set forth in Revenue Ruling 95-6.

(ii) "Compensation" means, for purposes other than the limitations under Appendix 2, the total earnings paid or made available to an Employee by the Employer plus contributed by the Employer pursuant to a salary reduction agreement and which are not includible in the gross income of the employee under sections 125, 132(f)(4), 402(e), 402(h), or 403(b) of the Code. Compensation shall exclude overtime pay, shift or Sunday premiums and special compensation.

(iii) "Average Compensation" means, on any April 1, the average of a Local 51 Participant's monthly Compensation for those five consecutive 12-month periods (all 12-month periods if less than five) which give the highest average out of the final ten 12-month periods (all 12-month periods if less than ten) of employment with the Employer. Solely for purposes of this paragraph, a "12-month period" shall mean the 12-month period beginning on July 1 of a calendar year and ending in June 30 of the following calendar year.

(iv) "Early Retirement Age" means age 55.

(v) "Early Retirement Date" means the first day of any month on or after a Local 51 Participant reaches their Early Retirement Age but before their Normal Retirement Date, and on which they commence their benefit. A Local 51 Participant who has terminated employment with the Employer with a vested benefit before reaching their Early Retirement Age may elect an early retirement benefit upon reaching their Early Retirement Age.

(vi) "Qualified Joint and Survivor Annuity" means a joint and survivor annuity that is the Actuarial Equivalent of the normal form of benefit for an unmarried Local 51 Participant that provides a monthly annuity for the life of the Local 51 Participant's surviving spouse equal to 50% of the monthly annuity payable during the joint lives of the Local 51 Participant and their spouse.

(vii) "Required Beginning Date" means, solely for purposes of this Article IX, the April 1 of the calendar year following the calendar year in which the Local 51 Participant attains age 70-½.

(viii) "Required Contribution Account" means, on any date, the total of a Local 51 Participant's Required Contributions with interest. Contributions previously paid to the Local 51 Participant or applied for them, and any interest that would have been credited on those contributions, shall be excluded. On and after April 1, 1988, interest shall be credited in each Plan Year at the rate of 120% of the Federal mid-term rate (as in effect under section 1274 of the Code for the first month of the Plan Year) per annum compounded annually. Before April 1, 1988, interest was credited at the rate specified in the Plan as in effect on the day immediately before April 1, 1988. Interest shall be credited on each Required Contribution from the end of the Plan Year for which it was made until the month prior to the date of determination.

(ix) "Required Contributions" means nondeductible contributions required from a Local 51 Participant prior to January 1, 1967 (August 1, 1966 for any Employee of the Champion Division.)

(x) "Required Contribution. Accrued Benefit" means the amount of monthly retirement benefit payable in the form of a Single Life Annuity accrued by a Local 51 Participant which is derived from their Required Contributions.

(xi) "Single Life Annuity" means a monthly benefit payable for the life of the Local 51 Participant with a modified cash refund of their Required Contribution Account, if any.

B. Participation. An eligible Employee who is a member of the IBEW Local 51 at the Company's Sterling, Illinois facility (other than an Employee hired or rehired on or after February 1, 2009) shall commence participation under this Article IX on the first day of the month coincident with or next following the date on which they: (1) attain age 21; and (2) complete one Year of Service for eligibility purposes.

C. Early Retirement Income. The benefit payable to a Local 51 Participant commencing on their Early Retirement Date shall be determined as follows:

(i) Terminated or Retired Prior to July 1, 2012. If the Local 51 Participant terminates employment or retires prior to July 1, 2012, their benefit commencing on their Early Retirement Date shall be their normal retirement benefit as determined under Section D reduced to reflect the early commencement of benefits by multiplying such benefit by the factor from the following table:

<u>Number of Years Early Retirement Date Precedes Normal Retirement Date</u>	<u>Applicable Factor</u>
1	.97
2	.94
3	.91
4	.88
5	.85
6	.82
7	.79
8	.76
9	.73
10	.70

(ii) Terminated or Retired on or after July 1, 2012. If the Local 51 Participant terminates employment or retires on or after July 1, 2012, their benefit commencing on their Early Retirement Date shall be the sum of

(a) their normal retirement benefit as determined under Sections D(ii)(a) and D(ii)(c) reduced to reflect the early commencement of benefits by multiplying such benefit by the factor from the following table

<u>Number of Years Early Retirement Date Precedes Normal Retirement Date</u>	<u>Applicable Factor</u>
1	.97
2	.94
3	.91
4	.88
5	.85
6	.82
7	.79
8	.76
9	.73
10	.70

and

(b) their normal retirement benefit as determined under Section D(ii)(b) as of their Early Retirement Date multiplied by the appropriate factor, determined by their attained age and Years of Service at their Early Retirement Date, as set forth in the Schedule of Early Retirement Factors attached to the Plan as Table 1.

D. Normal Retirement Income. Effective for any Local 51 Participant retiring on and after July 1, 2004, except as modified by the provisions of Section 6.1(a) of the Plan, the benefit payable to a Local 51 Participant commencing on their Normal Retirement Date shall be determined as follows:

(i) Terminated or Retired Prior to July 1, 2012. If the Local 51 Participant terminates employment or retires prior to July 1, 2012, their benefit shall be a monthly amount equal to the sum of:

- (a) 1.33% of their Average Compensation multiplied by their Years of Service; plus
- b) \$1 for each \$144 of their Required Contribution Account, if any.

(ii) Terminated or Retired on or after July 1, 2012. For any Local 51 Participant who continues to be actively employed on or after July 1, 2012, their benefit shall be a monthly amount equal to the sum of:

- (a) 1.33% times Years of Service prior to July 1, 2012 times Final Average Earnings; plus
- (b) 1.60% times Years of Service on or after July 1, 2012 times Final Average Earnings; plus
- (c) \$1 for each \$144 of their Required Contribution Account, if any.

(iii) A Local 51 Participant may commence receipt of their normal retirement benefit on their Normal Retirement Date regardless of whether they are still employed by the Employer on such date.

E. Late Retirement Income. The benefit payable to a Local 51 Participant commencing on their Late Retirement Date shall be the greatest of:

- (i) their normal retirement benefit as determined under Section D on their Late Retirement Date; or
- (ii) their normal retirement benefit determined as of June 30, 2012 under Section D multiplied by the factor shown below corresponding to the number of years their Late Retirement Date follows their Normal Retirement Date

<u>Number of Years Late Retirement Date Follows Normal Retirement Date</u>	<u>Applicable Factor</u>
1	1.0600
2	1.1200
3	1.1900
4	1.2600
5	1.3400
6	1.4200
7	1.5000
8	1.5900
9	1.6900
10	1.7900

The above factors shall be prorated for a partial year (counting a partial month as a complete month). Factors for numbers of years beyond 10 shall be determined using a consistently applied reasonable actuarially equivalent method; or

(iii) with respect to a Local 51 Participant whose Late Retirement Date occurs after their Required Beginning Date, their normal retirement benefit as determined under Section D (determined as of June 30, 2012) multiplied by the factor in Section E(ii) for 1 year past Normal Retirement Date, prorated for a partial year based on the number of months in the period (counting a partial month as a complete month).

The amount in this Section E(iii) shall be redetermined after each subsequent April 1 based on the retirement benefit that would have been paid on their Required Beginning Date (determined as if their Late Retirement Date had occurred on their Required Beginning Date) multiplied by the factor in Section E(ii) for 1 year past Normal Retirement Date, prorated for a partial year based on the number of months since such Yearly Date (counting a partial month as a complete month).

Such greatest amount so determined applies to an active Local 51 Participant, who (1) is not a five-percent owner, (2) has attained age 70 $\frac{1}{2}$, and (3) makes an election to defer commencement of their retirement benefit until the calendar year following the calendar year in which they retire.

F. Minimum Benefit. An active Local 51 Participant's benefit payable as a Single Life Annuity shall not be less than the greatest amount of benefit that would have been provided for them had they retired on any earlier retirement date. In any event, an active Local 51 Participant's retirement benefit payable as a Single Life Annuity on their retirement date will not be less than the greater of their Required Contribution Account Accrued Benefit on their retirement date, multiplied by the appropriate factor if their retirement date is an Early Retirement Date, or the monthly benefit payable as a Single Life Annuity which is the Actuarial Equivalent of their Required Contribution Account on such date.

G. Vesting. A Local 51 Participant shall have no vested interest in their Accrued Benefit until they have been credited with five Years of Service for vesting purposes, at which time they shall have a 100% vested interest in their Accrued Benefit determined under this Article IX. Notwithstanding the foregoing, a Local 51 Participant who is actively employed by the Employer shall have a 100% vested interest in their Accrued Benefit upon reaching their Early Retirement Age or Normal Retirement Age.

A Local 51 Participant's Required Contribution Account is fully 100% vested and nonforfeitable at all times.

H. Vested Benefits in the Event of Termination of Employment. The benefit of any vested active Local 51 Participant who terminates employment on or after July 1, 2004 shall be:

(i) in the case of a Local 51 Participant who elects to commence their deferred vested benefit on their Early Retirement Date, an amount determined in accordance with Section H(ii) below multiplied by the applicable early retirement factor in Section C above.

(ii) in the case of a Local 51 Participant who elects to commence their deferred vested benefit on their Normal Retirement Date, an amount equal to the sum of (a) and (b):

(a) the Local 51 Participant's Required Contribution Accrued Benefit as of the date of determination (or the date the Required Contribution Account is paid in a single sum, if earlier);

(b) the excess of the Local 51 Participant's Accrued Benefit on the day before they terminated employment over the amount determined under (a) above but not less than \$0.

(iii) in the case of a Local 51 Participant who elects to commence their deferred vested benefit on their Late Retirement Date, an amount equal to:

(a) if they terminated on or before their Normal Retirement Date, an amount equal to the amount under Section H(ii) above multiplied by the late retirement factor in Section E(ii) which corresponds to the number of years their Late Retirement Date follows their Normal Retirement Date; or

(b) if they terminated after their Normal Retirement Date, an amount equal to the greater of:

- (1) their Accrued Benefit on the day before they terminated employment with the Employer; or
- (2) their Accrued Benefit on their Normal Retirement Date multiplied by the late retirement factor in Section E(ii) which corresponds to the number of years their Late Retirement Date follows their Normal Retirement Date.

Provided, however, for a terminated Local 51 Participant whose Late Retirement Date occurs after their Required Beginning Date, their deferred monthly retirement benefit determined in Section H(iii)(a) or (b) of this Article IX, whichever applies, shall be adjusted as provided in Section E(iii) of this Article IX.

I. Forms of Distribution.

(i) Normal Form for Unmarried Local 51 Participants. The normal form of distribution for an unmarried Local 51 Participant shall be a Single Life Annuity as defined in Section A(xi) of this Article IX.

(ii) Normal Form for Married Participants. If a Participant is married on their Annuity Starting Date, their retirement income will be paid to them in the form of a Qualified Joint and Survivor Annuity.

(iii) Required Contribution Account. A Local 51 Participant may elect, subject to the notice and election procedures of Section 6.2 of the Plan, as applicable, to receive their Required Contribution Account in a single-sum payment at any time after they cease to be an Employee and before their retirement date, provided they are not reemployed by the Employer.

(iv) Survivor Benefits Available by Election. A Local 51 Participant who is actively employed on or after July 1, 2012 may elect, subject to the notice and election provisions of Section 6.2 of the Plan, as applicable, to provide benefits for their Contingent Annuitant as described in Section 6.4.

J. Preretirement Survivor Annuity.

(i) Eligibility for Preretirement Survivor Annuity. If a married Local 51 Participant or an unmarried Local 51 Participant who has designated a Contingent Annuitant dies on or after July 1, 2012 but before their Annuity Starting Date, their surviving spouse or Contingent Annuitant, as applicable, shall receive a Preretirement Survivor Annuity as provided in this Section J. If a Local 51 Participant dies prior to July 1, 2012, the benefit, if any, payable to their spouse or Contingent Annuitant shall be determined under the provisions of the Plan in effect prior to July 1, 2012.

(ii) Death Prior to Early Retirement Eligibility, After Completing Five, But Not Yet Ten Years of Service. In the event of the death of a married Local 51 Participant or an unmarried Local 51 Participant who has designated a Contingent Annuitant on or after the date they have completed at least five Years of Service but before they have completed at least ten Years of Service or become eligible for Early Retirement, whether such Local 51 Participant is then actively employed or not, such Local 51 Participant's

spouse or Contingent Annuitant, as applicable, shall be entitled to a benefit, payable, if such spouse or Contingent Annuitant is then surviving, on the first day of the month coincident with, or next following the later of (A) the date of the Local 51 Participant's death or (B) the date the Local 51 Participant would have attained age 55 had they survived. The amount of such benefit shall be the same amount that such surviving spouse or Contingent Annuitant would have received had such Local 51 Participant terminated their service, survived to age 55, elected the 50% contingent annuity form of benefit, as determined under Table 2 based on their and their spouse's or Contingent Annuitant's then attained ages, and then died.

(iii) Death Prior to Early Retirement Eligibility but After Completing Ten Years of Service. In the event of the death of a married Local 51 Participant or an unmarried Local 51 Participant who has designated a Contingent Annuitant on or after the date they have completed at least ten Years of Service but prior to becoming eligible for Early Retirement, whether such Local 51 Participant is then actively employed or not, such Local 51 Participant's spouse or Contingent Annuitant, as applicable, shall be entitled to a benefit, payable, if such spouse or Contingent Annuitant is then surviving, on the first day of the month coincident with, or next following the later of (A) the date of the Local 51 Participant's death or (B) the date the Local 51 Participant would have attained age 55 had they survived. The amount of such benefit shall be the same amount that such surviving spouse or Contingent Annuitant would have received had such Local 51 Participant retired on the day before their death, or at age 55 if the date of death is prior to the date the Local 51 Participant attains age 55, elected to receive the 100% contingent annuity form of benefit and then died. The amount of such benefit shall be determined under Table 4, based on their attained age and the attained age of their spouse or Contingent Annuitant, except that for purposes of applying Table 4, the Local 51 Participant's attained age, if less than age 55, shall be considered to be age 55 and their spouse's or Contingent Annuitant's age shall be adjusted so that it bears the same relationship to age 55 as their actual attained ages bear to each other.

(iv) Death After Becoming Eligible for Early Retirement. In the event of the death of a married Local 51 Participant or an unmarried Local 51 Participant who has designated a Contingent Annuitant while they are eligible for Early Retirement, whether such Local 51 Participant is then actively employed or not, such Local 51 Participant's spouse or Contingent Annuitant, as applicable, shall be entitled to a benefit, payable, if such spouse or Contingent Annuitant is then surviving, on the first day of the month coincident with, or next following the date of the Local 51 Participant's death. The amount of such benefit shall be the same amount that such surviving spouse or Contingent Annuitant would have received had such Local 51 Participant retired on the day before their death, elected to receive the 100% contingent annuitant form of benefit as determined under Table 4, based on their attained age and the attained age of their spouse or Contingent Annuitant, and then died.

(v) Death After Becoming Eligible for Normal Retirement. In the event of the death of a married Local 51 Participant or an unmarried Local 51 Participant who has designated a Contingent Annuitant while actively employed after their Normal Retirement Date, such Local 51 Participant's spouse or Contingent Annuitant, as applicable, shall be entitled to a benefit, payable, if such spouse or Contingent Annuitant

is then surviving, on the first day of the month coincident with, or next following the date of the Local 51 Participant's death. The amount of such benefit shall be the same amount that such surviving spouse or Contingent Annuitant would have received had such Local 51 Participant retired on their Late Retirement Date, elected to receive the 100% contingent annuitant form of benefit as determined under Table 4, based on their attained age and the attained age of their spouse or Contingent Annuitant, and then died.

(vi) Any benefit payable under this Section J shall terminate on the surviving spouse's or Contingent Annuitant's death.

(vii) Notwithstanding anything in this Section J to the contrary, if a single-sum death benefit would otherwise be payable under Section K below, the monthly benefit payable to the spouse or Contingent Annuitant, as applicable, under this Section J shall not be less than the monthly benefit which is the Actuarial Equivalent of the single-sum death benefit at the date benefits start.

K. Single-Sum Death Benefit. If the requirements of Section J above have not been met on the date a Local 51 Participant dies, a single-sum death benefit equal to their Required Contribution Account on the date they died, if any, shall be payable to the Local 51 Participant's spouse, if any, or to the Local 51 Participant's estate. If the requirements of Section J above have been met on the date such Local 51 Participant dies, but the Local 51 Participant's spouse or Contingent Annuitant dies before the preretirement survivor annuity starts, this single-sum death benefit, determined as of the date of the spouse's or Contingent Annuitant's death, shall be paid to the Local 51 Participant's estate.

L. Disability Retirement Income.

(i) A Local 51 Participant who has completed 10 or more Years of Service, and who qualifies for disability retirement under this Section L shall be retired as of the first day of the month following the first month in which the Administration Committee has received both (i) the Local 51 Participant's written request for disability retirement, and (ii) evidence reasonably satisfactory to the Administration Committee that the Local 51 Participant has been determined by the United States Social Security Administration to qualify for total and permanent disability benefits under the Social Security Act. A Local 51 Participant shall be eligible for disability retirement benefits if, as a result of mental or physical illness or injury (other than self-inflicted) while actively employed, they qualify for disability benefits under the Social Security Act. Disability benefit payments shall commence in either the month in which the disabled Local 51 Participant is retired, as described above, or in the next following month, as may be administratively practicable. Such payments under the Plan shall be made retroactively to the first day of the month following the date as of which the Local 51 Participant is deemed to be disabled by the Social Security Administration, or, if later, to the last day of the Local 51 Participant's eligibility for continuation of the Local 51 Participant's salary or hourly wages as sick pay under an applicable Employer sick pay plan. The sum of any retroactive payments shall be paid in a lump sum, without interest, as part of the first monthly payment of disability benefits. A Local 51 Participant shall provide such reasonable evidence of continued Social Security disability as the Administration Committee may require from time to time. Disability benefits shall be discontinued if the Local 51 Participant ceases to qualify for disability benefits under the Social Security Act.

(ii) "Disability Retirement Date" means the date a Participant retires before their Normal Retirement Date in accordance with the provisions of Section L(i).

(iii) A Local 51 Participant who retires under the provisions of Section L(i) before their Normal Retirement Date shall be entitled to receive for life, or as long as their disability continues to qualify under the Social Security Act, a monthly retirement income commencing on their Disability Retirement Date in an amount equal to the benefit which they would have received pursuant to Section D based on their Years of Service and Final Average Earnings as of their Disability Retirement Date, without reduction for early commencement. Notwithstanding the above, if a Local 51 Participant is not actively employed (meaning engaged in work duties for the Employer) on or after July 1, 2012, their benefit shall be determined under the provisions of the Plan in effect prior to July 1, 2012.

(iv) A Local 51 Participant who becomes disabled, while actively employed, on or after attaining age 65, shall be considered to have retired under Section D or Section E, as applicable, and will be entitled to a monthly retirement income, if any, in an amount determined under Section D or E and Section 6.1(a), as applicable.

APPENDIX 5

SPECIAL SERVICE CREDITING RULES AND BENEFIT PROVISIONS RELATING TO MERGER OF EMPLOYEES' RETIREMENT PLAN OF ELIZABETHTOWN WATER COMPANY

Effective January 1, 2006, the Employees' Retirement Plan of Elizabethtown Water Company (the "Elizabethtown Plan") was amended to provide that the benefit of all non-union participants would continue to be paid from the Elizabethtown Plan trust, however all benefits would become payable in accordance with the terms of the Pension Plan for Employees of American Water Works Company, Inc. And Its Designated Subsidiaries provided that certain protected benefits and features would continue to apply. The Elizabethtown Plan was also amended to provide that all Local 423 union employees hired or rehired on or after April 1, 2006 and all Local 68 union employees hired or rehired on or after May 1, 2006 were not eligible to commence or recommence participation in the Elizabethtown Plan.

Effective December 31, 2006, the Elizabethtown Plan was merged with and into the Plan, assets were transferred from the Elizabethtown Plan trust to the Trust for the Plan, and eligible employees of Elizabethtown Water Company began participation in the Plan. The following special rules apply only to the non-union and union employees who had accrued a benefit under the Elizabethtown Plan as of December 31, 2006.

NON-UNION EMPLOYEES.

The following special rules apply only to non-union employees who had accrued a benefit under the Elizabethtown Plan as of December 31, 2006 (the "Non-union Participants").

A. **Definitions.** All capitalized terms which are not defined below shall have the meaning given to them under Article 2 of the Plan.

(i) "**Compensation**" means regular earnings paid to an Employee, including contributions made by an Employee to a Code section 125 or 401(k) plan, but excluding bonuses, overtime pay, special pay and all other Employer contributions to benefit plans.

(ii) "**Early Retirement Date**" means the first of the month following a Non-union Participant's 55th birthday and completion of 10 or more Years of Service.

(iii) "**Final Average Earnings**" determined for periods beginning on and after January 1, 2006 and before January 1, 2011 shall be based on:

(a) the Non-union Participant's "Compensation" (as defined in Section A(i) above) for the portion of the applicable 60 consecutive months which occurred before January 1, 2006; and

(b) the Non-union Participant's "Earnings" (as defined in Section 2.1(n)) for the portion of the applicable 60 consecutive months which occurred on and after January 1, 2006.

(iv) “Service Crediting” or “Years of Service” means all service including service with Elizabethtown Water Company for purposes of vesting and for purposes of determining entitlement to Early Retirement.

For purposes of benefit accrual service, effective January 1, 2006, Non-union Participants shall cease to be credited with Years of Service under the Elizabethtown Plan and will commence benefit accrual service under the Pension Plan for Employees of American Water Works Company, Inc. and Its Designated Subsidiaries.

B. Early Retirement Income means the monthly retirement income commencing on a Non-union Participant’s Early Retirement Date in an amount equal to the sum of:

(i) their normal retirement benefit as determined under Section C(i) reduced to reflect the early commencement of benefits by multiplying such benefit by $\frac{5}{12}$ of 1% for each month that the commencement of payments precedes their Normal Retirement Date (or, if the Non-union Participant has completed at least 25 Years of Service, the reduction shall apply for each month that the commencement of payments precedes their attainment of age 60); plus

(ii) their normal retirement benefit as determined under Section C(ii) multiplied by the appropriate factor, determined by their attained age and Years of Service at their Early Retirement Date, as set forth in the Schedule of Early Retirement Factors attached to this Plan as Table 1.

C. Normal Retirement Income.

Effective for any Non-union Participant retiring after January 1, 2006, except as modified by the provisions of Section 6.1(a) of the Plan, a Participant’s monthly retirement income commencing on their Normal or Late Retirement Date shall be an amount equal to the sum of the following:

(i) 1.60% of Final Average Earnings at retirement multiplied by Years of Service prior to January 1, 2006 as determined under the provisions of the Elizabethtown Plan, up to a maximum of 40 years, plus

(ii) 1.60% of Final Average Earnings at retirement multiplied by Years of Service after January 1, 2006 to Normal or Late Retirement Date.

D. Vested Benefits in the Event of Termination of Employment.

The benefit of any vested Non-union Participant who terminates employment on or after January 1, 2006 and who is not yet eligible for Early Retirement, shall be determined in accordance with Section B above.

E. Lump Sum Option.

In addition to the optional forms of payment provided under Section 6.3 of the Plan, if the Actuarially Equivalent present value of a Non-union Participant's vested Accrued Benefit is less than \$15,000, they may elect to receive their benefit in the form of a single lump sum payment.

UNION EMPLOYEES.

The following special rules apply only to Local 423 union employees hired before April 1, 2006 and all Local 68 union employees hired before May 1, 2006 who had accrued a benefit under the Elizabethtown Plan as of December 31, 2006 (the "Union Participants").

A. Definitions. All capitalized terms which are not defined below shall have the meaning given to them under Section 2.1 of the Plan.

(i) "Actuarial Equivalent" means an amount of equal value when computed on the basis of the 1978 Group Annuity Mortality Table (1971 Group Annuity Mortality Table Projected to 1978 with scale E) and an interest rate of 5% per annum. An average of male and female rates shall be used. For purposes of determining lump sum present values for distributions with an Annuity Starting Date on and after December 31, 2006, the calculation shall be made using the applicable interest rate under section 417(e)(3) of the Code for the October immediately preceding the calendar year during which the Annuity Starting Date occurs, provided that the lump sum present value for distributions made on or before December 31, 2007, shall not be less than the lump sum present value based on the applicable interest rate under section 417(e)(3) of the Code for the December preceding the calendar year in which the Annuity Starting Date occurs.

(ii) "Average Monthly Compensation" means the average of the Union Participant's "Compensation" (as defined in Section A(iv) below) for any four consecutive calendar years during the period beginning with 1966 and ending on the date their employment terminates which produces the highest average.

(iii) "Beneficiary" means the person, persons or trust entitled to receive the payments, if any, made with respect to a Union Participant after such Participant's death.

(iv) "Compensation" means regular earnings paid to a Union Participant, including contributions made by a Union Participant to a Code section 125 or 401(k) plan, but excluding bonuses, overtime pay, special pay and all other Employer contributions to benefit plans. Compensation shall also include amounts paid to a Union Participant by Elizabethtown Water Company, or any of its participating affiliates, and credited as "Compensation" under the Elizabethtown Plan prior to the merger on December 31, 2006.

(v) "Early Retirement Date" means the first of the month following a Union Participant's 55th birthday and completion of 10 or more Years of Service.

(vi) “Elizabethtown Plan” means the Employees’ Retirement Plan of Elizabethtown Water Company, as in effect on December 31, 2006, the date it was merged with and into the Plan.

(vii) “Qualified Joint and Survivor Annuity” or “QJSA” means an annuity for the life of the Union Participant with a survivor annuity for the life of such Participant’s surviving Spouse which is equal to 50% of the amount which is payable during the joint lives of the Union Participant and their Spouse.

(viii) “Service Crediting” or “Years of Service”. A Union Participant shall be credited with a Year of Service for each Plan Year during which they complete at least 1,000 Hours of Service with the Designated Subsidiary; provided, however, that a Union Participant shall be credited with a Year of Service for the period beginning July 1, 2022 and ending on June 30, 2023 if they complete at least 1,000 Hours of Service during such period. Years of Service shall also include periods of service with Elizabethtown Water Company or its participating affiliates credited under the Elizabethtown Plan as “Credited Service” prior to the merger on December 31, 2006. Notwithstanding the foregoing, the maximum number of Years of Service credited under the Plan shall be 40.

(ix) “Spouse” means the husband or wife to whom the Union Participant had been married throughout the one-year period preceding the earlier of their Annuity Starting Date or date of their death.

B. Early Retirement Income. A Union Participant’s monthly retirement income commencing on a Union Participant’s Early Retirement Date shall be an amount equal to their normal retirement benefit as determined under Section C(i) reduced to reflect the early commencement of benefits by multiplying such benefit by 5/12 of 1% for each month that the commencement of payments precedes their Normal Retirement Date (or, if the Union Participant has completed at least 25 Years of Service, the reduction shall apply for each month that the commencement of payments precedes their attainment of age 60).

C. Normal or Late Retirement Income.

A Union Participant’s monthly retirement income commencing on their Normal or Late Retirement Date shall be an amount equal to the greater of (i) or (ii) as follows:

(i) 1.60% of Average Monthly Compensation at retirement multiplied by Years of Service, up to a maximum of 40 years, or

(ii) their Accrued Benefit as of December 31, 1995, calculated under the terms of the prior Elizabethtown Plan as then effective.

D. Disability. A Union Participant shall not be eligible for any disability retirement benefit under the Plan unless such Union Participant (1) is a Local 423 union employee hired before April 1, 2006 who had a benefit under the Elizabethtown Plan as of December 31, 2006, and (2) becomes eligible for a disability retirement benefit under Section 4.3 of the Plan on or after February 1, 2009 while actively employed by New Jersey-American Water Company, Inc. (formerly known as the Elizabethtown Water Company). A Union Participant who is a Local 68 union employee shall not be eligible for any disability retirement benefit under the Plan.

E. Vested Benefits in the Event of Termination of Employment.

The benefit of any vested Union Participant who terminates employment on or after January 1, 2006 and who is not yet eligible for Early Retirement, shall be determined in accordance with Section B above. Such Union Participant shall be entitled to receive their benefit beginning with the month following their Normal Retirement Date and shall not be eligible to receive their benefit upon termination as provided in Section 8.2(b).

F. Forms of Benefit Payment.

(i) Normal Forms of Payment.

(a) The normal form of retirement benefit for an unmarried Union Participant shall be a monthly annuity for the life of such Participant continuing until the last payment due before their death. An unmarried Union Participant may elect an optional form of payment in lieu of the normal form pursuant to the notice and election procedures under the Plan.

(b) The normal form of retirement benefit for a Union Participant who has been married throughout the one-year period preceding their Annuity Starting Date shall be a Qualified Joint and Survivor Annuity or QJSA. Such a Participant may elect the normal form of benefit for an unmarried Participant or an optional form of benefit under this Section F. The Union Participant's election of an optional form of benefit will be valid only if their Spouse consents to their election in writing, signed before a notary public, pursuant to the notice and election procedures set forth in the Plan.

(ii) Optional Forms of Payment. Subject to the spousal waiver provision described above (if applicable) and in lieu of the normal form of benefit payment, a Union Elizabethtown Participant may elect one of the optional forms of benefit payment:

(a) 100% Contingent Annuitant Option. The amount of retirement income to be paid to the Union Participant shall be reduced, but after their death 100% of such reduced retirement income shall be paid for life to their Spouse. The amount of reduced retirement income payable to the Participant shall be 80% of the amount otherwise payable. Such reduced retirement income shall be further reduced, or increased, by 1% for each year by which the Union Participant's Spouse is more than five years younger, or older, than the Participant. However, in no event shall the retirement income payable under this option be greater than that payable in the absence of an option.

(b) 50% Contingent Annuitant Option. The amount of retirement income to be paid to the Union Participant shall be reduced, but after their death 50% of such reduced retirement income shall be paid for life to their Spouse. The amount of reduced retirement income payable to the Participant shall be 90% of the amount otherwise payable. Such reduced retirement income shall be further reduced, or increased, by one-half percent ($\frac{1}{2}\%$) for each year by which the Union Participant's Spouse is more than five years younger, or older, than the Participant. However, in no event shall the retirement income payable under this option be greater than that payable in the absence of an option.

(c) Five-Year Certain Option. The amount of retirement income to be paid to the Union Participant shall be reduced, but in the event of their death prior to receiving 60 monthly payments, the same amount of retirement income shall be continued to their Beneficiary until a combined total of 60 monthly payments have been made. The amount of reduced retirement income payable to the Participant shall be 98% of the amount otherwise payable to them.

(d) Ten-Year Certain Option. The amount of retirement income to be paid to the Union Participant shall be reduced, but in the event of their death prior to receiving 120 monthly payments, the same amount of retirement income shall be continued to their Beneficiary until a combined total of 120 monthly payments have been made. The amount of reduced retirement income payable to the Participant shall be 94% of the amount otherwise payable to them.

(e) Fifteen-Year Certain Option. The amount of retirement income to be paid to the Union Participant shall be reduced, but in the event of their death prior to receiving 180 monthly payments, the same amount of retirement income shall be continued to their Beneficiary until a combined total of 180 monthly payments have been made. The amount of reduced retirement income payable to the Participant shall be 88% of the amount otherwise payable to them.

(f) Lump Sum Option. If the Actuarially Equivalent present value of a Union Participant's vested Accrued Benefit is less than \$15,000, they may elect to receive their benefit in the form of a single lump sum payment.

G. Death Benefits. The provisions of this Section shall apply to any vested Union Participant whether or not they have terminated employment with the Employer. Sections 6.3 and 6.4 shall not apply to any Union Participant. In addition, the Automatic Surviving Spouse Benefit under Section 6.1 of the Plan shall not apply to any Union Participant, however Section 6.2(d) (Notice and Election Procedures) for Qualified Joint and Survivor Annuity, shall apply to all Union Participants.

(i) Qualified Preretirement Survivor Annuity (QPSA).

(a) Death After Earliest Retirement Age. If a vested active or terminated vested Union Participant dies after the Earliest Retirement Age (as defined below), the Participant's Spouse or Beneficiary will receive the same benefit that would be payable if the Participant had retired with an immediate QJSA on the day before their date of death.

(b) Death Before Earliest Retirement Age. If a vested active or terminated vested Union Participant dies on or before the Earliest Retirement Age, the Participant's Spouse or Beneficiary will receive the same benefit that would be payable if the Participant had:

- (1) separated from service on the date of death,
- (2) survived to the Earliest Retirement Age,
- (3) elected to receive an immediate QJSA at the Earliest Retirement Age, and
- (4) died on the day after the Earliest Retirement Age.

Notwithstanding the provisions of this Section, if the value of the QPSA is less than \$5,000, the Administration Committee shall direct the immediate distribution of the Actuarial Equivalent thereof in a single lump sum in cash to the Union Participant's Spouse or Beneficiary.

(c) Reduction in Benefit. The benefit payable to the Spouse or Beneficiary will be reduced by 1/6 of one percent for each month that the date of birth of the Spouse or Beneficiary is more than five years after the date of birth of the deceased Union Participant.

(d) Death Benefit after Commencement of Benefits. The benefits, if any, payable as a result of death after the commencement of benefits shall be governed by the payment option in effect in accordance with Section F.

(e) Earliest Retirement Age, for the purpose of this Section, is the earliest date on which, under the Plan, the Union Participant could elect to receive retirement benefits.

(f) Qualified Joint and Survivor Annuity. For purposes of this Section, the definition of Qualified Joint and Survivor Annuity set forth in Section A is changed by substituting the term "Beneficiary" in place of the term "Spouse" wherever it is used therein.

(g) Benefits Payable to Beneficiaries. The death benefit payable pursuant to the provisions of this Section G(g) shall be payable to a Beneficiary only if the Union Participant has no Spouse, unless a valid spousal waiver has been obtained, in accordance with Section G(ii)(d).

(ii) Beneficiary Designation.

(a) Each Union Participant shall have the right to designate one or more Beneficiaries and contingent Beneficiaries to receive any benefit payable under Section G(i)(d) by filing a written designation with the Administration Committee on the form prescribed by the Administration Committee.

(b) If the Union Participant has elected an annuity with a contingent annuitant option, the election of the contingent annuitant shall be irrevocable as of the Annuity Starting Date.

(c) If the Union Participant has elected an annuity with a guaranteed number of monthly payments or commuted death benefit, such Union Participant may thereafter designate a different Beneficiary to receive the guaranteed monthly payments or commuted death benefit at any time by filing a new written designation with the Administration Committee.

(d) Notwithstanding the foregoing, if a married Union Participant designates a contingent annuitant or Beneficiary other than their Spouse and their Spouse does not consent to such designation in writing witnessed by a notary public or a representative of the Administration Committee in a manner prescribed by the Administration Committee, then the Union Participant's Spouse shall be the Participant's sole Beneficiary. A Spouse's consent to the Union Participant's Beneficiary designation given in accordance with the Administration Committee's rules shall be irrevocable by the Spouse with respect to the Beneficiary then designated by the Union Participant unless the Participant makes a new Beneficiary designation.

(e) Any written designation shall become effective only upon its receipt by the Administration Committee. If the Beneficiary designated pursuant to this Section should die on or before distribution of benefits and the Union Participant fails to make a new designation, then their Beneficiary shall be determined pursuant to Section G(iii). The Beneficiary of guaranteed monthly payments shall select the form of distribution in accordance with Section G(iv).

(iii) Beneficiary List. If (1) a Union Participant omits or fails to designate a Beneficiary, (2) no designated Beneficiary survives the Union Participant or (3) the Administration Committee determines that the Union Participant's Beneficiary designation is invalid for any reason, then any guaranteed monthly payments or commuted benefit payable after the death of the Union Participant shall be paid to their Spouse, or if the Union Participant is not survived by their Spouse, then to their estate. If the Union Participant's designated Beneficiary dies after the Union Participant, but before distribution of all guaranteed monthly payments, then the balance of the payments shall be paid to the Beneficiary's estate.

(iv) Manner and Form of Payment.

(a) Death benefits under Section G shall be distributed over a period not extending beyond five years of the Union Participant's date of death unless (1) payment of benefits commenced in the form of an annuity under Section E before the Union Participant's date of death, in which case benefits shall be distributed at least as rapidly as under the method of distribution in effect on the Union Participant's date of death, or (2) the benefit is payable to the Union Participant's designated Beneficiary and the projected distribution period does not exceed the life expectancy of such Beneficiary, provided distribution begins not later than one year after the date of the Participant's death or such later date as applicable regulations under the Code may permit.

(b) Notwithstanding the provisions of this Section, if the value of the death benefit is less than \$5,000, the Administration Committee shall direct the immediate

distribution of the Actuarial Equivalent thereof in a single lump sum in cash to the Union Participant's Spouse or Beneficiary.

(v) Distribution of Employee Contributions. If a Union Participant dies prior to retirement and their Spouse is not eligible for a death benefit under Section G, their Beneficiary shall be paid a lump sum amount equal to the contributions, if any, which they made to the Elizabethtown Plan, including interest. Interest will be compounded annually to the date of death based on the following rates:

(a) from the date of contribution to December 31, 1987 at the rate of 5%;

(b) from January 1, 1988 to the date of death at the rate of 120 percent of the Federal mid-term rate as in effect under section 1274 of the Code for the first month of the Plan Year

APPENDIX 6

ARIZONA-NEW MEXICO EMPLOYEES

Effective July 1, 2011, the following Participants shall not be eligible to receive any benefit or future benefit under the Plan –

**AWW PARTICIPANTS ON WHOSE BEHALF
BENEFITS WERE TRANSFERRED TO
THE PENSION PLAN FOR EMPLOYEES OF
ARIZONA-AMERICAN WATER COMPANY AND
NEW MEXICO-AMERICAN WATER COMPANY**

Employee No.

Participant

[Personal information intentionally omitted pursuant to Item 601(a)(6) of Regulation S-K.]

Employee No.

Participant

[Personal information intentionally omitted pursuant to Item 601(a)(6) of Regulation S-K.]

[Personal information intentionally omitted pursuant to Item 601(a)(6) of Regulation S-K.]

Employee No.

Participant

[Personal information intentionally omitted pursuant to Item 601(a)(6) of Regulation S-K.]

Employee No.

Participant

[Personal information intentionally omitted pursuant to Item 601(a)(6) of Regulation S-K.]

Employee No.

Participant

[Personal information intentionally omitted pursuant to Item 601(a)(6) of Regulation S-K.]

APP-6-5

APPENDIX 7

**CONTINUED BENEFIT ACCRUAL SERVICE FOR NON-UNION TRANSFERRED
EMPLOYEES UNDER SECTION 2.1(oo)(iii)
(TRANSFERRED FROM AMERICAN WATER SERVICE COMPANY, INC. TO
AMERICAN WATER ENTERPRISES, INC.)**

The following non-union Participants who transferred from American Water Works Service Company, Inc. to American Water Enterprises, Inc. effective December 26, 2011 shall continue to be credited with Years of Service on and after December 26, 2011 for purposes of benefit accrual, as well as for vesting and for meeting the eligibility requirements for survivor benefits or for Normal, Late, Early or Disability Retirement Date, until such Participant subsequently terminates employment or is transferred from their December 26, 2011 classification to an ineligible employment classification:

[Personal information intentionally omitted pursuant to Item 601(a)(6) of Regulation S-K.]

APP-7-1

APPENDIX 8

TRANSFERRING NYAWC PARTICIPANTS

1.1 Application.

The provisions of this Appendix shall apply to Transferring NYAWC Participants. “Transferring NYAWC Participants” include all of following individuals:

- (a) all participants and former participants in the Plan who, as of December 31, 2021, (1) are actively employed by New York American Water Company, Inc., (2) have terminated employment with the Company and all members of its controlled group and, immediately before their terminations, were employed by New York American Water Company, Inc., or (3) are other former employees of New York American Water Company, Inc. designated by the Company and Liberty Utilities Co. to be subject to the pension transfer described in Section 1.3 of this Appendix 8; and
- (b) [Employee Name Omitted], but solely with respect to the portion of their benefit under the Plan that was covered under the John Hancock Group Annuity Contract No. 334.

For purposes of clarification, the term “Transferring NYAWC Participant” shall also include beneficiaries or alternate payees of the foregoing Participants and former Participants.

1.2 Transferring NYAWC Participant Benefit Freeze.

Effective as of December 31, 2021 at 11:59 pm, with respect to each Transferring NYAWC Participant, Accrued Benefit shall be frozen. For purposes of benefit accrual, Earnings and Continuous Service shall be determined without regard to any period on or after January 1, 2022.

1.3 Transferring NYAWC Participant Post-Freeze Transfer.

Effective as of January 1, 2022, all of the Plan assets and benefit liabilities with respect to Transferring NYAWC Participants shall be transferred to the defined benefit pension plan designated by Liberty Utilities and its related trust. Following the transfer of assets and liabilities taking effect, a Transferring NYAWC Participant shall not be eligible to accrue additional benefits and shall not remain a Participant under the Plan with respect to benefits accrued prior to January 1, 2022, and New York American Water Company, Inc. shall not be a Designated Subsidiary under the Plan.

[Personal information intentionally omitted pursuant to Item 601(a)(6) of Regulation S-K.]

LIST OF TABLES OMITTED FROM FILING

The following tables to the attached Pension Plan have been omitted from Exhibit 10.16 pursuant to Item 601(a)(5) of Regulation S-K. The Company will furnish the omitted tables to the U.S. Securities and Exchange Commission upon request.

- Table 1 Early Retirement Factors
- Table 2 Factors to be Applied to Employee's Retirement Income to Determine Income Under Contingent Annuitant Option if 50% of Such Income is Continued to Contingent Annuitant
- Table 3 Factors to be Applied to Employee's Retirement Income to Determine Income Under Contingent Annuitant Option if 66 2/3% of Such Income is Continued to Contingent Annuitant
- Table 4 Factors to be Applied to Employee's Retirement Income to Determine Income Under Contingent Annuitant Option if 100% of Such Income is Continued to Contingent Annuitant
- Table 4(a) Factors to be Applied to Employee's Retirement Income to Determine Income Under Contingent Annuitant Option if 75% of Such Income is Continued to Contingent Annuitant
- Table 4(b) NEI – St. Louis Early Retirement Factor
- Table 5 Special Option Factors to be Applied to Benefits Accrued Under Prior Plans of Designated Subsidiaries

American Water Works Company, Inc.'s Subsidiaries**As of February 15, 2023**

<u>Entity Name</u>	<u>Entity Type</u>	<u>Jurisdiction of Organization</u>
American Industrial Water LLC	Limited Liability Company	Ohio
American Lake Water Company	Corporation	Illinois
American Water – Acciona Agua LLC	Limited Liability Company	Delaware
American Water (USA), LLC	Limited Liability Company	Delaware
American Water Canada Corp.	Corporation	Ontario
American Water Capital Corp.	Corporation	Delaware
American Water Enterprises Holding, LLC	Limited Liability Company	Delaware
American Water Enterprises, LLC	Limited Liability Company	Delaware
American Water Defense Services, LLC	Limited Liability Company	Delaware
American Water Federal Services, LLC	Limited Liability Company	Delaware
American Water Military Services, LLC	Limited Liability Company	Delaware
American Water Operations and Maintenance, LLC	Limited Liability Company	Texas
American Water Real Property Holdings LLC	Limited Liability Company	Delaware
American Water Services CDM, Inc.	Corporation	Washington
American Water Works Service Company, Inc.	Corporation	Delaware
AW Insurance LLC	Series Limited Liability Company	Delaware
AWIP Holdings LLC	Limited Liability Company	Delaware
AW Technologies, LLC	Limited Liability Company	Delaware
Bluefield Valley Water Works Company	Corporation	Virginia
California-American Water Company	Corporation	California
Edison Water Company	Corporation	New Jersey
Environmental Disposal Corporation	Corporation	New Jersey
Environmental Management, LLC	Limited Liability Company	Missouri
E'town Properties, Inc.	Corporation	Delaware
E'town Services L.L.C.	Limited Liability Company	New Jersey
Georgia-American Water Company LLC	Limited Liability Company	Delaware
Hawaii-American Water Company	Corporation	Nevada
Illinois-American Water Company	Corporation	Illinois
Indiana-American Water Company, Inc.	Corporation	Indiana
Iowa-American Water Company	Corporation	Delaware
Kentucky-American Water Company	Corporation	Kentucky
Laurel Oak Properties Corporation	Corporation	Delaware
Liberty Water Company	Corporation	New Jersey
Maryland-American Water Company	Corporation	Maryland
Missouri-American Water Company	Corporation	Missouri
New Jersey-American Water Company, Inc.	Corporation	New Jersey
One Water Street LLC	Limited Liability Company	New Jersey
Pennsylvania-American Water Company	Corporation	Pennsylvania
Prism-Berlie (Windsor) Limited	Corporation	Ontario
Tennessee-American Water Company	Corporation	Tennessee
TWH LLC	Limited Liability Company	Delaware
TWNA, Inc.	Corporation	Delaware
Virginia-American Water Company	Corporation	Virginia
West Virginia-American Water Company	Corporation	West Virginia

AMERICAN WATER WORKS COMPANY, INC.

List of Securities Registered Under the Securities Act of 1933 (the “Securities Act”) and Entitled to the Benefit of the Support Agreement between American Water Capital Corp. (“AWCC”) and American Water Works Company, Inc. (“parent company”)

The following securities have been issued by AWCC and registered under the Securities Act, and have the benefit of that certain Support Agreement, as amended, by and between AWCC and parent company, which serves as the functional equivalent of a full and unconditional guarantee by parent company of the payment obligations of AWCC thereunder:

3.850% Senior Notes due 2024
3.400% Senior Notes due 2025
3.000% Senior Notes due 2026
2.950% Senior Notes due 2027
3.750% Senior Notes due 2028
3.450% Senior Notes due 2029
2.800% Senior Notes due 2030
2.300% Senior Notes due 2031
4.450% Senior Notes due 2032
6.593% Senior Notes due 2037
4.300% Senior Notes due 2042
4.300% Senior Notes due 2045
4.000% Senior Notes due 2046
3.750% Senior Notes due 2047
4.200% Senior Notes due 2048
4.150% Senior Notes due 2049
3.450% Senior Notes due 2050
3.250% Senior Notes due 2051

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (Nos. 333-263068 and 333-253484) and Form S-8 (Nos. 333-235598, 333-219682, 333-217975, 333-168543 and 333-150381) of American Water Works Company, Inc. of our report dated February 15, 2023 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
February 15, 2023

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, M. Susan Hardwick certify that:

1. I have reviewed this annual report on Form 10-K of American Water Works Company, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 15, 2023

By: /s/ M. SUSAN HARDWICK
M. Susan Hardwick
President and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, John C. Griffith, certify that:

1. I have reviewed this annual report on Form 10-K of American Water Works Company, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 15, 2023

By: /s/ JOHN C. GRIFFITH
John C. Griffith
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

AMERICAN WATER WORKS COMPANY, INC.
CERTIFICATION PURSUANT TO
RULE 13a-14(b) UNDER THE SECURITIES EXCHANGE ACT OF 1934 AND
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, M. Susan Hardwick, President and Chief Executive Officer of American Water Works Company, Inc. (the "Company"), hereby certify that, based on my knowledge:

- (1) The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ M. SUSAN HARDWICK
M. Susan Hardwick
President and Chief Executive Officer
(Principal Executive Officer)
February 15, 2023

AMERICAN WATER WORKS COMPANY, INC.
CERTIFICATION PURSUANT TO
RULE 13a-14(b) UNDER THE SECURITIES EXCHANGE ACT OF 1934 AND
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, John C. Griffith, Executive Vice President and Chief Financial Officer of American Water Works Company, Inc. (the "Company"), hereby certify that, based on my knowledge:

- (1) The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ JOHN C. GRIFFITH
John C. Griffith
Executive Vice President and Chief Financial
Officer
(Principal Financial Officer)
February 15, 2023

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2021
OR

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

For the transition period from _____ to _____
Commission file number: 001-34028

AMERICAN WATER WORKS COMPANY, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

51-0063696
(I.R.S. Employer Identification No.)

1 Water Street, Camden, NJ 08102-1658
(Address of principal executive offices) (Zip Code)

(856) 955-4001
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of each exchange on which registered</u>
Common stock, par value \$0.01 per share	AWK	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No
 Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No
 Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No
 Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No
 Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity as of the last business day of the registrant's most recently completed second fiscal quarter.

Common Stock, \$0.01 par value—\$24,667,400,000 as of June 30, 2021 (solely for purposes of calculating this aggregate market value, American Water has defined its affiliates to include (i) those persons who were, as of June 30, 2021, its executive officers, directors or known beneficial owners of more than 10% of its common stock, and (ii) such other persons who were deemed, as of June 30, 2021, to be controlled by, or under common control with, American Water or any of the persons described in clause (i) above).

Indicate the number of shares outstanding of each of the registrant's classes of common stock as of the latest practicable date: Common Stock, \$0.01 par value per share—181,724,991 shares as of February 10, 2022.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the American Water Works Company, Inc. definitive proxy statement for the 2022 Annual Meeting of Shareholders to be filed with the Securities and Exchange Commission within 120 days after December 31, 2021 are incorporated by reference into Part III of this report.

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FORWARD-LOOKING STATEMENTS

Statements included in Item 1—Business, Item 1A—Risk Factors, and Item 7—Management’s Discussion and Analysis of Financial Condition and Results of Operations, and in other sections of this Annual Report on Form 10-K, or incorporated by reference therein, are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and the Private Securities Litigation Reform Act of 1995. In some cases, these forward-looking statements can be identified by words with prospective meanings such as “intend,” “plan,” “estimate,” “believe,” “anticipate,” “expect,” “predict,” “project,” “propose,” “assume,” “forecast,” “likely,” “uncertain,” “outlook,” “future,” “pending,” “goal,” “objective,” “potential,” “continue,” “seek to,” “may,” “can,” “should,” “will” and “could” or the negative of such terms or other variations or similar expressions. Forward-looking statements may relate to, among other things: the Company’s future financial performance, liquidity and cash flows; the timing and amount of rate and revenue adjustments, including through general rate case filings, filings for infrastructure surcharges and other governmental agency authorizations and proceedings, and filings to address regulatory lag; the Company’s growth and portfolio optimization strategies, including the timing and outcome of pending or future acquisition activity; the ability of the Company’s California subsidiary to obtain adequate alternative water supplies in lieu of diversions from the Carmel River; the amount and allocation of projected capital expenditures and related funding requirements; the Company’s ability to repay or refinance debt; the future impacts of increased or increasing financing costs, inflation and interest rates; the Company’s ability to execute its current and long-term business, operational and capital expenditures strategies; the Company’s ability to finance current operations, capital expenditures and growth initiatives by accessing the debt and equity capital markets; the outcome and impact on the Company of governmental and regulatory proceedings and related potential fines, penalties and other sanctions; the ability to meet or exceed the Company’s stated environmental and sustainability goals, including its greenhouse gas emission reduction, water delivery efficiency and water system resiliency goals; the ability to complete, and the timing and efficacy of, the design, development, implementation and improvement of technology and other strategic initiatives; the impacts to the Company of the ongoing COVID-19 pandemic; the ability to capitalize on existing or future utility privatization opportunities; trends in the water and wastewater industries in which the Company operates, including macro trends with respect to the Company’s efforts related to customer, technology and work execution; regulatory, legislative, tax policy or legal developments; and impacts that future significant tax legislation may have on the Company and on its business, results of operations, cash flows and liquidity.

Forward-looking statements are predictions based on the Company’s current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, financial results, levels of activity, performance or achievements, and readers are cautioned not to place undue reliance upon them. These forward-looking statements are subject to a number of estimates, assumptions, known and unknown risks, uncertainties and other factors. The Company’s actual results may vary materially from those discussed in the forward-looking statements included herein as a result of the factors discussed under Item 1A—Risk Factors, and the following important factors:

- the decisions of governmental and regulatory bodies, including decisions to raise or lower customer rates and regulatory responses to the ongoing COVID-19 pandemic;
- the timeliness and outcome of regulatory commissions’ and other authorities’ actions concerning rates, capital structure, authorized return on equity, capital investment, system acquisitions and dispositions, taxes, permitting, water supply and management, and other decisions;
- changes in customer demand for, and patterns of use of, water, such as may result from conservation efforts, impacts of the COVID-19 pandemic, or otherwise;
- limitations on the availability of the Company’s water supplies or sources of water, or restrictions on its use thereof, resulting from allocation rights, governmental or regulatory requirements and restrictions, drought, overuse or other factors;
- a loss of one or more large industrial or commercial customers due to adverse economic conditions, the COVID-19 pandemic, or other factors;
- changes in laws, governmental regulations and policies, including with respect to environmental, health and safety, data and consumer privacy, security and protection, water quality and water quality accountability, contaminants of emerging concern, public utility and tax regulations and policies, and impacts resulting from U.S., state and local elections and changes in federal, state and local executive administrations;
- the Company’s ability to collect, distribute, use, secure and store consumer data in compliance with current or future governmental laws, regulations and policies with respect to data and consumer privacy, security and protection;
- weather conditions and events, climate variability patterns, and natural disasters, including drought or abnormally high rainfall, prolonged and abnormal ice or freezing conditions, strong winds, coastal and intercoastal flooding, pandemics (including COVID-19) and epidemics, earthquakes, landslides, hurricanes, tornadoes, wildfires, electrical storms, sinkholes and solar flares;

- the outcome of litigation and similar governmental and regulatory proceedings, investigations or actions;
- the risks associated with the Company's aging infrastructure, and its ability to appropriately improve the resiliency of or maintain and replace, current or future infrastructure and systems, including its technology and other assets, and manage the expansion of its businesses;
- exposure or infiltration of the Company's technology and critical infrastructure systems, including the disclosure of sensitive, personal or confidential information contained therein, through physical or cyber attacks or other means;
- the Company's ability to obtain permits and other approvals for projects and construction of various water and wastewater facilities;
- changes in the Company's capital requirements;
- the Company's ability to control operating expenses and to achieve operating efficiencies;
- the intentional or unintentional actions of a third party, including contamination of the Company's water supplies or the water provided to its customers;
- the Company's ability to obtain adequate and cost-effective supplies of pipe, equipment (including personal protective equipment), chemicals, electricity, fuel, water and other raw materials, and to address or mitigate supply chain constraints that may result in delays or shortages in, as well as increased costs of, supplies, products and materials that are critical to or used in the Company's business operations;
- the Company's ability to successfully meet its operational growth projections, either individually or in the aggregate, and capitalize on growth opportunities, including, among other things, with respect to:
 - acquiring, closing and successfully integrating regulated operations and market-based businesses;
 - the Company's Military Services Group ("MSG") entering into new military installation contracts, price redeterminations, and other agreements and contracts, with the U.S. government; and
 - realizing anticipated benefits and synergies from new acquisitions;
- risks and uncertainties following the completion of the sale of the Company's Homeowner Services Group ("HOS") and its New York subsidiary, including:
 - the Company's ability to receive any contingent consideration provided for in the HOS sale, as well as amounts due, payable and owing to the Company from time to time under the seller note when due; and
 - the ability of the Company to redeploy successfully and timely the net proceeds of these transactions into the Company's Regulated Businesses;
- risks and uncertainties associated with contracting with the U.S. government, including ongoing compliance with applicable government procurement and security regulations;
- cost overruns relating to improvements in or the expansion of the Company's operations;
- the Company's ability to successfully develop and implement new technologies and to protect related intellectual property;
- the Company's ability to maintain safe work sites;
- the Company's exposure to liabilities related to environmental laws and similar matters resulting from, among other things, water and wastewater service provided to customers;
- changes in general economic, political, business and financial market conditions, including without limitation conditions and collateral consequences associated with the COVID-19 pandemic;
- access to sufficient debt and/or equity capital on satisfactory terms and when and as needed to support operations and capital expenditures;
- fluctuations in inflation or interest rates;
- the ability to comply with affirmative or negative covenants in the current or future indebtedness of the Company or any of its subsidiaries, or the issuance of new or modified credit ratings or outlooks by credit rating agencies with respect to the Company or any of its subsidiaries (or any current or future indebtedness thereof), which could increase financing costs or funding requirements and affect the Company's or its subsidiaries' ability to issue, repay or redeem debt, pay dividends or make distributions;
- fluctuations in the value of benefit plan assets and liabilities that could increase the Company's cost and funding requirements;

- changes in federal or state general, income and other tax laws, including (i) future significant tax legislation, (ii) the availability of, or the Company's compliance with, the terms of applicable tax credits and tax abatement programs, and (iii) the Company's ability to utilize its state income tax net operating loss ("NOL") carryforwards;
- migration of customers into or out of the Company's service territories;
- the use by municipalities of the power of eminent domain or other authority to condemn the systems of one or more of the Company's utility subsidiaries, or the assertion by private landowners of similar rights against such utility subsidiaries;
- any difficulty or inability to obtain insurance for the Company, its inability to obtain insurance at acceptable rates and on acceptable terms and conditions, or its inability to obtain reimbursement under existing or future insurance programs and coverages for any losses sustained;
- the incurrence of impairment charges related to the Company's goodwill or other assets;
- labor actions, including work stoppages and strikes;
- the Company's ability to retain and attract qualified employees;
- civil disturbances or unrest, or terrorist threats or acts, or public apprehension about future disturbances, unrest, or terrorist threats or acts; and
- the impact of new, and changes to existing, accounting standards.

These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above and the risk factors included in Item 1A—Risk Factors and other statements contained in this Annual Report on Form 10-K, and readers should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements the Company makes shall speak only as of the date this Annual Report on Form 10-K was filed with the U.S. Securities and Exchange Commission ("SEC"). Except as required by the federal securities laws, the Company does not have any obligation, and it specifically disclaims any undertaking or intention, to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or otherwise. New factors emerge from time to time, and it is not possible for the Company to predict all such factors. Furthermore, it may not be possible to assess the impact of any such factor on the Company's businesses, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.

PART I**ITEM 1. BUSINESS****The Company**

With a history dating back to 1886, American Water is the largest and most geographically diverse, publicly-traded water and wastewater utility company in the United States, as measured by both operating revenues and population served. A holding company originally incorporated in Delaware in 1936, the Company employs approximately 6,400 professionals who provide drinking water, wastewater and other related services to over 14 million people in 24 states. The Company conducts the majority of its business through regulated utilities that provide water and wastewater services, collectively presented as the “Regulated Businesses.” The Company also operates market-based businesses that provide complementary services. Individually, these businesses do not meet the criteria of a reportable segment in accordance with generally accepted accounting principles in the United States (“GAAP”), and are collectively presented as the “Market-Based Businesses,” which is consistent with how management assesses the results of these businesses.

On December 9, 2021 (the “Closing Date”), the Company sold all of the equity interests of the HOS subsidiaries. See Item 1—Business—Market-Based Businesses—Sale of Homeowner Services Group below and Note 6—Acquisitions and Divestitures in the Notes to Consolidated Financial Statements for additional information.

On January 1, 2022, the Company completed the sale of its New York subsidiary, see Item 1—Business—Regulated Businesses—Sale of New York American Water Company, Inc. below and Note 6—Acquisitions and Divestitures in the Notes to Consolidated Financial Statements for additional information. The assets and related liabilities of the New York subsidiary were classified as held for sale on the Consolidated Balance Sheets as of December 31, 2021 and 2020.

Throughout this Annual Report on Form 10-K, unless the context otherwise requires, references to “we,” “us,” “our,” the “Company,” and “American Water” mean American Water Works Company, Inc. and its subsidiaries, taken together as a whole. References to “parent company” mean American Water Works Company, Inc., without its subsidiaries.

Regulated Businesses

The Company’s primary business involves the ownership of utilities that provide water and wastewater services to residential, commercial, industrial, public authority, fire service and sale for resale customers. The Company’s utilities operate in approximately 1,700 communities in 14 states in the United States, with 3.4 million active customers in its water and wastewater networks. Services provided by the Company’s utilities are subject to regulation by multiple state utility commissions or other entities engaged in utility regulation, collectively referred to as public utility commissions (“PUCs”). Federal, state and local governments also regulate environmental, health and safety, and water quality and water accountability matters. The Company reports the results of the services provided by its utilities in the Regulated Businesses segment. Operating revenues for the Regulated Businesses were \$3,384 million for 2021, \$3,255 million for 2020 and \$3,094 million for 2019, accounting for 86%, 86% and 86%, respectively, of the Company’s total operating revenues for the same periods.

Presented in the table below is a geographic summary of the Regulated Businesses' operating revenues and the number of customers the Company serves, by type of service, for and as of the year ended December 31, 2021:

	Operating Revenues (in millions)				Number of Customers (in thousands)			
	Water (a)	Wastewater	Total	% of Total	Water	Wastewater	Total	% of Total
New Jersey	\$ 778	\$ 48	\$ 826	24.4 %	660	55	715	20.3 %
Pennsylvania	688	82	770	22.8 %	677	82	759	21.5 %
Missouri	337	12	349	10.3 %	474	17	491	13.9 %
Illinois	303	37	340	10.0 %	295	69	364	10.3 %
California	265	3	268	7.9 %	187	3	190	5.4 %
Total—Top Five States (b)	2,371	182	2,553	75.4 %	2,293	226	2,519	71.4 %
New York (c)	127	—	127	3.8 %	127	—	127	3.6 %
Other (d)	678	26	704	20.8 %	849	35	884	25.0 %
Total Regulated Businesses	\$ 3,176	\$ 208	\$ 3,384	100.0 %	3,269	261	3,530	100.0 %

(a) Includes other operating revenues consisting primarily of miscellaneous utility charges, fees and rents.

(b) The Company's "Top Five States" are determined based upon operating revenues.

(c) The Company completed the sale of its New York subsidiary on January 1, 2022.

(d) Includes the Company's utility operations in the following states: Georgia, Hawaii, Indiana, Iowa, Kentucky, Maryland, Michigan, Tennessee, Virginia and West Virginia and other revenue attributable collectively to the Regulated Businesses. The Company completed the sale of its Michigan subsidiary on February 4, 2022.

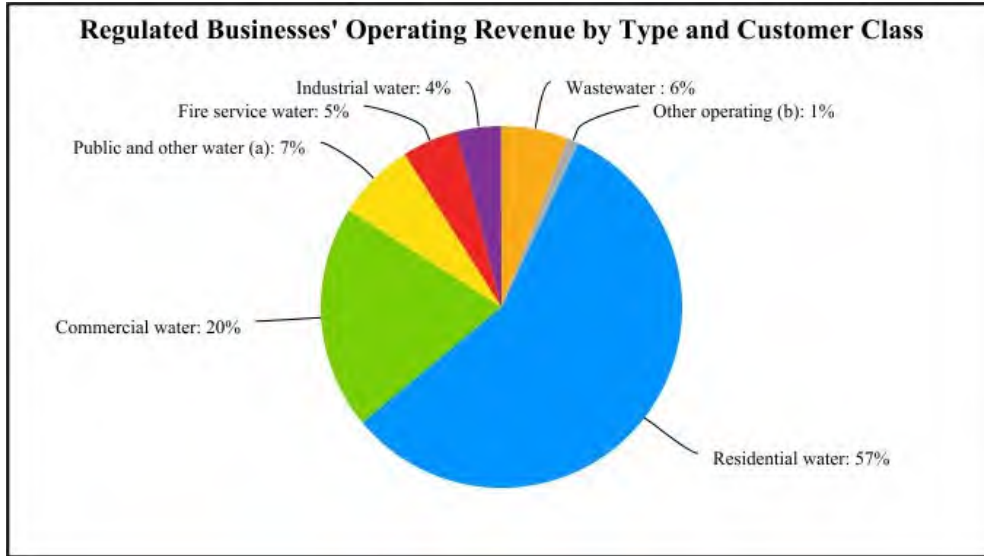
Customers

The Company's Regulated Businesses have a large and geographically diverse customer base. A customer is defined as a person, business, municipality or any other entity that purchases the Company's water or wastewater services as of the last business day of a reporting period. One single customer may purchase the Company's services for use by multiple individuals or businesses. Examples of these customers are homes, apartment complexes, businesses and governmental entities.

The vast majority of the Company's regulated water customers are metered, which allows the Company to measure and bill for its customers' water usage, typically on a monthly basis. The Company employs a variety of methods of customer meter reading to monitor consumption. These methods range from meters with mechanical registers where consumption is manually recorded by meter readers, to meters with electronic registers capable of transmitting consumption data to proximity devices or via radio frequency to mobile or fixed network data collectors. The Company's wastewater customers are billed either a flat rate or based upon their water consumption.

Residential customers make up a substantial portion of the Company's customer base in all of the states in which it operates. The Company also serves (i) commercial customers, such as food and beverage providers, commercial property developers and proprietors, and energy suppliers, (ii) fire service customers, where the Company supplies water through its distribution systems to public fire hydrants for firefighting purposes and to private fire customers for use in fire suppression systems in office buildings and other facilities, (iii) industrial customers, such as large-scale manufacturers, mining and production operations, (iv) public authorities, such as government buildings and other public sector facilities, including schools and universities, and (v) other utilities and community water and wastewater systems in the form of bulk contracts for the supply of water or the treatment of wastewater for their own customers.

The following chart depicts the allocation of the Company’s Regulated Businesses’ operating revenue of \$3,384 million by type, including a breakout of the total water services revenues by class of customer, for the year ended December 31, 2021:



- (a) Includes water revenues from public authorities and other utilities and community water systems under bulk contracts.
- (b) Includes other operating revenues consisting primarily of miscellaneous utility charges, fees and rents.

Presented in the table below is the number of water and wastewater customers the Company served by class as of December 31, 2021, 2020 and 2019, which represents approximately 14 million people served as of December 31, 2021:

(In thousands)	2021		2020		2019	
	Water	Wastewater	Water	Wastewater	Water	Wastewater
Residential	2,972	245	2,948	236	2,914	215
Commercial	225	15	225	15	222	13
Fire service	52	—	50	—	49	—
Industrial	4	—	4	—	4	—
Public and other (a)	16	1	17	1	16	1
Total	3,269	261	3,244	252	3,205	229

- (a) Includes public authorities and other utilities and community water and wastewater systems under bulk contracts. Bulk contracts, which are accounted for as a single customer in the table above, generally result in service to multiple customers.

Customer growth in the Company’s Regulated Businesses is primarily from (i) adding new customers to its customer base through acquisitions of water and/or wastewater utility systems, (ii) population growth in its authorized service areas, and (iii) sale of water to other water utilities and community water systems.

Capital Investment

The Company plans to invest between \$28 billion and \$32 billion over the next 10 years for capital improvements, including acquisitions, to its Regulated Businesses’ water and wastewater infrastructure, largely for pipe replacement and upgrading aging water and wastewater treatment facilities. The Company has proactively improved its pipe renewal rate from a 250-year replacement cycle in 2009 to an expected 110-year replacement cycle by 2026, which it anticipates will enable the Company to replace nearly 2,200 miles of mains and collection pipes between 2022 and 2026. In addition, from 2022 to 2026, the Company’s capital investment in treatment plants, storage tanks and other key, above-ground facilities is expected to increase, further addressing infrastructure renewal, resiliency, water quality, operational efficiency, technology and innovation, and emerging regulatory compliance needs. Additionally, the Company continues to invest significantly in resiliency projects to address the impacts of climate and weather variability by hardening its assets. The benefit of investing in resiliency projects was seen firsthand in the aftermath of Tropical Depression Ida, when the Company’s New Jersey subsidiary reported that all its operating areas successfully withstood widespread flooding and drinking water quality was not impacted in any of its service areas. Specifically, the New Jersey subsidiary’s Raritan-Millstone Water Treatment Plant, which was fortified with a \$37 million flood protection project in 2018, withstood a record flood and continued to provide potable water supply for approximately 1 million people in parts of seven counties in central New Jersey.

Regulation and Rate Making

The operations of the Company’s Regulated Businesses are generally subject to regulation by PUCs in the states in which they operate, with the primary responsibility of the PUCs being the promotion of the overall public interest by balancing the interest of customers and utility investors. Specific authority might differ from state to state, but in most states, PUCs review and approve rates charged to customers, accounting treatments, long-term financing programs and cost of capital, operation and maintenance (“O&M”) expenses, capital expenditures, taxes, affiliated transactions and relationships, reorganizations, mergers and acquisitions, and dispositions, along with imposing certain penalties or granting certain incentives. Regulatory policies vary from state to state and can change over time. These policies will affect the timing, as well as the extent, of recovery of expenses and the realized return on invested capital.

Periodic changes in customer rates generally occur through the filing of a rate case by the utility with the PUC. The timing of rate case filings is typically determined by either periodic requirements in the regulatory jurisdiction or by the utility’s need to increase its revenue requirement to recover capital investment costs, changes in operating revenues, operating costs or other market conditions. The Company attempts to minimize “regulatory lag,” which is the time between the occurrence of an event that triggers a change in the utility’s revenue requirement and the recognition in rates of that change.

The Company’s Regulated Businesses support regulatory practices at the PUCs and state legislatures that mitigate the adverse impact of regulatory lag. Presented in the table below are examples of approved regulatory practices:

Regulatory Practices	Description	States Allowed
Infrastructure replacement surcharge mechanisms	Allows rates to change periodically, outside a general rate case proceeding, to reflect recovery of capital investments made to replace infrastructure necessary to sustain safe and reliable services for the Company’s customers. These mechanisms typically involve periodic filings and reviews to ensure transparency.	IA, IL, IN, KY, MO, NJ, PA, TN, VA, WV
Future test year	A “test year” is a period used for setting rates, and a future test year describes the first 12 months that new rates are proposed to be effective. The use of a future test year allows current or projected revenues, expenses and capital investments to be collected on a more timely basis.	CA, HI, IA, IL, IN, KY, PA, TN, VA
Hybrid test year	A historical test year sets rates using data from a 12-month period that ends prior to a general rate case filing. A hybrid test year allows an update to historical data for “known and measurable” changes that occur subsequent to the historical test year.	MD, MO, NJ, WV
Utility plant recovery mechanisms	Allows recovery of the full return on utility plant costs during the construction period, instead of capitalizing an allowance for funds used during construction (“AFUDC”). In addition, some states allow the utility to seek pre-approval of certain capital projects and associated costs. In this pre-approval process, the PUC may assess the prudence of such projects.	CA, IL, KY, PA, TN, VA
Expense mechanisms	Allows changes in certain operating expenses, which may fluctuate based on conditions beyond the utility’s control, to be recovered outside of a general rate case proceeding or deferred until the next general rate case proceeding.	CA, IL, MD, MO, NJ, PA, TN, VA
Revenue stability mechanisms	Adjusts rates periodically to ensure that a utility recovers the revenues authorized in its general rate case, regardless of sales volume, including recognition of declining sales resulting from reduced consumption, while providing an incentive for customers to use water more efficiently.	CA, IL
Consolidated tariffs	Use of a unified rate structure for water systems owned and operated by a single utility, which may or may not be physically interconnected. The consolidated tariff pricing structure may be used fully or partially in a state, and is generally used to moderate the price impact of periodic fluctuations in local costs, while lowering administrative costs for customers. Pennsylvania also permits a blending of water and wastewater revenue requirements.	CA, IA, IL, IN, KY, MD, MO, NJ, PA, VA, WV
Deferred accounting	A regulators’ willingness to defer recognition of financial impacts when setting rates for utilities.	All

The Company pursues enhancements to these regulatory practices to facilitate efficient recovery of its costs and capital investments and to continue to provide safe, clean, reliable and affordable services to its customers. The ability to seek regulatory treatment using the regulatory practices described above does not guarantee that the PUCs will accept the Company's proposal in the context of a particular rate case, and these regulatory practices may reduce, but not eliminate, regulatory lag associated with traditional rate making processes. It is also the Company's strategy to expand the use of these mechanisms in areas where they may not currently apply and enhance certain mechanisms where they already exist.

Acquisitions and Strategic Growth

The U.S. water and wastewater industries include investor-owned systems as well as municipal systems that are owned and operated by local governments or governmental subdivisions. According to the U.S. Environmental Protection Agency ("EPA"), as of 2017, approximately 84% of the water market is served by municipal systems and approximately 98% of the country's wastewater systems are government owned. The EPA also estimates, as of 2017, that there are approximately 50,000 community water systems and approximately 15,000 community wastewater systems in the United States, with approximately 80% of the community water systems serving a population of 3,000 or less.

A fundamental aspect of the Company's growth strategy is to pursue acquisitions of water and/or wastewater systems in geographic proximity to areas where the Company operates its Regulated Businesses, see Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations for additional information. The proximity of acquisition opportunities to the Company's regulated footprint allows it to integrate and manage the acquired systems and operations primarily using the Company's existing management (although the Company typically retains the majority, if not all, of the employees of the acquired systems) and to achieve operational efficiencies and prioritize capital investment needs. The Company's current customer mix of 93% water and 7% wastewater also presents strategic opportunities for wastewater growth and systems consolidation, allowing the Company to add wastewater customers where it already serves water customers. The Company intends to continue to expand its regulated footprint geographically by acquiring water and wastewater systems in its existing markets and, if appropriate, pursuing acquisition opportunities in certain domestic markets where the Company does not currently operate its Regulated Businesses. Before entering new regulated markets, the Company will evaluate the business and regulatory climates to ensure that it will have the opportunity to achieve an appropriate rate of return on its investment while maintaining its high standards for providing safe, reliable and affordable services to its customers, as well as a line of sight to grow the Company's base customers to attain efficiencies after entering the new domestic market.

Increasingly stringent environmental, health and safety, and water quality and water accountability regulations, the amount of infrastructure in need of significant capital investment, financial challenges and industry legislation are several elements, among others, that may drive more municipalities to consider selling their water and wastewater assets.

Sale of New York American Water Company, Inc.

On January 1, 2022, the Company completed the sale of its New York subsidiary to Liberty Utilities (Eastern Water Holdings) Corp. ("Liberty"), an indirect, wholly owned subsidiary of Algonquin Power & Utilities Corp. Under the terms of the Stock Purchase Agreement, dated November 20, 2019, as amended, by and among the Company, the Company's New York subsidiary and Liberty (the "Stock Purchase Agreement"), Liberty purchased from the Company all of the capital stock of the Company's New York subsidiary for a purchase price of \$608 million in cash. The sale was approved by the New York State Department of Public Service on December 16, 2021. The Company's regulated New York operations had approximately 127,000 customers in the State of New York. See Note 6—Acquisitions and Divestitures in the Notes to Consolidated Financial Statements for additional information.

Industry Legislation

On November 15, 2021, the Infrastructure Investment and Jobs Act (the "IIJA") was signed into law and provides for up to \$55 billion to aid in improving the country's ailing water infrastructure, including \$23.4 billion for drinking water and wastewater, \$15 billion for lead service line replacement (through the drinking water state revolving fund), and \$10 billion for the treatment of per- and polyfluoroalkyl substances ("PFAS") and other contaminants of emerging concern. The bill also includes a low-income assistance program, which provides eligible low-income customers who receive their water from public and private entities to be eligible to participate in the program. The Company is awaiting further guidance on the distribution of these funds.

In December 2020, Congress passed, and the President signed into law, a \$900 billion COVID-19 relief and \$1.4 trillion U.S. government appropriations package for 2021, which included \$638 million for a low-income water assistance program and \$2.8 billion for capitalization grants under the Clean Water and Drinking Water State Revolving Funds.

In 2017, New Jersey enacted the Water Quality Accountability Act (the “WQAA”), which sets operational standards for all water utilities in New Jersey, including municipal and investor-owned utilities with more than 500 service connections. This law imposes requirements in areas such as asset management, water quality reporting, remediation of notices of violation, and hydrant and valve maintenance. The WQAA requires the most senior water manager, or either the executive director for municipal utility authorities or the mayor or chief executive officer for municipally owned public water systems, to certify that the system meets the requirements under the WQAA. Enhanced WQAA legislation includes additional enforcement requirements for disclosure of results, requires the sale of systems for prolonged violations and imposes new cyber security requirements and asset management plans. The new amendments, which provide for both civil and criminal penalties for falsification of documents, were signed by the Governor with an effective date of November 8, 2021.

In 2018, Indiana passed a law to set minimum operational expectations for all water and wastewater utilities in the state, including municipal and investor-owned utilities. The law requires water and wastewater utilities to conduct rate analyses, develop capital asset management plans and conduct cybersecurity and water loss audits. It also requires water and wastewater utilities to participate in regional discussions and planning to assess opportunities for the more efficient use of water and wastewater utility assets and infrastructure. Water and wastewater utilities that fail to comply with the requirements of the law may be ineligible for grants and loans from the State Revolving Fund. Under the law, all new municipal and investor-owned utilities are required to be regulated by the Indiana Utility Regulatory Commission for ten years from inception of operations.

In 2020, Missouri enacted the Water Safety and Security Act, which requires small and medium-sized water providers to create cybersecurity, valve inspection and hydrant inspection programs. Upon request by the Missouri Department of Natural Resources, the water providers must certify compliance with all regulations regarding water quality sampling, testing and reporting, hydrant and valve testing and reporting and cybersecurity plans and procedures.

The Company’s regulated subsidiaries in California, Illinois, Indiana, Iowa, Kentucky, Maryland, Missouri, New Jersey, Pennsylvania, Tennessee, Virginia and West Virginia have access to utility valuation legislation and regulation for private sector investment in public sector water and wastewater systems. The Company supports full optionality for municipalities, including state legislation that enables the consolidation of the largely fragmented water and wastewater industries through third-party fair market valuations of purchased property. Fair market value assessment of water and wastewater systems is an alternative to the traditional depreciated original cost method of valuation, which allows the Company to offer municipalities a purchase price for their system assets that is reflective of the assets’ fair market value, while providing the Company with increased opportunity to recover the purchase price over the life of the purchased system assets, subject to PUC approval. In 2021, the Tennessee Public Utilities Commission implemented acquisition valuation rules that create a mechanism to value water and wastewater assets based upon replacement cost new less depreciation.

Consolidated tariffs use a unified rate structure for systems owned and operated by a single utility, which may or may not be physically interconnected. Consolidated tariff pricing moderates the impact of periodic fluctuations in local costs and promotes a more universal water infrastructure investment in a state. As a result, consolidated tariffs can make it easier to incorporate new systems into an existing utility, support economies of scale for even the smallest of systems and prioritize capital needs across the state. Overall, the Company believes that consolidated tariffs bring cost-effective, high-quality services to a larger number of customers. Eleven of the Company’s regulated jurisdictions currently have some form of consolidated tariff pricing, including California, Illinois, Indiana, Iowa, Kentucky, Maryland, Missouri, New Jersey, Pennsylvania, Virginia and West Virginia.

Competition

The Company’s Regulated Businesses generally do not face direct competition in their existing markets because (i) the Company operates in those markets pursuant to franchises, charters, certificates of public convenience and necessity or similar authorizations (collectively, “CPCNs”) issued by state PUCs or other authorities, and (ii) the high cost of constructing a new water and wastewater system in an existing market creates a significant barrier to market entry. However, the Company’s Regulated Businesses do face competition from governmental agencies, other investor-owned utilities, large industrial customers with the ability to provide their own water supply/treatment process and strategic buyers that are entering new markets and/or making strategic acquisitions. When pursuing acquisitions, the Company’s largest investor-owned competitors, based on a comparison of operating revenues and population served, include Essential Utilities, Inc., Suez North America, American States Water Company and California Water Service Group. From time to time, the Company also faces competition from infrastructure funds, multi-utility companies and others, such as Algonquin Power and Utilities Corp., Eversource Energy and Corix.

Condemnation and Eminent Domain

All or portions of the Regulated Businesses' utility assets could be acquired by state, municipal or other government entities through one or more of the following methods: (i) eminent domain (also known as condemnation); (ii) the right of purchase given or reserved by a municipality or political subdivision when the original CPCN was granted; and (iii) the right of purchase given or reserved under the law of the state in which the utility subsidiary was incorporated or from which it received its CPCN. The acquisition consideration related to such a proceeding initiated by a local government may be determined consistent with applicable eminent domain law, or may be negotiated or fixed by appraisers as prescribed by the law of the state or in the particular CPCN.

As such, the Regulated Businesses are periodically subject to condemnation proceedings in the ordinary course of business. For example, a citizens group in Monterey, California successfully added "Measure J" to the November 2018 election ballot asking voters to decide whether the Monterey Peninsula Water Management District (the "MPWMD") should conduct a feasibility study concerning the potential purchase of the Monterey water service system assets (the "Monterey system assets") of the Company's California subsidiary, and, if feasible, to proceed with a purchase of those assets without an additional public vote. This service territory represents approximately 40,000 customers. In November 2018, Measure J was certified to have passed. In August 2019, the MPWMD's General Manager issued a report that recommends that the MPWMD board (1) develop criteria to determine which water systems should be considered for acquisition; (2) examine the feasibility of acquiring the Monterey system assets and consider public ownership of smaller systems only if the MPWMD becomes the owner of a larger system; (3) evaluate whether the acquisition of the Monterey system assets by the MPWMD is in the public interest and sufficiently satisfies the criterion of "feasible" as provided in Measure J; (4) ensure there is significant potential for cost savings before agreeing to commence an acquisition; and (5) develop more fully alternate operating plans before deciding whether to consider a Resolution of Necessity.

In November 2019, the MPWMD issued a preliminary valuation and cost of service analysis report, finding in part that (1) an estimate of the Monterey system assets' total value plus adjustments would be approximately \$513 million, (2) the cost of service modeling results indicate significant annual reductions in revenue requirements and projected monthly water bills, and (3) the acquisition of the Monterey system assets by the MPWMD would be economically feasible. On June 12, 2020, the MPWMD issued a draft environmental impact report for the potential acquisition of the Monterey system assets and a related district boundary adjustment that would be required if the MPWMD were to acquire and operate certain of the Monterey system assets located outside the MPWMD's boundaries. On September 15, 2020, the MPWMD gave notice of its intention to appraise the Monterey system assets and related property interests. On September 29, 2020, the Company's California subsidiary declined to make the Monterey system assets and related property interests available for inspection or to comply with any of the other requests contained in the MPWMD's notice. On October 7, 2020, the MPWMD issued a final environmental impact report ("FEIR"), and on November 4, 2020, the MPWMD certified the FEIR, which purports to analyze the environmental impacts of the MPWMD's project to (1) acquire the Monterey system assets through the power of eminent domain, if necessary, and (2) expand its geographic boundaries to include all parts of this system. On November 25, 2020, the Company's California subsidiary filed a petition challenging this certification in court. A hearing on the matter was held on August 30, 2021, and on November 19, 2021, the court denied the petition. See Item 3—Legal Proceedings—Challenge of Certification—Proposed Monterey System Final Environmental Impact Report.

On February 26, 2021, the MPWMD filed an application with the Local Agency Formation Commission of Monterey County ("LAFCO") seeking approval to become a retail water provider and annex approximately 58 parcels of land into the MPWMD's boundaries. On June 28, 2021, LAFCO's commissioners voted to require a third-party independent financial study as to the feasibility of an acquisition by the MPWMD of the Monterey system assets. On December 6, 2021, LAFCO's commissioners denied the MPWMD's application to become a retail water provider, determining that the MPWMD does not have the authority to proceed with a condemnation of the Monterey system assets. On January 5, 2022, LAFCO's commissioners confirmed the denial. On January 31, 2022, the MPWMD filed an application for reconsideration of LAFCO's confirmation of denial. A hearing on the application has been set for February 28, 2022.

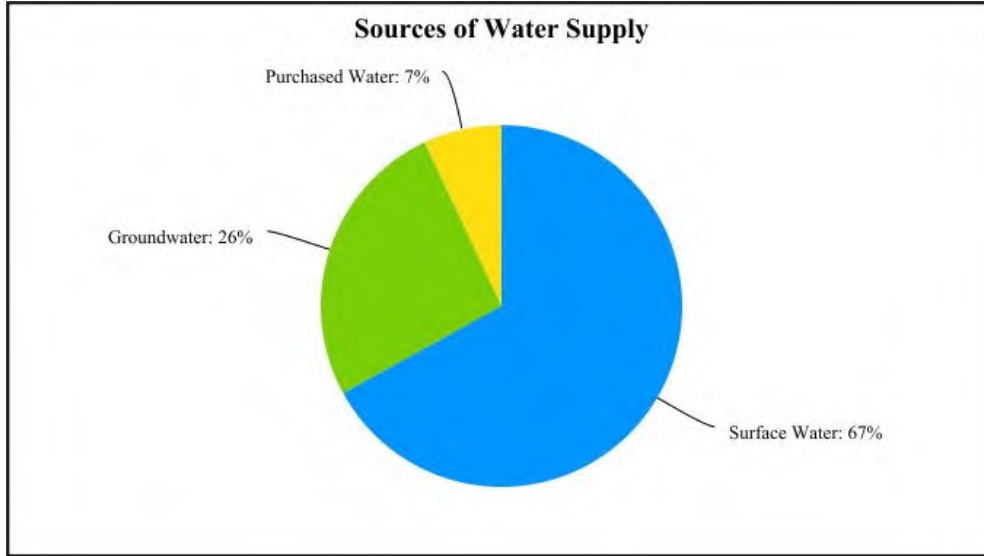
Also, five municipalities in the Chicago, Illinois area (approximately 30,300 customers in total) formed a water agency and filed an eminent domain lawsuit against the Company in January 2013, seeking to condemn the water pipeline that serves those five municipalities. Before filing its eminent domain lawsuit, the water agency made an offer of \$38 million for the pipeline. The parties have filed with the court updated valuation reports. A valuation trial was originally scheduled for October 2021 but has been continued to June 2022.

Furthermore, the law in certain jurisdictions in which the Regulated Businesses operate provides for eminent domain rights allowing private property owners to file a lawsuit to seek just compensation against a public utility, if a public utility’s infrastructure has been determined to be a substantial cause of damage to that property. In these actions, the plaintiff would not have to prove that the public utility acted negligently. In California, lawsuits have been filed in connection with large-scale natural events such as wildfires. Some of these lawsuits have included allegations that infrastructure of certain utilities triggered the natural event that resulted in damage to the property. In some cases, the PUC has allowed certain costs or losses incurred by the utility to be recovered from customers in rates, but in other cases such recovery in rates has been disallowed. Also, the utility may have obtained insurance that could respond to some or all of such losses, although the utility would be at risk for any losses not ultimately subject to rate or insurance recovery or losses that exceed the limits of such insurance.

Water Supply and Wastewater Services

The Company’s Regulated Businesses generally own the physical assets used to store, pump, treat and deliver water to its customers and collect, treat, transport and recycle wastewater. Typically, the Company does not own the water, which is held in public trust and is allocated to the Company through contracts, permits and allocation rights granted by federal and state or multi-state agencies or through the ownership of water rights pursuant to local law. The Company is dependent on defined sources of water supply and obtains its water supply from surface water sources such as reservoirs, lakes, rivers and streams; from groundwater sources, such as wells and aquifers; and water purchased from third-party water suppliers. The level of water treatment the Company applies varies significantly depending upon the quality of the water source and customer stipulations. Surface water sources typically generally require significant treatment, while groundwater sources often require chemical treatment only.

Presented in the chart below are the Company’s sources of water supply as of December 31, 2021:



Presented in the table below are the percentages of water supply by source type for the Company’s Top Five States for the year ended December 31, 2021:

	Surface Water	Ground Water	Purchased Water
New Jersey	74%	22%	4%
Pennsylvania	91%	7%	2%
Missouri	78%	21%	1%
Illinois	54%	35%	11%
California	—	65%	35%

The Company's ability to meet the existing and future water demands of its customers depends on an adequate water supply. Drought, governmental restrictions, overuse of sources of water, the protection of threatened species or habitats, contamination or other factors may limit the availability of ground and surface water. The Company employs a variety of measures in an effort to obtain adequate sources of water supply, both in the short-term and over the long-term. The geographic diversity of the Company's service areas may mitigate some of the economic effects on the water supply associated with weather extremes it might encounter in any particular service territory. For example, in any given summer, some areas may experience drier than average weather, which may reduce the amount of source water available, while other areas the Company serves may experience wetter than average weather.

The Company evaluates quality, quantity, growth needs and alternate sources of water supply as well as transmission and distribution capacity to provide water service to its customers. Water supply is seasonal in nature and weather conditions can have a pronounced effect on supply. In order to ensure that the Company has adequate water supply, it uses long-term planning processes and maintains contingency plans to minimize the potential impact on service caused by climate variability and a wide range of weather fluctuations. The Company reviews current climate science and global models related to temperature, precipitation and sea level rise on an ongoing basis. Where actionable forecasts are available, the Company will use this information in its comprehensive planning studies and asset management plans. These studies and plans, which are used by the Company to develop its asset management and system reliability strategies, assess the climate risk and resiliency of the Company's water and wastewater systems over short-, medium- and long-term time horizons, and include evaluations of the availability of water supplies and system capacity against a number of different factors, projections and estimates.

In connection with supply planning for most surface or groundwater sources, the Company employs models to determine safe yields under different rainfall and drought conditions. Surface and ground water levels are routinely monitored so that supply capacity deficits may, to the extent possible, be predicted and mitigated through demand management and additional supply development. In California, where the state has been experiencing a multi-year drought, the Company utilizes multiple water supply options including numerous ground water wells in multiple aquifers as well as various long-term purchase water agreements with regional water suppliers to optimize supplies while assuring resiliency during dry years. An example of the Company's use of long-term planning to ensure that it has adequate water supply is its involvement in the Monterey Peninsula Water Supply Project (the "Water Supply Project") in California. The Water Supply Project includes the construction of a desalination plant, to be owned by the Company's California subsidiary, and the construction of wells that would supply water to the desalination plant. In addition, the Water Supply Project also includes the California subsidiary's purchase of water from a groundwater replenishment project (the "GWR Project") between Monterey One Water (formerly known as the Monterey Regional Water Pollution Control Agency) and the MPWMD. The Water Supply Project is intended, among other things, to fulfill obligations of the California subsidiary to eliminate unauthorized diversions from the Carmel River as required under orders of the California State Water Resources Control Board (the "SWRCB"). For more information, see Item 3—Legal Proceedings—Alternative Water Supply in Lieu of Carmel River Diversions and Note 17—Commitments and Contingencies—Contingencies—Alternative Water Supply in Lieu of Carmel River Diversions, in the Notes to the Consolidated Financial Statements.

Wastewater services involve the collection of wastewater from customers' premises through sewer lines. The wastewater is then transported through a sewer network to a treatment facility, where it is treated to meet required regulatory standards for wastewater before being returned to the environment. The solid waste by-product of the treatment process is disposed of or recycled in accordance with applicable standards and regulations.

Seasonality

Customer demand for the Company's water service is affected by weather and tends to vary with temperature and amount and frequency of rainfall. Customer demand is generally greater during the warmer months, primarily due to increased water usage for irrigation systems and other outdoor water use. As such, the Company typically expects its operating revenues to be the highest in the third quarter of each year. Weather that is hotter and/or drier than average generally increases operating revenues, whereas, weather that is cooler and/or wetter than average generally serves to suppress customer water demand and can reduce water operating revenues. Two of the Company's jurisdictions, California and Illinois, have adopted revenue stability mechanisms which permit the Company to collect state PUC-authorized revenue for a given period which is not tied to the volume of water sold during that period, thereby lessening the impact of weather variability. See Regulated Businesses—Regulation and Rate Making for additional information regarding revenue stability mechanisms.

Market-Based Businesses

The Company's Market-Based Businesses provide water and wastewater services to the U.S. government on military installations, as well as municipalities, and utility customers, and previously provided home services primarily to residential and smaller commercial customers through its former HOS business, which was sold on December 9, 2021. These businesses are not subject to regulation by state PUCs and the services provided generally do not require significant capital investment. Operating revenues for the Company's Market-Based Businesses were \$563 million for 2021, \$540 million for 2020 and \$539 million for 2019, accounting for 14%, 14% and 15%, respectively, of the Company's total operating revenues for the same periods.

MSG enters into long-term contracts with the U.S. government to provide water and wastewater services on various military installations. MSG is the Company's remaining primary market-based business.

The Company also has five contracts with municipal customers to operate and manage water and wastewater facilities and provide other related services through its Contract Services Group ("CSG").

Military Services Group

MSG operates on 17 military installations under 50-year contracts with the U.S. government as part of its Utilities Privatization Program. The scope of these contracts generally includes the operation and maintenance of the installation's water and wastewater systems and a capital program focused on asset replacement and, in certain instances, systems expansion. The replacement of assets assumed when a contract is awarded to MSG is completed either through a discrete set of projects executed in the first five years of the contract or through the long term recapitalization program performed over the life of the contract. Traditionally, both of these programs are funded from the contract fee. At times, new assets are required to support the installation's mission, and the construction of these assets is funded by the U.S. government as separate modifications or amendments to the contract. The capital for these assets historically has not been funded through the Company's debt or equity issuances; rather, the Company has used limited working capital for short-term needs under these contracts. In April 2018, the U.S. Army instituted a requirement that a bidder must offer financing in its proposal for these new capital projects under existing contracts, but the U.S. Army's implementation of this requirement on existing contracts has limited the need for such financing. However, recent U.S. Army and Navy Utilities Privatization solicitations have included requirements for the successful bidder to finance discrete initial capital projects over either a five- or ten-year period after project completion. Three of MSG's current contracts require such capital project financing, which the Company is currently addressing through internal sources of liquidity.

The contract price for six of MSG's contracts with the U.S. government is subject to redetermination two years after commencement of operations, and every three years thereafter. Price redetermination is a contract mechanism to periodically adjust the service fee in the next period, to reflect changes in contract obligations and anticipated market conditions. The remaining 11 contracts with the U.S. government are subject to annual price adjustments under a mechanism called "Economic Price Adjustment." All 17 contracts could be terminated, in whole or in part, prior to the end of the 50-year term for convenience of the U.S. government, or as a result of default or non-performance by the MSG subsidiary performing the contract. In either event, pursuant to termination provisions applicable to all of these contracts, MSG would be entitled to recover allowable costs that it may have incurred under the contract, plus the contract profit margin on incurred costs. MSG's backlog of revenue associated with its contracts with the U.S. government is approximately \$6.2 billion, with an average remaining contract term of 41 years.

Sale of Homeowner Services Group

The Company has provided various warranty protection programs and other home services primarily to residential and smaller commercial customers through its HOS operations. On the Closing Date, the Company sold all of the equity interests in its HOS subsidiaries to an indirect, wholly owned subsidiary of funds advised by Apax Partners LLP, a global private equity advisory firm (the "Buyer"), for total consideration of approximately \$1.275 billion. See Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 6—Acquisitions and Divestitures in the Notes to Consolidated Financial Statements for additional information.

Competition

MSG faces competition from a number of service providers, including American States Water Company, Suez North America, and Veolia Environnement S.A.

Environmental, Health and Safety, Water Quality and Other Regulation

The Company's water and wastewater operations, including the services provided by both its Regulated Businesses and Market-Based Businesses, are subject to extensive federal, state and local laws and regulations governing the protection of the environment, health and safety, the provision of water and wastewater services, particularly with respect to the quality of water the Company delivers to its customers, and the manner in which it collects, treats, discharges, recycles and disposes of wastewater. In the United States, these regulations are developed under federal legislation including the Safe Drinking Water Act, the Reduction of Lead in Drinking Water Act and the Clean Water Act, and under a variety of applicable state laws. Environmental, health and safety, and water quality regulations are complex and may vary from state to state in those instances where a state has adopted a standard that is more stringent than the federal standard. For example, while the EPA has issued a non-enforceable Health Advisory for the combined level of two perfluorinated compounds (perfluorooctanoic acid, or PFOA, and perfluorooctane sulfonic acid, or PFOS), the New Jersey Department of Environmental Protection was the first state agency to establish a standard for perfluorononanoic acid, or PFNA, in 2018 and has since established maximum containment levels for PFOA and PFOS, with implementation occurring in January 2021. The Company is also subject to various federal, state, and local laws and regulations governing the storage of hazardous materials, the management and disposal of hazardous and solid wastes, discharges to air and water, the cleanup of contaminated sites, dam safety and other matters relating to the protection of the environment and health and safety. PUCs also set conditions and standards for the water and wastewater services the Company delivers.

The Company maintains an environmental program that includes responsible business practices focused on compliance with environmental laws and regulations and the effective use of natural resources, recognizing that drinking water standards have generally, over time, increased in number and become increasingly more stringent. As newer or stricter standards are introduced, the Company's capital and operating costs needed to comply with them will likely increase. The Company incurs substantial costs associated with compliance with the environmental, health and safety, and water quality standards to which its operations are subject and the Company invests in technology solutions for enhanced detection and monitoring of water quality issues. The Company estimates that it will make capital expenditures of approximately \$850 million over the next five years, including \$180 million in 2022, for environmental control facilities, which the Company defines for this purpose as any project (or portion thereof) that involves the preservation of air, water or land. The Company believes that its operations are materially in compliance with, and in many cases surpass, minimum standards required by applicable environmental laws and regulations.

The Company's operations also involve the use, storage and disposal of hazardous substances and wastes. For example, the Company's water and wastewater treatment facilities store and use chlorine and other chemicals that generate wastes that require proper handling and disposal under applicable environmental requirements. The Company also could incur remedial costs in connection with any contamination relating to its operations or facilities or its off-site disposal of wastes. The Comprehensive Environmental Response, Compensation, and Liability Act of 1980 ("CERCLA"), authorizes the EPA, and comparable state laws authorize state environmental authorities, to issue orders and bring enforcement actions to compel responsible parties to investigate and take remedial actions at any site that is determined to present an actual or potential threat to human health or the environment because of an actual or threatened release of one or more hazardous substances. Parties that generated or transported hazardous substances to such sites, as well as current and former owners and operators of such sites, may be deemed liable, without regard to fault, under CERCLA or comparable state laws. Although the Company is not aware of any material cleanup or decontamination obligations, the discovery of contamination or the imposition of such obligations in the future could result in additional costs to the Company. The Company's facilities and operations are also subject to requirements under the U.S. Occupational Safety and Health Act and inspections thereunder.

Safe Drinking Water Act

The Safe Drinking Water Act and related regulations establish national quality standards for drinking water. The EPA has issued rules governing the levels of numerous, naturally occurring and manufactured chemical and microbial contaminants and radionuclides allowable in drinking water, and continues to propose new rules. These rules also prescribe testing requirements for detecting regulated contaminants, the treatment systems that may be used for removing those contaminants, and other requirements. To date, the EPA has set standards for over 90 contaminants and water quality indicators for drinking water, and there is a process in place to make a regulatory determination on at least five additional compounds every five years.

To help formulate the basis for future regulations, the EPA has the authority to require monitoring for additional, unregulated contaminants under the Unregulated Contaminant Monitoring Rule (the "Monitoring Rule"). The Company's facilities have participated in the data gathering effort for the Monitoring Rule in previous rounds, which occurs every five years, including the fourth round that concluded at the end of 2020. There are millions of other chemical compounds that are not regulated, many of which lack a testing methodology, occurrence data, health effects information and/or cost-effective treatment options. The process of developing new drinking water standards is long and complex, but the Company actively participates with the EPA and other water industry groups by sharing research and water quality operational knowledge. See Research and Development—Contaminants of Emerging Concern for additional information.

To effect the removal or inactivation of microbial contaminants, the EPA has established various rules to improve the disinfection and filtration of drinking water and to reduce consumers' exposure to disinfectants and/or the by-products of their use in the disinfection process. Examples of these rules are the Long-Term 2 Enhanced Surface Water Treatment Rule (the "Long-Term 2 Rule"), the Stage 2 Disinfectants and Disinfection Byproduct Rule, the Ground Water Rule, which is applicable to systems providing water from underground sources and the revised Total Coliform Rule, which implemented a "find and fix" process where exceeding bacterial trigger levels requires an assessment to correct any sanitary defects. The Company is within the EPA's time frame for compliance with all of these standards, which includes sample collection, data analysis, and, in some instances engineering planning and implementation of treatment enhancements. Recent monitoring as required by the Long-Term 2 Rule has indicated that up to 30 of the Company's surface water systems have recently completed or need to implement additional disinfection protection mechanisms against *Cryptosporidium*. In many cases, this will involve installing ultraviolet light disinfection systems, and although several plants have already completed assessments and upgrades, an estimated \$100 million to \$150 million of investment will still be required to upgrade the remaining facilities for *Cryptosporidium* disinfection. Further, the EPA is actively considering regulations for a number of contaminants, including strontium, hexavalent chromium, fluoride, nitrosamines, some pharmaceuticals and certain volatile organic compounds. The Company does not anticipate that any such regulations, if enacted, will require implementation in 2022.

The Company conducted over 10 million water quality and turbidity tests in 2021 at its laboratory facilities and plant operations, including continuous online instrumentations such as monitoring turbidity levels, disinfectant residuals and adjustments to chemical treatment based on changes in incoming water. The Company participates in the Partnership for Safe Water, the EPA's voluntary program to meet more stringent goals for reducing microbial contaminants. With 67 of the Company's surface water treatment plants receiving the EPA program's prestigious "Director" award, which recognizes utilities that (i) have completed a comprehensive self-assessment report, (ii) created an action plan for continuous improvement, and (iii) produced high-quality drinking water, the Company accounts for approximately one-third of the plants receiving such awards nationwide. In addition, 66 of the Company's surface water treatment plants have received the "Five-Year Phase III" award, 62 plants have received the "Ten-Year Phase III" award, 57 plants have received the "Fifteen-Year Phase III" award, and 39 plants have received the "Twenty-Year Phase III" award; these awards recognize plants that have met the Director award status for five, 10, 15 and 20 years, respectively. Further, nine of the Company's surface water plants have received the "Presidents" award, which recognizes treatment plants that achieve the Partnership's rigorous individual filter effluent turbidity standards and have maintained this status for at least five years.

Although it is difficult to project the ultimate costs of complying with the above or other pending or future requirements, the Company expects current cost requirements under the Safe Drinking Water Act and other similar laws to be recoverable through the regulatory process and therefore compliance costs are not expected to have a material impact on its operations or financial condition. In addition, capital expenditures and operating costs to comply with environmental mandates have been traditionally recognized by PUCs as appropriate for inclusion in establishing rates. As a result, the Company expects to recover the operating and capital costs resulting from these pending or future requirements.

Lead and Copper Rule and Reduction of Lead in Drinking Water Act

In 1991, the EPA published the Lead and Copper Rule ("LCR") to control lead and copper in drinking water and, since that time, has issued minor revisions in 2000, 2004 and 2007, enhancing monitoring, reporting and public education requirements. In 2011, Congress enacted the Reduction of Lead in Drinking Water Act regarding the use and introduction into commerce of lead pipes, plumbing fittings for fixtures, solder and flux. While these advances have made an impact in reducing lead exposure in drinking water, legacy lead plumbing materials, primarily in building plumbing, still remain in many communities. The failure of certain water systems in the United States to comply with the requirements of the LCR has received recent media attention and scrutiny, and in certain cases, has led to a number of investigations and the imposition of significant penalties and sanctions against the operators of those systems and others. As part of its ongoing water main replacement and service line renewal projects, the Company has started to replace lead service lines ("LSLs") in accordance with current scientific guidance. Also, the Company utilizes appropriate corrosion control techniques as necessary to comply with current water quality regulatory requirements. The EPA finalized revisions to the LCR (the "Revised LCR") on January 15, 2021 that are designed to provide more effective protection of public health by reducing exposure to lead and copper in drinking water. The Company is executing an implementation strategy to comply with the new requirements, which were originally mandated by January 2024 but have been delayed until at least late 2024 pending EPA additional review. Capital expenditures and operating costs associated with the Revised LCR will be determined once the EPA completes its additional review, but as previously noted, costs associated with compliance with federal water quality regulations have been traditionally recognized by PUCs as appropriate for inclusion in establishing rates.

The Company currently estimates that less than 5% of the service lines within its regulated service territories contain lead on either the Company or customer portion of the service line. The Company is replacing LSLs as part of its ongoing water main replacement and service line renewal projects. The Company's goal is to work with the communities it currently serves to replace a significant majority of presently known LSLs in most of its service areas by the end of 2030, at an estimated cost ranging from \$600 million to \$1.2 billion. The Company believes this will be attainable for most of its service areas where public policy is supportive of this goal. The IJIA was signed into law in November 2021 and provides for up to \$15 billion for lead service line replacement through drinking water state revolving funds. The Company is awaiting further guidance on eligibility, the application process and the distribution of these funds. With regard to future acquisitions, the Company will work with those communities as part of the acquisition process to set LSL removal goals appropriate for those systems. The prioritization of LSL removal is dependent on several factors, including the Company's planned water main and service line renewal projects, adjacent projects by municipalities or other utilities, LCR compliance monitoring results, and cooperation with its customers with respect to replacing the customer-owned portion of the LSL as necessary. In certain cases, these and other factors may result in a shorter or longer time frame for replacement. Because replacing the external LSL in its entirety is advised by several water industry organizations including the U.S. National Drinking Water Advisory Council, the Lead Service Line Replacement Collaborative, and the American Water Works Association, the Company's preferred approach is to replace the entire external LSL if lead is found on either the Company or customer portion of the service line; full LSL replacement is also consistent with the Revised LCR. The Lead Service Line Replacement Collaborative is a diverse group of public health, water utility, environmental, labor, consumer and housing organizations from across the country working together to encourage communities to accelerate the full replacement of LSLs through collaborative efforts at the local level.

Clean Water Act

The Clean Water Act regulates discharges from drinking water and wastewater treatment facilities into lakes, rivers, streams and groundwater. In addition to requirements applicable to the Company's wastewater collection systems, its operations require discharge permits under the National Pollutant Discharge Elimination System ("NPDES") permit program established under the Clean Water Act, which must be renewed every five years. Pursuant to the NPDES permit program, the EPA and implementing states set maximum discharge limits for wastewater effluents and overflows from wastewater collection systems. Discharges that exceed the limits specified under NPDES permits can lead to the imposition of fines and penalties, and persistent non-compliance could lead to significant fines and penalties and other compliance costs. In addition, the difficulty of obtaining and complying with NPDES permits, and renewing expiring permits, may impose time and cost burdens on the Company's operations. From time to time, discharge violations occur at the Company's facilities, some of which result in fines. The Company does not expect any such violations or fines to have a material impact on its results of operations or financial condition.

Research and Development

The Company's Research and Development Program

The Company maintains an industry-leading research and development ("R&D") program that is designed to enhance its services, support its compliance activities, improve service quality and operational effectiveness, and provide environmental leadership. For more than three decades from its inception, American Water's R&D program has evolved into an industry-leading effort and has achieved numerous advancements in the science of drinking water, wastewater, and desalination. Through laboratory and industry resources and the team's expertise, efforts are focused on contaminants of emerging concern, including but not limited to COVID-19, PFAS, Legionella, cyanotoxin-forming algal blooms, a variety of pathogens (for example, Cryptosporidium, Giardia, enteric viruses, and various bacteria), microbial indicators and disinfection byproducts. The Company's R&D personnel are located at the Company's corporate headquarters and at two laboratory testing facilities in New Jersey and Illinois, the latter housing its quality control and testing laboratory, which supports the Company's R&D activities through testing and analysis.

The Company continues to leverage its expertise and collaborates with the EPA and state agencies to help establish effective environmental, health and safety, and water quality standards and regulations. This relationship includes the sharing of the Company's research, such as its treatment and distribution system optimization research and its national water quality monitoring data. The Company's engagement with the EPA provides it with early insight into emerging regulatory issues and initiatives, thereby allowing the Company to anticipate and to accommodate its future compliance requirements. The Company also frequently engages with the Centers for Disease Control and Prevention, other state environmental agencies, and national and international water research foundations. The Company believes that continued R&D activities are critical for providing safe, reliable and affordable services, as well as maintaining its leadership position in the industry, which provides the Company with a competitive advantage as it seeks business and operational growth.

Contaminants of Emerging Concern

Contaminants of emerging concern include numerous chemicals such as PFAS, pharmaceuticals, personal care products, pesticides, herbicides, endocrine disrupting compounds and industrial chemicals, as well as certain naturally occurring microbes, such as bacteria, viruses and parasites, which have been detected in drinking water supplies, for which the risk to the public's health is not fully understood and/or has not been assessed. Technological advances have only recently made it possible to detect many of these contaminants at trace levels. The ability to detect contaminants, even at trace levels, has invited discussion about these contaminants among regulators and government agencies, which in turn shapes the public's perception of drinking water quality.

The Chemicals Abstract Service Registry contains over 192 million registered chemicals, with an estimated 1,400 species of disease-causing microbes that can affect humans. The Company is continually investigating new substances and contaminants, employing a team of scientists, engineers and public health professionals to identify threats to its water supply, to act on emerging regulations and new health advisories, and to evaluate the benefits of alternative or advanced treatment technologies. The Company utilizes water quality testing equipment and implements new and emerging technologies to help detect potential water supply contamination issues. Examples of the Company's efforts include:

- monitoring impacts of the COVID-19 pandemic on environmental virus loads and removal efforts through wastewater systems;
- characterizing factors that contribute to the formation of potentially carcinogenic disinfection by-products to define best practices for their mitigation;
- using its research findings to communicate information to its customers regarding potential actions to limit occurrences of Legionella in their buildings; in this regard, the Centers for Disease Control and Prevention statistics indicate that water-associated disease from Legionella is on the rise, with exposure typically associated with customer-owned plumbing systems in large buildings;
- defining a framework to support management or possible future regulation of opportunistic pathogens;
- developing expanded monitoring methods for PFAS compounds and piloting treatment techniques;
- leading a PFAS risk communication strategy for the water sector;
- using innovative technologies to detect and manage algal blooms to help prevent taste and odor events and cyanotoxins before they get to the water treatment plant;
- monitoring of taste and odor issues that impact customer satisfaction using expanded analytical methods to detect compounds, and evaluating and recommending treatment practices;
- implementing water source assessment tools, including sensors and data analytics, to evaluate and track chemical storage and aid in the identification of source water contamination events;
- developing methodology and advanced measurement techniques for contaminants of emerging concern to investigate transport, occurrence and treatment; and
- implementing activated carbon, biofiltration and ion exchange treatment to seek to control contaminants of emerging concern.

Service Company and Security

American Water Works Service Company, Inc. ("Service Company") is a wholly owned subsidiary of the Company that provides support and operational services to the Company and its affiliates. These services are predominantly provided to the Company's Regulated Businesses under contracts that have been approved by PUCs, where necessary, and are also provided to its Market-Based Businesses as requested or may otherwise be necessary. Services provided by Service Company may include accounting and finance, administration, business development, communications, compliance, education and training, engineering, health and safety, human resources, information systems, internal audit, investor relations, legal and governance, operations, procurement, R&D, rates and regulatory support, security, risk management and insurance, treasury, and water quality. Service Company also provides customer support to the Company's Regulated Businesses, which includes call handling, billing, a major accounts program and other related services. Services are provided by Service Company at cost, enabling the Company's operating subsidiaries to fulfill their responsibilities in a cost-effective manner, while providing them access to in-depth, functional expertise.

The Company's security team provides oversight and policy guidance on physical, cyber and information security, as well as business continuity, throughout its operations. It is responsible for designing, implementing, monitoring and supporting effective physical and technical security controls for the Company's physical assets, business systems and operational technologies. Risk assessments are conducted periodically to evaluate the effectiveness of existing security controls and serve as the basis for additional safeguards, security controls and measures. Operational and technical security controls are deployed and integrated as safeguards against unauthorized access to the Company's information systems. These controls are aimed at (i) assuring the continuity of business processes that are dependent upon automation, (ii) maintaining the integrity of the Company's data, (iii) supporting regulatory and legislative compliance requirements, and (iv) maintaining safe and reliable service to the Company's customers. The Company engages in partnerships with U.S. federal, state and local law enforcement agencies to coordinate and improve the security of its water delivery systems and to safeguard its water supply and operations.

Environmental, Social Responsibility and Governance

The Company considers environmental, social responsibility and governance ("ESG") principles fundamental to its corporate strategy and values. Integration of these principles into the Company's daily operations emphasizes its belief that "how" a company operates is just as important as "what" a company does. The Company's vision and values drive its strategies, which are centered on five central themes:

- **Safety**—The safety of the Company's employees and customers is the number one focus for American Water.
- **Customers**—The Company's customers are at the center of everything it does, helping the Company to shape its strategic priorities.
- **People**—Maintaining an environment that is open, transparent, diverse and inclusive, and where the Company's people feel valued, included and accountable, is critical to the Company's ability to serve its customers every day.
- **Operational Excellence**—The Company strives to find better and more efficient ways to do business, and to provide safe, clean and affordable water services for its customers.
- **Growth**—The Company believes that through growth, it can invest in creating more jobs, better training and benefits, and improved infrastructure in its communities. The Company's growth also creates greater efficiencies of scale and drives improved customer affordability, which benefits all of its stakeholders, including shareholders.

In 2021, the Company issued its sixth biennial Sustainability Report, covering its sustainability performance for calendar years 2020 and 2019. This report can be accessed on the Company's website. In addition, the Company issued its first annual Inclusion & Diversity Report, which shares the inclusion and diversity strategies, practices, policies, and programs from across the business. The Company's values and actions have achieved prestigious recognition by many leading firms devoted to recognizing companies that demonstrate ESG leadership. Most recently, the Company received the highest S&P Global Ratings ESG Evaluation score given to a U.S. company and the third highest globally, and was ranked 19th within Barron's list of the 100 Most Sustainable Companies. Additionally, the Company was included in the Bloomberg Gender Equality Index for the fourth consecutive year, and the Company recently achieved the ranking of sixth on the Corporate Knights' Global 100 Most Sustainable Corporations in the World index.

The following goals and actions highlight the Company's commitment to embedding ESG principles throughout its business:

Environmental and Sustainability

- Energy and Emissions for the Company's Regulated Businesses
 - The Company clarified its existing goal to reduce by more than 40% its greenhouse gas ("GHG") emissions by 2025, from a 2007 baseline, as an absolute measurement of its scope 1 (direct) emissions, and scope 2 (indirect, derived from the Company's purchases of energy) emissions.
 - The Company lowered its GHG emissions through December 31, 2020 by approximately 36% since its base year of 2007. GHG emissions data for the full calendar year 2021 is expected to be released in April 2022.
- Water Efficiency and Resiliency for the Company's Regulated Businesses
 - The Company established a water efficiency goal to meet customer needs while saving 15% in water volume delivered per customer by 2035, compared to a 2014 and 2015 averaged baseline. The Company has lowered its water delivery per customer over the last three years. The Company reduced its water volume delivered per customer compared to a 2015 baseline by 5.0%, 5.3% and 4.3% as of December 31, 2021, 2020, and 2019, respectively.

- The Company has further utilized a uniform water system resiliency metric, the Utility Resilience Index (“URI”), to track enhancements in the Company’s ability to prepare for, respond to, remediate and effectively manage incidents impacting its operations. The Company plans to increase its URI weighted average by 10% by 2030 from a 2020 baseline. The URI is a part of the American Water Works Association’s J-100 voluntary consensus risk and resilience standard and focuses on a utility’s ability to manage incidents affecting its customers, employees and assets, and return to normal operations as quickly as possible.
- Approximately 10-12% of the Company’s total projected capital investment over the next five years is dedicated to resiliency, accounting for approximately \$1.2 billion to \$1.4 billion allocated to renewing and improving assets of the Regulated Businesses.
- Policy Leadership
 - The Company employs a team of R&D scientists dedicated to partnering with water research organizations on water quality and technology-based source water monitoring.
 - The Company collaborates and partners with federal and state agencies to support effective environmental, health and safety and water quality standards and regulations.

Social Responsibility

- Customers
 - For 2021, the Company achieved an aggregate customer satisfaction rating in the top quartile among the Company’s industry peer group.
 - To better reflect the customers that the Company serves, the Company increased spend with diverse suppliers and small businesses in 2021 by more than 10% year over year.
- Employees
 - During 2021, over 109,000 hours of safety training were completed by the Company’s employees.
 - The Company has made significant progress toward its zero injuries goal, reducing workplace injuries by 66% since 2015. Through year end 2021, the Company has further reduced its OSHA recordable injury rate (“ORIR”) to 0.97, the lowest in the Company’s recorded history, which is approximately two times better than the water industry average.
 - During 2021, approximately 86% of the Company’s job requisitions had a diverse candidate pool, with approximately 58% of transfers or promotions filled by diverse individuals.
 - In 2021, the Company named Cheryl Norton as its first female Executive Vice President and Chief Operating Officer.
- Communities
 - In December 2021, the Company authorized the contribution of \$45 million to the American Water Charitable Foundation (“AWCF”), a 501(c)(3) private foundation established by American Water in 2010.
 - More than \$941 thousand was donated in 2021 by the Company’s employees and the AWCF through workplace giving campaigns including the United Way, Water For People and other volunteering giving campaigns that supported more than 1,500 public charities nationwide.

Governance

- Board and Committees
 - The Board of Directors and each of its standing committees are led by an independent, non-executive chairperson.
 - The Board of Directors met 14 times in 2021.
 - The Board of Directors reflects gender, racial and experiential diversity. As of December 31, 2021, 54.5% of the Company’s directors voluntarily self-identified as female or racially diverse.
 - The Company’s average director tenure was approximately 7.2 years as of December 31, 2021.

- Demonstrated and Representative Expertise
 - The members of the Company’s Board of Directors have demonstrated expertise, including, among others, experience in utility and finance operations, customer service, cybersecurity, the military, financial services and capital markets, service as a public company CEO, CFO and/or board member, and management of global operations.
- Transparency
 - The Company discloses on its website its Political Contributions Policy and, on an annual basis, information related to its political contributions and lobbying expenditures.
 - The Company makes available on its website its ESG goals and achievements.

Human Capital Resources

Overview

The Company’s people are a critical part of its business, and the Company’s investment in its people begins with recruitment of qualified and diverse talent. The Company believes that representing the communities in which it serves plays a key role in its ability to serve its customers and improves its talent. The Company promotes an inclusive culture where its employees are given the opportunity to develop to their fullest potential and understand that they directly contribute to the Company’s ability to operate, grow and serve its customers. The Company believes that investing in the safety, health and well-being of its employees is a key component of its people and culture goals, and that these investments in its people allow employees to generate great ideas, provide quality customer service and make a difference in the lives of the Company’s customers.

Employee Health and Safety

A longstanding value and strategy of the Company is safety. In this regard, the Company continues to focus on the safety of its employees and contractors so that they may return home from work in the same, or better, condition than when they arrived. The Company strives for all employees to feel emotionally safe, live a healthy lifestyle and be physically safe at work and at home. The Company assesses occupational health and safety to measure performance across the entire organization, with the ultimate goal of achieving zero incidents, injuries and fatalities for the Company’s employees and contractors.

To uphold the Company’s commitment to safety, the Company’s employees completed over 100,000 hours of employee safety training during 2021. Additionally, through frequent labor-management meetings, the Company encourages open exchanges to explore new ways to further enhance safety on the job. All employees are empowered to demonstrate safety leadership by taking the time they need to complete a task safely and to use “Stop Work Authority” — the power to stop working immediately whenever they believe a task is unsafe — to personally mitigate the hazard or issue or collaborate with management to create a safe situation. The Company believes that this Stop Work Authority is so important that it is stated on the back of every employee’s identification badge.

For 2021, the Company had its lowest ORIR injury rate in its recorded history, achieving a 2% reduction compared to 2020, even though labor hours increased by 5%. Also, the number of injuries for purposes of the Company’s Days Away Restricted or Transferred (“DART”) rate decreased by 14% compared to 2020. For 2021, the Company’s ORIR was 0.97 (64 injuries) and its DART rate was 0.54 (36 injuries), compared to an ORIR of 0.99 (63 injuries) and a DART rate of 0.63 in 2020.

In 2021, American Water teams led by promoting safety leading indicator activities, including pre-job safety briefings and near miss reporting, and by achieving internal Certified Safe Worker designations. Near miss reports, where employees report potential hazards or incidents in a safe and secure manner, increased by 27% in 2021 over 2020, and 99% of near miss incident corrective actions were completed within 30 days, meeting the Company’s 2021 goal. The Company utilizes near miss reporting and timely corrective actions as key measurements of employee engagement and safety performance.

Understanding that some employees may have delayed seeking preventative or other medical care due to the COVID-19 pandemic, a 2021 priority for the Company was to encourage employees to increase their utilization of preventative exams. Through the Company’s marketing efforts and targeted incentives in its myWellness program, the Company sought to encourage employees to take preventative health actions. The number of total preventative care exams completed by the Company’s employees increased by 15% during 2021 compared to 2020.

Supporting Employees During the COVID-19 Pandemic

American Water remains committed to the health, well-being and safety of its employees and families, as well as its customers and communities. The Company's Emergency Crisis Response Team ("ECRT") continued to deploy a COVID-19 contact tracing program to reduce the risk of COVID-19 transmission at work. The ECRT consistently monitors current events and the latest public health guidance and adjusts workplace safety measures and the Company's COVID-19 guidance accordingly. During the pandemic, American Water provided temporary medical and emotional health benefits, including paid time off and emergency leave. The Company also supported employees and their families during the uncertainty of the pandemic by providing additional resources, such as enhanced well-being support, workplace flexibility, back-up dependent care, caretaker database discounts and academic support. American Water did not lay off any employees due to the pandemic.

As an essential business that must continue to provide water and wastewater services during the COVID-19 pandemic, the Company continued to focus on the care and safety of its employees, contractors, vendors and others who work at or visit the Company's worksites. In 2021, as COVID-19 vaccines became more readily available, the Company began planning for the reintegration of those who had been working remotely back to its work facilities, and also began to implement safety protocols based on current COVID-19 health guidance for the return of employees to perform work in customers' homes. Furthermore, the Company has continued to support employee health and safety by providing safety training and resources, continuing to enforce safety protocols such as maintaining social distancing, requiring the use of face coverings at work, and encouraging good hygiene and frequent handwashing and cleaning of work areas. The Company continues to receive input from its employees via pulse surveys throughout the COVID-19 pandemic, which has also helped to shape the Company's pandemic-related responses and a flexible return to hybrid work where possible. Throughout the fall of 2021, managers and employees who had been working remotely during the pandemic began to return to the Company's offices and facilities with increasing frequency, in preparation for a three-day in-person, two-day remote work week, where feasible.

Inclusion, Diversity and Equity

In 2021, the Company continued to evolve its inclusion and diversity strategic framework to include equity. The Company defines equity as fair treatment, access, opportunity and advancement for all people, while also eliminating barriers that may prevent some groups from full participation. The Company promotes an environment where inclusion, diversity and equity are embedded in its culture. At all levels, the Company strives to understand, respect, value and provide equal opportunity to each employee. The Company seeks to foster an environment where employees' differences are embraced and celebrated. The Company holds as an essential concept the right of employees to proudly share their ideas and unique perspectives in an environment built on mutual respect, equity and inclusion. The Company is committed to diversity among its workforce, executive and senior management leadership teams, by reflecting the diversity of the communities in which the Company serves. The Company expects all of its leaders to lead with inclusion, diversity and equity.

During 2021, the Company published its first Inclusion & Diversity Report. The report shares the Company's diversity strategies, practices, policies and programs from across the business and includes more than 100 data points related to building a culture of inclusion. The following graphic highlights the Company's principal employee inclusion, diversity and equity metrics for 2021 based on its employee headcount as of January 1, 2022, and which are based on responses from employees who voluntarily self-reported this information to the Company.



During 2021, 85.6% of the Company’s hiring candidate pools were diverse. For this purpose, diversity refers to gender, race, ethnicity, disability and/or veteran/military status, based on voluntary, self-identified employee information.

The Company maintains active memberships with groups such as Hiring our Heroes, Military Spouse Employment Partnership, American Corporate Partners, CEO Action for Diversity and Inclusion, Disability:IN, Paradigm for Parity, and Out and Equal, to further enhance its ability to recruit and retain diverse employees. Among this year’s recognitions, the Company was designated as a 2021 Military Friendly® Top 10 Gold Employer and recognized by Military Times for its industry-leading efforts on hiring and supporting U.S. military veterans. The Company was also a top scorer in the 2021 Disability Equality Index for the third consecutive year and was recognized by U.S. Veterans Magazine as a veteran-friendly company and as an organization with a veteran-friendly supplier diversity program.

In keeping with the Company’s values, the Company does not tolerate discrimination, harassment or retaliation by or toward any employee, vendor, customer or other person in its workplace. All employees are required to complete anti-harassment, workplace respect and dignity, unconscious bias and inclusion and diversity training. In addition, annual Code of Ethics training is provided to all employees, which includes education on using the Company’s anonymous hotline for reporting potential Code of Ethics violations.

In 2021, the Company launched four employee business resource groups (“EBRGs”), which represent diverse employee demographics (Women, African American/Black, LGBTQ+ and Disabilities) throughout the Company. EBRGs offer opportunities for employees to share ideas and best practices, and to create measurable and long-lasting positive impacts on the Company’s culture. The Company’s Inclusion and Diversity Advisory Council oversees the formation, goals and actions of the EBRGs to support the Company’s inclusion diversity and equity priorities.

To further its commitment to inclusion, diversity and equity, and in response to feedback from employees about work-life balance, in 2021, the Company announced a new Inclusion Holiday Swap benefit, to allow the opportunity for all employees to swap a Company holiday with another day of their choosing that more closely reflects their personal values, beliefs or culture. In addition, the Company is evaluating the implementation of workforce diversity goals in certain of its compensation programs.

Total Rewards

Employees are considered the Company’s greatest assets and the Company views their overall well-being to be as important as their physical safety. American Water’s health and well-being programs aim for employees to go home in the same or better condition than when they came to work. Health and well-being programs are approached holistically by offering the following benefits, among others: medical, prescription, dental, vision, disability and life insurance coverage, as well as a health and wellness program and a menu of additional voluntary benefits. The Company’s Total Rewards programs are designed to reflect many aspects of employee health and well-being, cultivate an inclusive workforce and motivate, attract and retain talent to seek to achieve the Company’s strategic business priorities.

As part of Total Rewards, the Company provides a comprehensive compensation and benefit program designed to recognize the vital roles the Company’s employees play. Further, all of the Company’s employees, including those who are union-represented,

participate in the Company's Annual Performance Plan, to promote alignment in bonus compensation to the Company's short-term performance goals. Moreover, all employees who average 30 hours or more per week receive full-time benefits. Approximately 90% of all benefit eligible employees are enrolled in the Company's healthcare benefits. Full-time employees pay approximately 16% of the total cost of medical, dental and vision coverage. The Company offers its non-union employees who average 20 to 30 hours per week medical, dental and vision coverage at 50% of the total cost. Additional medical benefits include coverage for applied behavior analysis, autism treatment, transgender services and hearing aids, as well as a fertility assistance benefit to assist employees in building a family. The Company also offers additional employment benefits, including holiday, vacation and sick time, which are at levels generally greater than or equal to those offered by other companies in the utility industry. For example, the Company offers its employees up to two weeks of paid leave in connection with the birth, adoption or foster placement of a child, or to take care of a sick family member.

The Company believes that good emotional and mental health is fundamental, and offers a behavioral health benefit to assist employees and their families to maintain their well-being. Additionally, the Company offers an employee assistance program (EAP) that provides all employees and their eligible dependents with access to a variety of support resources free of charge. The EAP provides confidential support through its Work-Life Specialists to help individuals who are experiencing a variety of challenges, including financial, legal, family and emotional needs. The EAP provides guidance, resources and expert referrals based on an individual's needs. In addition, the Company provides all employees and their families with access to an interactive online wellness program that supports and encourages a healthy lifestyle both at work and at home. In 2021, the Company enhanced its internal myWellness website to include additional tools and activities for employees, including customized programs and action cards tailored to an individual's self-identified health needs.

Talent Development

The Company provides learning opportunities and work experiences to equip its employees with the tools, skills, and competencies they need to operate safely and effectively and to grow professionally. To this end, the Company has established an Employee Experience and Talent Development team to help develop and deploy programs that are designed to attract, motivate, develop and retain talented employees, and foster a learning culture. The Company requires every employee, including its union-represented employees, to complete a minimum of 25 hours of training each year (an increase in the 20-hour requirement for 2020). Approximately 98% of active full-time employees hired before October 1, 2021 met this requirement for 2021, with over 331,000 hours of total training completed during the year, including approximately 109,000 hours of safety training. In addition to required role-based training, managers assist employees to identify professional development opportunities to help them reach their full potential and grow their careers. Additionally, in 2021, approximately 58% of the Company's internal employee transfers and promotions were diverse (defined as female, minority, disability, military, military spouse, and LGBTQ+ status, based on voluntary employee self-identification), which reflects the Company's commitment to employee development and career growth as well as the Company's focus on diversity, inclusion and equity, and a desire for its employees to reflect the communities in which it operates.

Developing talent and ensuring a pipeline to executive leadership is a critical priority for the Company. During 2021, the Company engaged in succession planning activities for the Company's critical positions and executive leaders. These succession plans aid in providing continued leadership for the growth and future of the Company's business, while also seeking to promote diversity, retention and development. In addition to succession of executive leadership roles, in 2022, the Company plans to focus on talent reviews, which will include identification of critical skill and competency areas, a focus on diverse emerging talent, and a discussion of strengths, gaps, and development plans. Talent reviews will be conducted for a select group of employees, including employees who are being assessed for senior leadership or other critical roles.

Employee Experience

The Company's employee value proposition ("EVP") focuses on employee experience as an influencer of an employee's opinions and emotional response about the Company as an employer. The Company continually seeks to shape and refine its employee experience, and therefore its EVP, by offering an inclusive employee culture, employee development opportunities and competitive compensation and benefits. In developing its current EVP, the Company identified components that it believes are important to its employees and then solicited and received feedback from over 400 Company employees on those components to understand better the aspects that they value from their employer. From this employee outreach, and as a part of its EVP, the Company developed weCare, which is comprised of the following five components: deeper connections, personal growth, shared purpose, flexibility and well-being.

Workforce Data

As of January 1, 2022, the Company had approximately 6,400 employees. For 2021, the Company's employee turnover rate, which the Company defines as the ratio of the number of separated employees to the 12-month average headcount during 2021, was 13.1%, up from 7.4% in 2020. American Water seeks to reduce employee turnover by assessing its EVP and through its efforts to foster the Company's employee experience.

As of January 1, 2022, approximately 47% of the Company’s workforce was represented by unions, which include 73 collective bargaining agreements with 14 different unions. Additionally, in 2022, the Company has begun to negotiate two new collective bargaining agreements, which would cover approximately 180 employees. During 2022, 21 of the Company’s collective bargaining agreements are set to expire in accordance with their terms and the Company expects to be able to negotiate these agreements during the year. The Company collaborates with union leadership on topics such as safety, customer, technology and employee benefits in forums such as the Joint Healthcare Committee, National Labor Management Committee and the annual Labor Management Conference.

Board Oversight

The Executive Development and Compensation Committee (“ED&CC”) of the Board of Directors establishes and reviews the Company’s overall compensation philosophy and oversees the compensation and benefits plans and programs for its executive officers. The ED&CC oversees the process of planning for executive officer succession. It also provides oversight of the Company’s inclusion, diversity and equity programs and initiatives. Further, the ED&CC is responsible for reviewing and assessing, at least annually, the Company’s culture and related culture engagement, its organizational and leadership development plans and programs, and its programs designed to identify, attract and retain high-potential employees.

Information About Our Executive Officers

Presented in the table below are the name, age, offices held and business experience for each of the Company’s executive officers, as of February 16, 2022:

Name	Age	Office and Experience
M. Susan Hardwick	59	President, Chief Executive Officer and Chief Financial Officer. Ms. Hardwick joined the Company in June 2019 as its Executive Vice President—Finance and has served as its Executive Vice President and Chief Financial Officer since July 2019. From December 7, 2021 until January 31, 2022, Ms. Hardwick also served as Interim Chief Executive Officer, and, on February 2, 2022, was elected as President and Chief Executive Officer. Ms. Hardwick previously served as the Executive Vice President and Chief Financial Officer of Vectren Corporation, which was sold to CenterPoint Energy, Inc., an electric and natural gas utility, on February 1, 2019. Ms. Hardwick joined Vectren Corporation in January 2000 and served in a variety of positions, including: Vice President, Controller and Assistant Treasurer; Senior Vice President, Finance; Senior Vice President, Chief Financial Officer; and Executive Vice President and Chief Financial Officer. Prior to joining Vectren, Ms. Hardwick was Assistant Corporate Comptroller at Cinergy Corp. She began her career with Arthur Andersen & Co. Ms. Hardwick is a Certified Public Accountant. Since September 2020, Ms. Hardwick has served on the Board of Directors of New Jersey Resources Corporation, a diversified energy services company, where she is currently serving a three-year term expiring in 2024, and since January 1, 2021, she has served as a member of its Audit Committee.
Maureen Duffy	52	Senior Vice President, Communications and External Affairs. Ms. Duffy has served as Senior Vice President, Communications and External Affairs since January 2020 and has been an executive officer of the Company since June 2020. Prior to that, Ms. Duffy served as Vice President, Corporate Communications and Federal Affairs from May 2017 to December 2019 and Vice President, Corporate Communications and External Affairs from September 2011 to May 2017. From July 2006 to September 2011, Ms. Duffy held various positions of increasing responsibility in the Company’s internal and external corporate communications function. From November 1999 to July 2006, she held various positions with the Company’s New Jersey subsidiary, including Government Affairs/Media Specialist, Communications Manager and Director of Corporate Communications. Prior to joining American Water, Ms. Duffy reported and produced news for WJLN/WNET-TV.
Melanie M. Kennedy	48	Executive Vice President, Chief Human Resources Officer. Ms. Kennedy has served as the Company’s Executive Vice President, Chief Human Resources Officer since December 9, 2021, and as Senior Vice President, Chief Human Resources Officer from December 2020 to December 2021. Prior to that, she served as the Company’s Senior Vice President, Human Resources from March 2017 to December 2020. From August 2014 through February 2017, Ms. Kennedy served as the Company’s Vice President, Human Resources, and from August 2012 to August 2014, she served as Director, Human Resources in the Company’s Northeast Division. Ms. Kennedy initially joined the Company in 2007, and before that time, she practiced law for nine years.

Name	Age	Office and Experience
James S. Merante	47	Vice President and Treasurer. Mr. Merante has served as the Company's Vice President and Treasurer since February 2019. Prior to that, Mr. Merante was Vice President, Internal Audit from February 2018 to February 2019, and served as Divisional Chief Financial Officer for the Company's Mid-Atlantic Division from July 2014 until February 2018. Mr. Merante is a Certified Public Accountant.
Adam Noble	56	Chief Technology and Innovation Officer. Mr. Noble has over 30 years of collective experience in the information technology sector. Mr. Noble joined the Company in August 2020 as its Chief Technology and Innovation Officer. Prior to joining the Company, Mr. Noble served as Senior Vice President and Chief Information Officer of Veritiv Corporation, a North American business-to-business distributor of packaging and facility solutions, since June 2019. Previously, Mr. Noble served as Senior Vice President and Global Chief Information Officer at GAF Materials Corporation, a global manufacturing company, from May 2010 to March 2019, and as its Vice President and Chief Information Officer from May 2006 to April 2010.
Cheryl Norton	57	Executive Vice President and Chief Operating Officer. Ms. Norton has over 30 years of employment with the Company serving in various roles, including operational leadership, environmental stewardship, laboratory management and research. She has been serving as the Company's Executive Vice President and Chief Operating Officer since March 1, 2021 and served as its Senior Vice President, Chief Environmental Officer from March 2020 to March 2021. She was also the Company's Senior Vice President, Eastern Division and President of its New Jersey subsidiary from March 2019 to March 2021. Prior to that, Ms. Norton served as President of the Company's Missouri subsidiary from November 2015 to March 2019, and President of its Kentucky subsidiary from January 2011 until November 2015. In addition, Ms. Norton also serves as a member of the Board of Directors of the Water Research Foundation.
Melissa K. Wikle	56	Chief Accounting Officer. Ms. Wikle joined the Company in July 2016 as its Vice President and Controller and assumed the duties of the Company's principal accounting officer in August 2016. She has served as Chief Accounting Officer since December 9, 2021. Prior to joining the Company, Ms. Wikle served as Corporate Controller and Chief Accounting Officer of Columbus McKinnon Corporation, a publicly traded worldwide designer, manufacturer and marketer of material handling products, systems and services, since April 2011. Ms. Wikle is a Certified Public Accountant.

Each executive officer is elected annually by the Board of Directors and serves until his or her respective successor has been elected and qualified or his or her earlier death, resignation or removal.

Available Information

The Company is subject to the reporting requirements of the Exchange Act. The Company files or furnishes annual, quarterly and current reports, proxy statements and other information with the SEC. Readers may obtain a copy of the Company's annual reports on Form 10-K, its quarterly reports on Form 10-Q or its current reports on Form 8-K, or any amendments to them, that are filed with or furnished to the SEC, free of charge, from the Investor Relations section of the Company's website, <https://ir.amwater.com>, as soon as reasonably practicable after the Company files or furnishes the information to the SEC.

The Company maintains a website at <https://amwater.com>. Information contained on the Company's website, including its Sustainability Report, its Inclusion and Diversity Annual Report, and other reports or documents, shall not be deemed incorporated into, or to be a part of, this report, and any website references included herein are not intended to be made through active hyperlinks. The Company recognizes its website as a key channel of distribution to reach public investors and as a means of disclosing information to comply with SEC Regulation FD.

The American Water corporate governance guidelines and the charters for each of the standing committees of the Board of Directors, together with the American Water Code of Ethics and additional information regarding the Company's corporate governance, are available on its Investor Relations website, <https://ir.amwater.com>, and will be made available, without charge, in print to any shareholder who requests such documents from its Investor Relations Department, American Water Works Company, Inc., 1 Water Street, Camden, NJ, 08102.

ITEM 1A. RISK FACTORS

We operate in a market and regulatory environment that involves significant risks, many of which are beyond our control. In addition to the other information included or incorporated by reference in this Annual Report on Form 10-K, the following material factors should be considered in evaluating our business and future prospects. Any of the following risks, either alone or taken together, could materially and adversely affect our business, financial position, results of operations, cash flows and liquidity.

Risks Related to Our Industry and Business Operations

Our Regulated Businesses are subject to extensive regulation by state PUCs and other regulatory agencies, which significantly affects our business, financial condition, results of operations and cash flows. Our Regulated Businesses also may be subject to fines, penalties and other sanctions for an inability to meet these regulatory requirements.

Our Regulated Businesses provide water and wastewater services to our customers through subsidiaries that are subject to regulation by state PUCs. This regulation affects the rates we charge our customers and has a significant impact on our business and operations. Generally, the state PUCs authorize us to charge rates that they determine are sufficient to recover our prudently incurred operating expenses, including, but not limited to, operating and maintenance costs, depreciation, financing costs and taxes, and provide us with the opportunity to earn an appropriate rate of return on invested capital.

Our ability to successfully implement our business plan and strategy depends on the rates authorized by the various state PUCs. We periodically file rate increase applications with state PUCs. The ensuing administrative process may be lengthy and costly. Our rate increase requests may or may not be approved, or may be partially approved, and any approval may not occur in a timely manner. Moreover, a PUC may not approve a rate request to an extent that is sufficient to:

- cover our expenses, including purchased water and costs of chemicals, fuel and other commodities used in our operations;
- enable us to recover our investment; and
- provide us with an opportunity to earn an appropriate rate of return on our investment.

Approval by the PUCs is also required in connection with other aspects of our Regulated Businesses, which are required to have numerous permits, approvals and certificates from the PUCs that regulate their businesses and authorize acquisitions, dispositions, debt and/or equity financing, and, in certain cases, affiliated transactions. Some state PUCs are empowered to impose financial penalties, fines and other sanctions for non-compliance with applicable rules and regulations. Although we believe that each utility subsidiary has obtained or sought renewal of the material permits, approvals and certificates necessary for its existing operations, we are unable to predict the impact that future regulatory activities may have on our business.

PUCs and other governmental authorities have taken, and may continue to take, emergency or other actions in light of the on-going COVID-19 pandemic that may impact us, including prohibiting the termination of service for non-payment and extending or delaying procedural schedules in our regulatory proceedings. We are unable to predict the range of impacts that the ongoing COVID-19 pandemic and other related events may have on our ability to obtain these approvals as needed or requested by our Regulated Businesses in the ordinary course or at all, or the nature or impacts of any further emergency or other action that may be taken by the PUCs or other governmental authorities.

In any of these cases, our business, financial condition, results of operations, cash flows and liquidity may be adversely affected. Even if the rates approved are sufficient, we face the risk that we will not achieve the rates of return on our invested capital to the extent permitted by state PUCs. This could occur if certain conditions exist, including, but not limited to, water usage is less than the level anticipated in establishing rates, customers increase their conservation efforts, or we experience unanticipated impacts of the on-going COVID-19 pandemic, or if our investments or expenses prove to be higher than the levels estimated in establishing rates.

Our operations and the quality of water we supply are subject to extensive and increasingly stringent environmental, water quality and health and safety laws and regulations, including with respect to contaminants of emerging concern, compliance with which could impact both our operating costs and capital expenditures, and violations of which could subject us to substantial liabilities and costs, as well as damage to our reputation.

Our regulated water and wastewater operations and the operations of our Market-Based Businesses are subject to extensive federal, state and local laws and regulations. These requirements include, among others, CERCLA, the Clean Water Act, the Safe Drinking Water Act, the LCR, and other federal and state requirements. For example, state PUCs and environmental regulators set conditions and standards for the water and wastewater services we deliver. If we deliver water or wastewater services to our customers that do not comply with regulatory standards, or otherwise violate environmental laws, regulations or permits, or other health and safety and water quality regulations, we could incur substantial fines, penalties or other sanctions or costs, as well as damage to our reputation. In the most serious cases, regulators could reduce requested rate increases or force us to discontinue operations and sell our

operating assets to another utility or to a municipality. Given the nature of our business which, in part, involves providing water service for human consumption, any potential non-compliance with, or violation of, environmental, water quality and health and safety laws or regulations would likely pose a more significant risk to us than to a company not similarly involved in the water and wastewater industry.

In addition, CERCLA authorizes the EPA to issue orders and bring enforcement actions to compel responsible parties to investigate and take remedial actions with respect to actual or threatened releases of hazardous substances, and can impose joint and several liability, without regard to fault, on responsible parties for the costs thereof. We are also required to obtain various environmental permits from regulatory agencies for our operations.

We incur substantial operating and capital costs on an ongoing basis to comply with environmental, water quality and health and safety laws and regulations. These laws and regulations and their enforcement, have become more stringent over time, and new or stricter requirements could increase our costs. Although we may seek to recover ongoing compliance costs in our Regulated Businesses through customer rates, there can be no guarantee that the various state PUCs or similar regulatory bodies that govern our Regulated Businesses would approve rate increases that would enable us to recover such costs or that such costs will not materially and adversely affect our financial condition, results of operations, cash flows and liquidity.

We may also incur liabilities if, under environmental laws and regulations, we are required to investigate and clean up environmental contamination, including potential releases of hazardous chemicals, such as chlorine, which we use to treat water, or at off-site locations where we have disposed of residual waste or caused an adverse environmental impact. The discovery of previously unknown conditions, or the imposition of cleanup obligations in the future, could result in significant costs and could adversely affect our financial condition, results of operations, cash flows and liquidity. Such remediation costs may not be covered by insurance and may make it difficult for us to secure insurance at acceptable rates in the future.

Attention is being given to contaminants of emerging concern, including, without limitation, chemicals and other substances that currently do not have any regulatory standard in drinking water or have been recently created or discovered (including by means of scientific achievements in the analysis and detection of trace amounts of substances). Examples of sources of contaminants include, but are not limited to, newly created chemical compounds (including, for example, manufactured nanomaterials); human and veterinary products; perfluorinated and polyfluorinated compounds; bacteria, microbes, viruses (including the coronavirus), amoebae and other pathogens; and residual by-products of disinfection. We rely upon governmental agencies to set appropriate regulatory standards to protect the public from these and other contaminants, and our role is to provide service that meets these standards, if any. In some of our states, PUCs may disapprove of cost recovery, in whole or in part, for implementation of treatment infrastructure for a contaminant in the absence of a regulatory standard. Furthermore, given the rapid pace at which these contaminants are being created and/or discovered, we may not be able to detect and/or mitigate all such substances in our drinking water system or supplies, which could have a material adverse impact on our financial condition, results of operations and reputation. In addition, we believe these contaminants may form the basis for additional or increased federal or state regulatory initiatives and requirements in the future, which could significantly increase the cost of our operations.

Limitations on availability of water supplies or restrictions on our use of water supplies as a result of government regulation or action may adversely affect our access to sources of water, our ability to supply water to customers or the demand for our water services.

Our ability to meet the existing and future demand of our customers depends on the availability of an adequate supply of water. As a general rule, sources of public water supply, including rivers, lakes, streams, groundwater aquifers and recycled water sources, are held in the public trust and are not generally owned by private interests. As a result, we typically do not own the source water that we use in our operations, and the availability of our water supply is established through allocation rights (determined by legislation or court decisions) and passing-flow requirements set by governmental entities or by entering into water purchase agreements. These requirements, which can change from time to time, and vary by state or region, may adversely impact our water supply. Supply issues, such as drought, overuse of sources of water, the protection of threatened species or habitats, contamination or other factors may limit the availability of ground and surface water. If we are unable to secure available or alternative sources of water, our business, financial condition, results of operations and cash flows could be adversely affected.

For example, in our Monterey County, California operations, we are seeking to augment our sources of water supply, principally to comply with an October 2009 cease and desist order (the “2009 Order”), as amended by a July 2016 order (the “2016 Order”), of the SWRCB that requires our California subsidiary to significantly decrease its diversions from the Carmel River in accordance with a reduction schedule that terminated on December 31, 2021 (the “2021 Deadline”). See Item 3—Legal Proceedings—Alternative Water Supply in Lieu of Carmel River Diversions, which includes additional information regarding this matter. We are also required to augment our Monterey County sources of water supply to comply with the requirements of the Endangered Species Act. Beginning in January 2022, Cal Am currently expects that it will be able to comply with the diversion reduction requirement schedule contained in the 2016 Order, but continued compliance with the diversion reduction requirements for 2023 and future years

will depend on successful development of alternate water supply sources sufficient to meet customer demand. The 2009 Order and the 2016 Order remain in effect until Cal Am certifies to the SWRCB, and the SWRCB concurs, that Cal Am has obtained a permanent supply of water to substitute for past unauthorized Carmel River diversions. While the Company cannot currently predict the likelihood or result of any adverse outcome associated with these matters, further attempts to comply with the 2009 Order and the 2016 Order may result in material additional costs or obligations, including fines and penalties against our California subsidiary in the event of noncompliance with the 2009 Order and the 2016 Order, which could have a material adverse effect upon us and our business, results of operations and cash flows.

Service disruptions caused by severe weather conditions, climate variability patterns or natural or other disasters may disrupt our operations or reduce the demand for our water services, which could adversely affect our financial condition, results of operations, cash flows and liquidity.

Service interruptions due to severe weather, climate variability patterns and natural or other events are possible across all our businesses. These include, among other things, storms, freezing conditions, high wind conditions, hurricanes, tornadoes, earthquakes, landslides, drought, wildfires, coastal and intercoastal floods or high water conditions, including those in or near designated flood plains, pandemics (including the COVID-19 pandemic) and epidemics, severe electrical storms, sinkholes and solar flares. Weather and other natural events such as these may affect the condition or operability of our facilities, limiting or preventing us from delivering water or wastewater services to our customers, or requiring us to make substantial capital expenditures to repair any damage. Tariffs in place or cost recovery proceedings with respect to our Regulated Businesses may not provide reimbursement to us, in whole or in part, for any of these impacts.

Government restrictions on water use may also result in decreased use of water services, even if our water supplies are sufficient to serve our customers, which may adversely affect our financial condition, results of operations and cash flows. Seasonal drought conditions that may impact our water services are possible across all of our service areas. Governmental restrictions imposed in response to a drought may apply to all systems within a region independent of the supply adequacy of any individual system. Responses may range from voluntary to mandatory water use restrictions, rationing restrictions, water conservation regulations, and requirements to minimize water system leaks. While expenses incurred in implementing water conservation and rationing plans may generally be recoverable provided the relevant PUC determines they were reasonable and prudent, we cannot assure that any such expenses incurred will, in fact, be fully recovered. Moreover, reductions in water consumption, including those resulting from installation of equipment or changed consumer behavior, may persist even after drought restrictions are repealed and the drought has ended, which could adversely affect our business, financial condition, results of operations and cash flows.

Climate variability may cause increased volatility in weather and may impact water usage and related revenue or require additional expenditures, all of which may not be fully recoverable in rates or otherwise.

The issue of climate variability is receiving increasing attention nationally and worldwide. There is consensus among climate scientists that there will be worsening of weather volatility in the future associated with climate variability. Many climate variability predictions present several potential challenges to water and wastewater utilities, including us, such as:

- increased frequency and duration of droughts;
- increased precipitation and flooding;
- increased frequency and severity of storms and other weather events;
- challenges associated with changes in temperature or increases in ocean levels;
- potential degradation of water quality;
- decreases in available water supply and changes in water usage patterns;
- increases in disruptions in service;
- increased costs to repair damaged facilities; or
- increased costs to reduce risks associated with the increasing frequency and severity of natural events, including to improve the resiliency and reliability of our water and wastewater treatment and conveyance facilities and systems.

Because of the uncertainty of weather volatility related to climate variability, we cannot predict its potential impact on our business, financial condition, results of operations, cash flows and liquidity. Furthermore, laws and regulations have been enacted that seek to reduce or limit GHG emissions and require additional reporting and monitoring, and these regulations may become more pervasive or stringent in light of changing governmental agendas and priorities, although the exact nature and timing of these changes is uncertain. Although some or all potential expenditures and costs associated with the impact of climate variability and related laws and regulations on our Regulated Businesses could be recovered through rates, infrastructure replacement surcharges or other regulatory mechanisms, there can be no assurance that state PUCs would authorize rate increases to enable us to recover such

expenditures and costs, in whole or in part.

The current regulatory rate setting process may result in a significant delay, also known as “regulatory lag,” from the time that we invest in infrastructure improvements, incur increased operating expenses as a result of inflation or other factors, incur increased cost of capital, including as a result of increasing short- and long-term rates, or experience declining water usage, to the time at which we can seek to address these events in rate case applications; our inability to mitigate or minimize regulatory lag could adversely affect our business.

There is typically a delay, known as “regulatory lag,” between the time our Regulated Businesses make a capital investment or incur an operating expense increase and the time when those costs are reflected in rates. In addition, billings permitted by state PUCs typically are, to a considerable extent, based on the volume of water usage in addition to a minimum base rate. Thus, we may experience regulatory lag between the time our revenues are affected by declining usage and the time we are able to adjust the rate per gallon of usage to address declining usage. Our inability to mitigate or reduce regulatory lag could have an adverse effect on our financial condition, results of operations, cash flows and liquidity.

We endeavor to mitigate or reduce regulatory lag by pursuing constructive regulatory practices. For example, two of our states have approved revenue stability mechanisms that adjust rates periodically to ensure that a utility’s revenue will be sufficient to cover its costs regardless of sales volume, including recognition of declining sales resulting from reduced consumption, while providing an incentive for customers to use water more efficiently. In addition, 10 of our state PUCs permit rates to be adjusted outside of the general rate case application process through surcharges that address certain capital investments, such as replacement of aging infrastructure. These surcharges are adjusted periodically based on factors such as project completion or future budgeted expenditures, and specific surcharges are eliminated once the related capital investment is incorporated in new PUC approved rates. Furthermore, in setting rates, nine of our state PUCs allow us to use future test years, which extend beyond the date a rate request is filed to allow for current or projected revenues, expenses and investments to be reflected in rates on a more timely basis. Other examples of such regulatory practices include expense mechanisms that allow us to increase rates for certain cost increases that are beyond our control, such as purchased water costs, property or other taxes, or power, conservation, chemical or other expenditures. These mechanisms enable us to adjust rates in less time after costs have been incurred than would be the case under a general rate case application process without the mechanisms.

While these mechanisms have mitigated or reduced regulatory lag in several of our regulated states, we continue to seek approval of regulatory practices to mitigate or reduce regulatory lag in those jurisdictions that have not approved them. Furthermore, PUCs may fail to adopt new surcharges and existing mechanisms may not continue in their current form, or at all, or we may be unable or become ineligible to continue to utilize certain of these mechanisms in the future. Although we intend to continue our efforts to seek state PUC approval of constructive regulatory practices to mitigate or reduce regulatory lag, our efforts may not be successful, or even if partially successful, our business, financial condition, results of operations, cash flows and liquidity may be materially and adversely affected.

Changes in laws and regulations can significantly and materially affect our business, financial condition, results of operations, cash flows and liquidity.

The impact of any future revisions or changes in interpretations of existing regulations or the adoption of new laws and regulations applicable to our Regulated Businesses is uncertain. Changes in laws or regulations, the imposition of additional laws and regulations, changes in enforcement practices of regulators, government policies or court decisions can materially affect our operations, results of operations and cash flows. Certain of the individuals who serve as regulators are elected or political appointees. Therefore, elections which result in a change of political administration or new appointments may also result in changes of the individuals who serve as regulators and changes in the policies of the regulatory agencies that they serve. New laws or regulations, new interpretations of existing laws or regulations, changes in agency policy, including those made in response to shifts in public opinion, or conditions imposed during the regulatory hearing process could have the following consequences, among others:

- making it more difficult for us to increase our rates and, as a consequence, to recover our costs or earn our expected rates of return;
- changing the determination of the costs, or the amount of costs, that would be considered recoverable in rate cases and other regulatory proceedings;
- restricting our ability to terminate our services to customers who owe us money for services previously provided or limiting our bill collection efforts;
- requiring us to provide water or wastewater services at reduced rates to certain customers;
- limiting or restricting our ability to acquire water or wastewater systems, purchase or dispose of assets, or issue long-term debt or equity, or making it less cost-effective for us to do so;

- negatively impacting, among other things: (i) tax rates or positions or the deductibility of expenses under federal or state tax laws, (ii) the availability or amount of, or our ability to comply with the terms and conditions of, tax credits or tax abatement benefit, (iii) the amount of taxes owed, (iv) the timing of tax effects on rates or (v) the ability to utilize our net operating loss carryforwards;
- changing regulations that affect the benefits we expected to receive when we began offering services in a particular area;
- increasing the associated costs of, or difficulty complying with, environmental, health, safety, consumer privacy, water quality, and water quality accountability laws and regulations to which our operations are subject;
- changing or placing additional limitations on change in control requirements relating to any concentration of ownership of our common stock;
- making it easier for governmental entities to convert our assets to public ownership via condemnation, eminent domain or other similar process, or for governmental agencies or private plaintiffs to assess liability against us for damages under these or similar processes;
- placing limitations, prohibitions or other requirements with respect to the sharing of information and participation in transactions by or between a regulated subsidiary and us or our other affiliates, including Service Company and any of our other subsidiaries;
- restricting or prohibiting our extraction of water from rivers, streams, reservoirs or aquifers; and
- revoking or altering the terms of a CPCN issued to us by a state PUC or other governmental authority.

Regulatory and environmental risks associated with the collection, treatment and disposal of wastewater may impose significant costs and liabilities.

The wastewater collection, treatment and disposal operations of our subsidiaries are subject to substantial regulation and involve environmental risks. If collection, treatment or disposal systems fail, overflow, or do not operate properly, untreated or inadequately treated wastewater or other contaminants could spill onto nearby properties or into nearby streams and rivers, causing damage to persons or property, injury to aquatic life and economic damages. This risk is most acute during periods of substantial rainfall or flooding, which are the main causes of sewer overflow and system failure. Liabilities resulting from such damage could adversely and materially affect our business, financial condition, results of operations and cash flows. Certain of our wastewater systems have commercial and industrial customers that are subject to specific limitations on the type, character and strength of the wastewater they are permitted to discharge into our systems. The failure by these commercial and industrial customers to comply with their respective discharge requirements could, in turn, negatively impact our operations, damage our facilities or cause us to exceed applicable discharge limitations and requirements. Liabilities resulting from such exceedance events could adversely and materially affect our business, financial condition, results of operations and cash flows.

A loss of one or more large industrial or commercial customers could have a material adverse impact upon the results of operations of one or more of our Regulated Businesses.

Adverse economic conditions, including the COVID-19 pandemic or other factors, may cause our customers, particularly industrial and large commercial customers, to curtail operations. A curtailment of operations by such a customer typically results in reduced water usage by that customer. In more severe circumstances, the decline in usage could be permanent. Any decrease in demand resulting from difficult economic conditions affecting these customers could adversely affect our financial condition and results of operations. Tariffs in place with respect to our Regulated Businesses may not reimburse us, in whole or in part, for any of these impacts.

Our Regulated Businesses require significant capital expenditures and may suffer if we fail to secure appropriate funding to make investments, experience increases in short- and long-term interest rates or if we experience delays in completing major capital expenditure projects.

The water and wastewater utility business is capital intensive. We invest significant amounts of capital to add, replace and maintain property, plant and equipment, and to improve aging infrastructure. In 2021, we invested \$1.8 billion in net Company-funded capital improvements. The level of capital expenditures necessary to maintain the integrity of our systems will continue into the future and, we believe, will increase. We expect to fund capital improvement projects using cash generated from operations (including, among other things, a portion of the net proceeds from the sales of HOS and our New York subsidiary), borrowings under our revolving credit facility and commercial paper programs and issuances of long-term debt and equity. We may not be able to access our revolving credit facility or the commercial paper, long-term debt and equity capital markets, when necessary or desirable to fund capital improvements on favorable terms or at all. If we are not able to obtain sufficient financing, we may be unable to maintain our existing property, plant and equipment, fund our capital investment strategies, meet our growth targets and expand our rate base to enable us to earn satisfactory future returns on our investments. Even with adequate financial resources to make required capital expenditures, we face the additional risk that we will not complete our major capital projects on time, as a result of supply chain interruptions, construction delays, permitting delays, labor shortages or other disruptions, environmental restrictions, legal and

regulatory challenges, or other obstacles. Each of these outcomes could adversely affect our business, financial condition, results of operations and cash flows.

Aging infrastructure may lead to service disruptions, property damage and increased capital expenditures and O&M costs, all of which could negatively impact our financial results.

We have risks associated with aging infrastructure, including water and sewer mains, pumping stations and water and wastewater treatment facilities. Additionally, we may have limited information regarding buried and newly acquired assets, which could challenge our ability to conduct efficient asset management and maintenance practices. Assets that have aged beyond their expected useful lives may experience a higher rate of failure. Failure of aging infrastructure could result in increased capital expenditures and O&M costs, and negatively impact our future O&M efficiency ratio. In addition, failure of aging infrastructure may result in property damage, and in safety, environmental and public health impacts. To the extent that any increased costs or expenditures are not fully recovered in rates, our results of operations, liquidity and cash flows could be negatively impacted.

Seasonality could adversely affect the volume of water sold and our revenues.

The volume of water we sell during the warmer months, typically in the summer, is generally greater than during other months, due primarily to increased water usage for irrigation systems, swimming pools, cooling systems and other applications. Throughout the year, and particularly during typically warmer months, the volume of water sold tends to vary with temperature, rainfall levels and rainfall frequency. In the event that temperatures during the typically warmer months are cooler than normal, or if there is more rainfall than normal, the amount of water we sell may decrease and adversely affect our revenues.

Two of our jurisdictions, California and Illinois, have adopted revenue stability mechanisms that permit us to recover the revenues authorized in a general rate case, regardless of sales volume. Revenue stability mechanisms are designed to recognize declining sales resulting from reduced consumption, while providing an incentive for customers to use water more efficiently. In those jurisdictions that have not adopted a revenue stability mechanism, our operating results could continue to be affected by seasonality.

Contamination of water supplies or our water service provided to our customers could result in service limitations and interruptions and exposure to substances not typically found in potable water supplies, and could subject us and our subsidiaries to reductions in usage and other responsive obligations, government enforcement actions, damage to our reputation and private litigation.

The water supplies that flow into our treatment plants or are delivered through our distribution system, or the water service that is provided to our customers, may be subject to contamination, including, among other items, contamination from naturally-occurring compounds, chemicals in groundwater systems, pollution resulting from manufactured sources (such as perchlorate, perfluorinated and polyfluorinated compounds, methyl tertiary butyl ether, 1,4-dioxane, lead and other materials, or chemical spills or other incidents that result in contaminants entering the water source), and possible terrorist attacks or other similar incidents. In addition, new categories of contaminants continue to emerge in the water industry. If one of our water supplies or the water service provided to our customers is contaminated, depending on the nature of the contamination, we may have to take responsive actions that could include, among other things (1) limiting use of the water supply under a “Do Not Use” protective order that enables continuation of basic sanitation and essential fire protection, or (2) interrupting the use of that water supply, in whole or in part, potentially impacting basic sanitation and fire protection needs. If service is disrupted, our financial condition, results of operations, cash flows, liquidity and reputation may be adversely affected. In addition, we may incur significant costs in order to treat the contaminated source through the expansion of our current treatment facilities or the development of new sources of supply or new treatment methods. We may be unable to recover costs associated with treating or decontaminating water supplies through insurance, customer rates, tariffs or contract terms, and any recovery of these costs that we are able to obtain through regulatory proceedings or otherwise may not occur in a timely manner. Moreover, we could be subject to claims for damages arising from government enforcement actions or toxic tort or other lawsuits arising out of an interruption of service or human exposure to hazardous substances in our drinking water and water supplies. See Item 3—Legal Proceedings for information on certain pending lawsuits related to interruptions of water service.

Since we are engaged in the business of providing water service to our customers, contamination of the water supply, or the water service provided to our customers, could result in substantial injury or damage to our customers, employees or others and we could be exposed to substantial claims and litigation. Such claims could relate to, among other things, personal injury, loss of life, business interruption, property damage, pollution, and environmental damage and may be brought by our customers or third parties. Litigation and regulatory proceedings are subject to inherent uncertainties and unfavorable rulings can and do occur. We may not be protected from these claims or negative impacts of these claims in whole or in part by tariffs or other contract terms. Negative impacts to our reputation may occur even if we are not liable for any contamination or other environmental damage or the consequences arising out of human exposure to contamination or hazardous substances within the water supply or distributed finished drinking water. In addition, insurance coverage may not cover all or a portion of these losses, and are subject to deductibles and other limitations. Pending or future claims against us could have a material adverse impact on our business, financial condition, results of operations and cash flows.

We are subject to adverse publicity and reputational risks, which make us vulnerable to negative customer perception and could lead to increased regulatory oversight or sanctions.

Our business and operations have a large direct and indirect customer base and, as a result, we are exposed to public criticism regarding, among other things, the reliability of water service, wastewater and related or ancillary services, the quality of water provided, and the amount, timeliness, accuracy and format of bills that are provided for such services. Adverse publicity and negative consumer sentiment arising out of these and other incidents may render legislatures and other governing bodies, state PUCs and other regulatory authorities, and government officials less likely to view us in a favorable light, and may cause us to be susceptible to less favorable legislative, regulatory and economic outcomes, as well as increased regulatory or other oversight and more stringent regulatory or economic requirements. Unfavorable regulatory and economic outcomes may include the enactment of more stringent laws and regulations governing our operations and less favorable economic terms in our agreements related to our Military Services Group, as well as fines, penalties or other sanctions or requirements. The imposition of any of the foregoing could have a material negative impact on us and our financial condition, results of operations and cash flows.

The failure of, or the requirement to repair, upgrade or dismantle, any of our dams may adversely affect our financial condition, results of operations, cash flows and liquidity.

The properties of our Regulated Businesses segment include 76 dams, the majority of which are earthen dams. The failure of any of these dams could result in personal injury and property damage, including without limitation downstream property damage, for which we may be liable. The failure of a dam would also adversely affect our ability to supply water in sufficient quantities to our customers and could adversely affect our financial condition and results of operations. Any losses or liabilities incurred due to a failure of one of our dams might not be covered by insurance policies or be recoverable in rates, and such losses may make it difficult for us to secure insurance at acceptable rates in the future.

We also are required from time to time to decommission, repair or upgrade the dams that we own. The cost of such repairs or upgrades can be and has been material. The federal and state agencies that regulate our operations may adopt rules and regulations requiring us to dismantle our dams, which also could entail material costs. Although in most cases the PUC has permitted recovery of expenses and capital investment related to dam rehabilitation, we might not be able to recover costs of repairs, upgrades or dismantling through rates in the future. The inability to recover these costs or delayed recovery of the costs as a result of regulatory lag can affect our financial condition, results of operations, cash flows and liquidity.

Any failure of our network of water and wastewater pipes, water mains and water reservoirs could result in losses and damages that may affect our financial condition and reputation.

Our operating subsidiaries distribute water and collect wastewater through an extensive network of pipes, water mains and storage systems located across the United States. A failure of major pipes, mains or reservoirs could result in injuries, property and other damage for which we may be liable. The failure of major pipes, mains and reservoirs may also result in the need to shut down some facilities or parts of our network in order to conduct repairs. Such failures and shutdowns may limit our ability to supply water in sufficient quantities to our customers and to meet the water and wastewater delivery requirements prescribed by government regulators, including state PUCs with jurisdiction over our operations, and adversely affect our financial condition, results of operations, cash flows, liquidity and reputation. Any business interruption or other losses might not be covered by insurance policies or be recoverable in rates, and such losses may make it difficult for us to secure insurance at acceptable rates in the future. Moreover, to the extent such business interruptions or other losses are not covered by insurance, they may not be recovered through rate adjustments.

An important part of our growth strategy is the acquisition of water and wastewater systems, which involves risks, including competition for acquisition opportunities from other regulated utilities, governmental entities and other buyers, which may hinder or limit our ability to grow our business.

An important element of our growth strategy is the acquisition and optimization of water and wastewater systems in order to broaden our current, and move into new, service areas. We may not be able to acquire other systems or businesses if we cannot identify suitable acquisition opportunities or reach mutually agreeable terms with acquisition candidates. Further, competition for acquisition opportunities from other regulated utilities, governmental entities and other buyers may hinder our ability to expand our business.

The negotiation and execution of potential acquisitions as well as the integration of acquired systems or businesses with our existing operations could require us to incur significant costs and cause diversion of our management's time and resources. Future acquisitions by us could result in, among other things:

- incurrence or assumption of debt, contingent liabilities and environmental liabilities and obligations, including liabilities that were unknown or undisclosed at the time of acquisition;
- failure to recover acquisition premiums;

- unanticipated capital expenditures;
- failure to maintain effective internal control over financial reporting;
- the need to successfully integrate the acquired systems' operations and water quality, cybersecurity and infrastructure protection measures;
- recording goodwill and other intangible assets at values that ultimately may be subject to impairment charges;
- fluctuations in quarterly results;
- unanticipated acquisition-related expenses;
- failure to realize anticipated benefits and synergies, such as cost savings and revenue enhancements; and
- difficulties in integrating or assimilating personnel, benefits, services and systems.

Some or all of these items could have a material adverse effect on our business. The systems and businesses we acquire in the future may not achieve anticipated revenue, return on equity or profitability, or other perceived synergies, and any difficulties we encounter in the integration process could interfere with our operations, reduce our net income and profitability or adversely affect our internal control over financial reporting.

We compete with governmental entities, other regulated utilities, and strategic and financial buyers for acquisition opportunities. As consolidation activity increases in the water and wastewater industries and competition for acquisitions continues to increase, the prices for suitable acquisition candidates may increase and limit our ability to expand through acquisitions.

Our Regulated Businesses are subject to condemnation and other proceedings through eminent domain or other similar authorized process, which could materially and adversely affect their results of operations and financial condition.

Municipalities and other government subdivisions have historically been involved in the provision of water and wastewater services in the United States, and organized efforts may arise from time to time in one or more of the service areas in which our Regulated Businesses operate to convert our assets to public ownership and operation through exercise of the governmental power of eminent domain, or another similar authorized process. A municipality, other government subdivision or a citizen group may seek to acquire our assets through eminent domain or such other process, either directly or indirectly as a result of a citizen petition.

For example, in November 2018, Monterey, California ballot Measure J, which was added by a citizens group, was certified as having been approved by a public vote, requiring the MPWMD to conduct a study and submit a written plan concerning the feasibility of a potential purchase of the Monterey system assets without an additional public vote. The public vote led to the issuance by the MPWMD in November 2019 of a preliminary report finding, among other things, that the acquisition of the Monterey system assets by the MPWMD would be economically feasible. Also, five municipalities in the Chicago, Illinois area formed a water agency that filed an eminent domain lawsuit against our Illinois subsidiary in January 2013, seeking to condemn a water pipeline that serves those five municipalities. This lawsuit remains pending, and a valuation trial is scheduled for the second quarter of 2022. See Item 1—Business—Regulated Businesses—Condemnation and Eminent Domain, which includes additional information regarding these matters.

Furthermore, the law in certain jurisdictions in which our Regulated Businesses operate provides for eminent domain rights allowing private property owners to file a lawsuit to seek just compensation against a public utility, if the public utility's infrastructure has been determined to be a substantial cause of damage to that property. In these actions, the plaintiff would not have to prove that the public utility acted negligently. In California, lawsuits have been filed in connection with large-scale natural events such as wildfires. Some of these lawsuits have included allegations that infrastructure of certain utilities triggered the natural event that resulted in damage to the property. In some cases, the PUC has disallowed recovery in rates of losses incurred by these utilities as a result of such lawsuits.

Contesting an exercise of condemnation, eminent domain or other similar process, or responding to a citizen petition, may result in costly legal proceedings and may divert the attention of management. Moreover, our efforts to resist the condemnation, eminent domain or other process may not be successful, which may require us to sell the operations at issue in a condemnation proceeding or to pay a private property owner compensation for the property damage suffered. If a municipality or other government subdivision succeeds in acquiring the assets of one or more of our Regulated Businesses through eminent domain or other process, there is a risk that we will not receive adequate compensation for the business, that we will not be able to keep the compensation, or that we will not be able to divest the business without incurring significant charges. Any of these outcomes may have a material adverse effect on our business, results of operations, financial condition, cash flows and liquidity.

We may be subject to physical and cyber attacks.

As operators of critical infrastructure, we may face a heightened risk of physical and cyber attacks from internal or external sources. Our water and wastewater systems may be vulnerable to disability or failures as a result of physical or cyber attacks, acts of war or terrorism, vandalism or other causes. Our operational and technology systems throughout our businesses may be vulnerable to unauthorized external or internal access, due to hacking, viruses, acts of war or terrorism, and other causes. Unauthorized access to confidential information located or stored on these systems could negatively and materially impact our customers, employees, suppliers and other third parties. Further, third parties, including vendors, suppliers and contractors, who perform certain services for us or administer and maintain our sensitive information, could also be targets of cyber attacks and unauthorized access. While we have instituted safeguards to protect our operational and technology systems, those safeguards may not always be effective due to the evolving nature of cyber attacks and cyber vulnerabilities. We cannot guarantee that such protections will be completely successful in the event of a cyber attack.

If, despite our security measures, a significant physical attack or cyber breach occurred, our operations could be disrupted, property damaged, and customer and other confidential information lost or stolen; we could experience substantial loss of revenues, response costs and other financial loss; we could suffer a loss of management time, attention and resources from our regular business operations; and we may be subject to increased regulation, litigation and damage to our reputation, any of which could have a negative impact on our business, results of operations and cash flows. Experiencing a cyber security incident could also cause us to be non-compliant with applicable laws and regulations or contracts that require us to securely maintain confidential data, causing us to incur costs related to legal claims or proceedings and regulatory fines or penalties. These types of events, either impacting our facilities or the industry in general, could also cause us to incur additional security and insurance related costs.

In addition, in the ordinary course of business, we collect and retain sensitive information, including personally identifiable information, about our customers and employees. In many cases, we outsource administration of certain functions to vendors that could be targets of cyber attacks. Any theft, loss or fraudulent use of customer, employee or proprietary data as a result of a cyber attack could subject us to significant litigation, liability and costs, as well as adversely impact our reputation with customers and regulators, among others.

We have obtained cyber insurance to provide coverage for a portion of the losses and damages that may result from a security breach, but such insurance is subject to a number of exclusions and may not cover the total loss or damage caused by a breach. The market for cybersecurity insurance is relatively new and coverage available for cybersecurity events may evolve as the industry matures. In the future, adequate insurance may not be available at rates that we believe are reasonable, and the costs of responding to and recovering from a cyber incident may not be covered by insurance or recoverable in rates.

Our business is subject to complex and evolving federal, state and local laws and regulations regarding consumer privacy and the protection or transfer of data relating to individuals, which could result in, among other things, private or governmental claims or litigation against us, changes to our business practices, monetary penalties, reputational harm and increased cost of operations.

Laws and regulations are changing and increasing rapidly with respect to data and consumer privacy, security and protection. We are becoming subject to an increasing number of complex and continually evolving data and consumer privacy, security and protection laws and regulations administered by various federal, state and local governments, including, for example, the California Consumer Privacy Act of 2018. Federal and state governments have also adopted or are proposing other limitations on, or requirements regarding, the collection, distribution, use, security and storage of personally identifiable information. In addition, the Federal Trade Commission and state attorneys general are applying federal and state consumer protection laws to impose standards on the collection, use and dissemination of data. Moreover, we expect that current laws, regulations and industry standards concerning privacy, data protection and information security in the United States will continue to evolve and increase, and we cannot determine the impact that compliance with such future laws, regulations or standards will have on us or on our business. Any failure or perceived failure by us to comply with current or future federal, state, or local data or consumer privacy or security laws, regulations, policies, guidance, industry standards, or legal obligations, or any incident resulting in unauthorized access to, or acquisition, release, or transfer of personally identifiable information or other data relating to our customers, employees and others, may result in private or governmental enforcement actions, litigation or other claims against us, fines and penalties, or adverse perception or publicity about us and our businesses, which could have a material adverse effect on our reputation and business and could result in us incurring substantial costs. These events could also require us to change our business practices, and the events or such changes may result in significant diversions of resources, distract management and divert the focus and attention of our security and technical personnel from other critical activities. Any of the foregoing consequences could have a material adverse effect on our business, financial condition, results of operations, cash flows and liquidity.

We may sustain losses that exceed or are excluded from our insurance coverage or for which we are self-insured.

We maintain insurance coverage as part of our overall legal and risk management strategy to minimize potential liabilities arising from our Regulated Businesses, as well as the operations of our Market-Based Businesses. Our insurance programs have

varying coverage limits, exclusions and maximums, and insurance companies may seek to deny claims we might make. Generally, our insurance policies cover property damage, worker's compensation, employer's liability, general liability, cybersecurity, terrorism risks and automobile liability. Each policy includes deductibles or self-insured retentions and policy limits for covered claims. As a result, we may sustain losses that exceed or that are excluded from our insurance coverage or for which we are self-insured.

Although in the past we have been generally able to obtain insurance coverage related to our business, there can be no assurance that we can secure all necessary or appropriate insurance in the future, or that such insurance can be economically secured. For example, catastrophic events can result in decreased coverage limits, more limited coverage, increased premium costs or deductibles.

We rely on technology to facilitate the management of our business as well as our customer and supplier relationships, and a failure or disruption of implemented technology could materially and adversely affect our business.

Technology is an integral part of our business and operations, and any failure or disruption of the technology or related systems we implement could significantly limit our ability to manage and operate our business effectively and efficiently, which, in turn, could cause our business and competitive position to suffer and adversely affect our results of operations. We use technology systems to, among other things, bill customers, process orders, provide customer service, manage certain plant operations and construction projects, manage our financial records, track assets, remotely monitor our plants and facilities, and manage human resources, supply chain, inventory, and accounts receivable collections. As a specific example, we depend on water meters to record and communicate the amount of water our customers use, and in recent years, we have experienced greater than expected performance failures with certain water meters used in the Regulated Businesses. When these occur, we work with meter manufacturers to determine and address the cause of such failures. While these and other failures that we have experienced have not to date had a material adverse effect on our operations, there can be no assurance that efforts to address performance failures or other issues we may experience with water meters will be successful and that these or future failures of water meters or other issues will not have a material adverse effect on us.

Although we do not believe that the technology we have implemented or may in the future implement is at a materially greater risk of failure than that used by other similar organizations, our technology and operations that use or rely on technology remain vulnerable to damage or interruption from, among other things: failure or interruption of the technology or its related systems; loss or failure of power, internet, telecommunications or data network systems; and operator error or improper operation by, the negligent or improper supervision of, or the intentional acts of, employees, contractors and other third parties. Any or all of these events could have a material adverse impact on our business, results of operations, financial condition and cash flows.

An inability to successfully develop and implement new technologies poses substantial risks to our business and operational excellence strategies, which could have a material adverse effect on our business and financial results.

A significant part of our long-term strategic focus on safety, operational excellence, O&M expense efficiency, water quality, asset and capital management and the customer experience includes implementing new technologies for, among other things: customer service and support; environmental compliance; water metering; water quality and source monitoring; cybersecurity; business development and growth; data analysis; employee development and training; and other initiatives. For example, we have made and plan to continue to make significant investments in developing, deploying and maintaining customer-facing technologies, applications to support field service and customer service operations, water source sensor and evaluation technologies, data analytics and hyperautomation technologies and artificial intelligence technologies. Where appropriate, we also seek to align these new technologies with existing technology infrastructure and systems. There can be no assurance that we will be successful in designing, developing, deploying, integrating or maintaining these new technologies. Because these efforts can be long-term in nature, these new technologies may be more costly or time-consuming than expected to design, develop, integrate and complete and may not ultimately deliver the expected or desired benefits upon completion. While we have and will continue to seek to recover costs and earn a return on capital expenditures with respect to the costs and expenses of development and deployment of these new technologies in our Regulated Businesses, there can be no assurance that we will be able to do so in every instance or at all, and our inability to do so may adversely affect our ability to achieve intended O&M expense efficiencies or other key performance results and, ultimately, could materially and adversely impact our business, financial condition, results of operations and cash flows.

Our inability to efficiently upgrade and improve our operational and technology systems, or implement new systems, could result in higher than expected costs or otherwise adversely impact our internal controls environment, operations and profitability.

Upgrades and improvements to computer systems and networks, or the implementation of new systems, may require substantial amounts of management's time and financial resources to complete, and may also result in system or network defects or operational errors due to multiple factors, including employees' ability to effectively use the new or upgraded system. We continue to implement technology to improve our business processes and customer interactions, and have installed new, and upgraded existing, technology systems. Any technical or other difficulties in upgrading and improving existing or implementing new technology systems may increase costs beyond those anticipated and have an adverse or disruptive effect on our operations and reporting processes, including our internal control over financial reporting. We may also experience difficulties integrating current systems with new or upgraded systems, which may impact our ability to serve our customers effectively or efficiently. Although we make efforts to minimize any

adverse impact on our controls, business and operations, we cannot assure that all such impacts have been or will be mitigated, and any such impacts could harm our business (individually or collectively) and have a material adverse effect on our results of operations, financial condition and cash flows.

Disruptions in our supply chain related to goods, such as pipe, chemicals, fuel, electricity, equipment, water and other raw materials, and services, could adversely impact our operations and our ability to serve our customers, as well as our financial results.

Our ability to serve our customers and operate our business in compliance with regulatory requirements is dependent upon purchasing or securing necessary goods and services from our suppliers and vendors. These items include but are not limited to contracted services, chemicals, pipe, valves, hydrants, fittings, fuel, equipment (including personal protective equipment), water and electricity. Examples of supply chain disruptions include reduced quantities of goods available in the marketplace, delays in manufacturing or shipping goods, labor shortages at our suppliers or vendors, natural disasters and operational impacts to some of our suppliers or vendors. Disruptions in our supply chain related to goods and services have occurred and we anticipate will continue to occur into the foreseeable future. Supply chain disruptions may cause us to be unable to purchase or otherwise obtain needed goods or services at a reasonable price or at all, and may significantly increase the price of goods and services we may obtain from suppliers and vendors. This, in turn, may adversely impact our operations and our ability to serve our customers in compliance with regulatory requirements, as well as our associated results of operations, cash flows and financial condition. While we attempt to plan for and have contingencies in place to address supply chain disruptions, our mitigation efforts may not be successful or may have further negative impacts on us.

Our business has inherently dangerous work sites. If we fail to maintain safe work sites, we may experience workforce or customer injuries or loss of life, and be exposed to financial losses, including penalties and other liabilities.

Safety is a core value and a strategy at American Water. Our safety performance and progress to our ultimate desired goal of zero injuries are critical to our ability to carry out our operations effectively and to serve our customers, and thereby, to support our reputation. We maintain health and safety practices to protect our employees, customers, contractors, vendors and the public. Eliminating all hazards all of the time is extremely challenging, but through strict adherence to our health and safety practices, and empowering employees to be safety leaders who are expected to stop work if deemed "unsafe," we believe we can achieve an injury-free workplace.

At our business sites, including construction and maintenance sites, our employees, contractors and others are often in close proximity to large mechanical operating equipment, moving vehicles, pressurized water, electric and gas utility lines, below grade trenches and vaults, electrical and pneumatic hazards, fall from height hazards, suspended loads, hazardous chemicals and other regulated materials. On many sites, we are responsible for safety and, accordingly, must implement important safety procedures and practices above governmental regulatory requirements. As an essential business that must continue to provide water and wastewater services during the COVID-19 pandemic, we are focused on the health and safety of our employees, contractors, vendors, customers and others who work at or visit our worksites. If the procedures we implement are ineffective or are not followed by our employees or others, or we fail to implement procedures, our employees, contractors and others may experience illness, or minor, serious or fatal injuries. Unsafe work sites have the potential to increase employee turnover, expose us to litigation and raise our operating costs. Any of the foregoing could result in financial losses, which could have a material adverse impact on our business, financial condition, results of operations and cash flows.

In addition, our operations can involve the delivery, handling, storage, use and disposal of hazardous chemicals, which, if improperly delivered, handled, stored, used or disposed of, could result in serious injury, death, environmental damage or property damage, and could subject us to penalties or other liabilities. We are also subject to various environmental, transportation and occupational health and safety regulations. Although we maintain functional employee groups whose primary purpose is to implement effective environmental health and safety work procedures and practices throughout our organization, including construction sites and operating facilities, the failure to comply with these regulations or procedures could subject us to liability.

Work stoppages and other labor relations matters could adversely affect our results of operations and the ability to serve our customers.

As of December 31, 2021, approximately 47% of our workforce was represented by unions, and we had 73 collective bargaining agreements in place with 14 different unions representing our unionized employees. These collective bargaining agreements, 21 of which will expire during 2022, are subject to periodic renewal and renegotiation. We may not be able to successfully renew or renegotiate these labor contracts, or enter into new agreements, on terms that are acceptable to us. Any negotiations or dispute resolution processes undertaken in connection with our labor contracts could be delayed or affected by labor actions or work stoppages. Labor actions, work stoppages or the threat of work stoppages, and our failure to obtain favorable labor contract terms during renegotiations, may disrupt our operations, negatively impact the ability to serve our customers, and result in higher labor costs, which could adversely affect our reputation, financial condition, results of operations, cash flows and liquidity.

While we have developed contingency plans to be implemented as necessary if a work stoppage or strike does occur, a strike or work stoppage may have a material adverse impact on our financial position, results of operations and cash flows.

Financial, Economic and Market-Related Risks

Our indebtedness could adversely affect our business and limit our ability to plan for or respond to changes in our business, and we may be unable to generate sufficient cash flows to satisfy our liquidity needs.

As of December 31, 2021, our aggregate long-term and short-term debt balance (including preferred stock with mandatory redemption requirements) was \$11.0 billion, and our working capital (defined as current assets less current liabilities) was in a deficit position. Our indebtedness could have important consequences, including:

- limiting our ability to obtain additional financing to fund future working capital requirements or capital expenditures;
- exposing us to interest rate risk with respect to the portion of our indebtedness that bears interest at variable rates;
- limiting our ability to pay dividends on our common stock or make payments in connection with our other obligations;
- impairing our access to the capital markets for debt and equity;
- requiring that an increasing portion of our cash flows from operations be dedicated to the payment of the principal and interest on our debt, thereby reducing funds available for future operations, dividends on our common stock or capital expenditures;
- limiting our ability to take advantage of significant business opportunities, such as acquisition opportunities, and to react to changes in market or industry conditions; and
- placing us at a competitive disadvantage compared to those of our competitors that have less debt.

In order to meet our capital expenditure needs, we may be required to borrow additional funds under the revolving credit facility or issue a combination of new short-term and long-term debt securities and/or equity. We continue to assess our short- and long-term liquidity needs in light of the impact of the COVID-19 pandemic on the financial and capital markets, especially with respect to the market for corporate commercial paper, which experienced volatility and shortages of liquidity in March 2020. In response to these events, in March 2020, we entered into a \$750 million 364-day term loan facility and immediately executed a \$500 million draw thereunder to support our short-term liquidity by retaining that amount in cash. We repaid this term loan facility in full in March 2021. During 2021, we utilized other existing sources of liquidity, such as our current cash balances, cash flows from operations and borrowings under the revolving credit facility as necessary or desirable to meet our short-term liquidity requirements. We believe that existing sources of liquidity will be sufficient to meet our cash requirements for the foreseeable future. However, as the impacts of the COVID-19 pandemic on the economy, the financial and capital markets and our operations continue to evolve, we will continue to assess our liquidity needs. In the event of a sustained market deterioration, we may need to obtain additional sources of liquidity, which would require us to evaluate available alternatives and take appropriate actions.

Moreover, additional borrowings may be required to repay or refinance outstanding indebtedness. Other than debt with respect to the term loan facility, debt maturities and sinking fund payments in 2022, 2023 and 2024 will be \$57 million, \$280 million and \$474 million, respectively. We can provide no assurance that we will be able to access the debt or equity capital markets on favorable terms, if at all, to repay or refinance this debt. Moreover, as new debt is added to our current debt levels, the related risks we now face could intensify, limiting our ability to repay or refinance existing debt on favorable terms.

We have in the past entered into, and in the future may enter into, financial derivative instruments, including without limitation, interest rate swaps, forward starting swaps and U.S. Treasury lock agreements. See Item 7A—Quantitative and Qualitative Disclosures About Market Risk. However, these efforts may not be effective to fully mitigate interest rate risk, and may expose us to other risks and uncertainties, including quarterly “mark to market” valuation risk associated with these instruments, that could negatively and materially affect our financial condition, results of operations and cash flows.

Our ability to pay our expenses and satisfy our debt service obligations depends in significant part on our future performance, which will be affected by the financial, business, economic, competitive, legislative (including tax initiatives and reforms, and other similar legislation or regulation), regulatory and other risk factors described in this section, many of which are beyond our control. If we do not have sufficient cash flows to pay the principal and interest on our outstanding debt, we may be required to refinance all or part of our existing debt, reduce capital investments, sell assets, borrow additional funds or sell additional equity. In addition, if our business does not generate sufficient cash flows from operations, or if we are unable to incur indebtedness sufficient to enable us to fund our liquidity needs, we may be unable to plan for or respond to changes in our business, which could cause our financial condition, operating results and prospects to be affected materially and adversely.

Our inability to access the debt or equity capital or financial markets or other events could affect our ability to meet our liquidity needs at reasonable cost and our ability to meet long-term commitments, which could adversely affect our financial condition and results of operations.

In addition to cash from operations, during 2021, we generally relied primarily on a \$2.25 billion revolving credit facility, a \$2.10 billion commercial paper program, our \$750 million 364-day term loan facility (which expired and was repaid in full in March 2021) and the capital markets, to satisfy our liquidity needs. The revolving credit facility currently expires in accordance with its terms in March 2025. Historically, we have regularly used our commercial paper program rather than the revolving credit facility as a principal source of short-term borrowing due to the generally more attractive rates we generally could obtain in the commercial paper market. As of December 31, 2021, there were no outstanding borrowings under the revolving credit facility, \$584 million of commercial paper outstanding and \$76 million in outstanding letters of credit. There can be no assurance that we will be able to continue to access this commercial paper program or revolving credit facility, when, as and if desired, or that the amount of capital available thereunder will be sufficient to meet all of our liquidity needs at a reasonable, or any, cost.

Under the terms of the revolving credit facility, our consolidated debt cannot exceed 70% of our consolidated capitalization, as determined under the terms of the facility. If our equity were to decline or debt were to increase to a level that causes us to exceed this limit, lenders under the facility would be entitled to refuse any further extension of credit and to declare all of the outstanding debt thereunder immediately due and payable. To avoid such a default, a waiver or renegotiation of this covenant would be required, which would likely increase funding costs and could result in additional covenants that would restrict our operational and financing flexibility. Our ability to comply with this and other covenants contained in the revolving credit facility and our other consolidated indebtedness is subject to various risks and uncertainties, including events beyond our control. For example, events that could cause a reduction in equity include, without limitation, a significant write-down of our goodwill. Even if we are able to comply with this or other covenants, the limitations on our operational and financial flexibility could harm our business by, among other things, limiting our ability to incur indebtedness or reduce equity in connection with financings or other corporate opportunities that we may believe would be in our best interests or the interests of our shareholders to complete.

Disruptions in the capital markets or changes in our credit ratings could also limit our ability to access capital on terms favorable to us or at all. While the lending banks that participate in the revolving credit facility have to date honored their commitments under those facilities, disruptions in the credit markets, changes in our credit ratings, or deterioration of the banking industry's financial condition could discourage or prevent lenders from meeting their existing lending commitments, extending the terms of such commitments, or agreeing to new commitments. In such a case, we may not be able to access the commercial paper or debt or capital markets, or other sources of potential liquidity, in the future on terms acceptable to us or at all. Furthermore, our inability to maintain, renew or replace commitments under our revolving credit facility could materially increase our cost of capital and adversely affect our financial condition, results of operations and liquidity. Short- or long-term disruptions in the capital and credit markets as a result of economic, legislative, political or other uncertainty, including as a result of the COVID-19 pandemic, changes in U.S. tax and other laws, reduced financing alternatives, or failures of significant financial institutions could adversely affect our access to the liquidity needed for our business. Any significant disruption in the capital, debt or credit markets, or financial institution failures could require us to take measures to conserve cash until the market stabilizes or until alternative financing can be arranged. Such measures could include delaying or deferring capital expenditures, reducing or suspending dividend payments, and reducing other discretionary expenditures. Finally, there is no assurance that we will be able to access the equity markets to obtain capital or financing when necessary or desirable and on terms that are reasonable or acceptable to us.

Any of the foregoing events that impede our access to the debt or equity capital markets, or the failure of any of our lenders to meet their commitments that result from financial market disruptions, could expose us to increased interest expense, require us to institute cash conservation measures or otherwise adversely and materially affect our business, financial condition, results of operations, cash flows and liquidity.

Parent company may be unable to meet its ongoing and future financial obligations and to pay dividends on its common stock if its subsidiaries are unable to pay upstream dividends or repay funds.

Parent company is a holding company and, as such, it has no substantive operations of its own. Substantially all of our consolidated assets are held by subsidiaries. Parent company's ability to meet its financial obligations and to pay dividends on its common stock is primarily dependent on the net income and cash flows of its subsidiaries and their ability to pay upstream dividends or repay indebtedness to parent company. Prior to paying dividends to parent company, our regulated subsidiaries must comply with applicable regulatory restrictions and financial obligations, including, for example, debt service and preferred and preference stock dividends, as well as applicable corporate, tax and other laws and regulations and agreements, and our covenants and other agreements. Our subsidiaries are separate legal entities and have no obligation to pay or upstream dividends to parent company. A failure or inability of any of these subsidiaries to pay such dividends or repay intercompany obligations could have a material adverse impact on our liquidity and parent company's ability to pay dividends on its common stock and meet its other obligations.

We may not be able to fully utilize our state net operating loss carryforwards.

As of December 31, 2021, we had state NOL carryforwards of approximately \$123 million, and management believes it is more likely than not that these NOL carryforwards will be recovered in the future. Our state NOL carryforwards began to expire in 2021 and will continue to expire through 2041. We have, in the past, been unable to utilize certain of our state NOL carryforwards, and the establishment or increase of a valuation allowance in the future would reduce our deferred income tax assets and our net income. Our actual results may differ from those estimated by management in making its assessment as to our ability to use the state NOL carryforwards. If we are unable to fully utilize our state NOL carryforwards to offset taxable income generated in the future, our financial position, results of operations and cash flows could be materially adversely affected.

We have recorded a significant amount of goodwill, and we may never realize the full value of our intangible assets, causing us to record impairments that may negatively affect our results of operations.

Our total assets include \$1.1 billion of goodwill at December 31, 2021. The goodwill is primarily associated with the acquisition of American Water by an affiliate of our previous owner in 2003. Goodwill represents the excess of the purchase price the purchaser paid over the fair value of the net tangible and other intangible assets acquired. Goodwill is recorded at fair value on the date of an acquisition and is reviewed annually or more frequently if changes in circumstances indicate the carrying value may not be recoverable. As required by the applicable accounting rules, we have taken significant non-cash charges to operating results for goodwill impairments in the past. We may be required to recognize an impairment of goodwill in the future due to market conditions or other factors related to our performance or the performance of an acquired business. These market conditions could include a decline over a period of time of our stock price, a decline over a period of time in valuation multiples of comparable water utilities, market price performance of our common stock that compares unfavorably to our peer companies, decreases in control premiums, or other circumstances. A decline in the results forecasted in our business plan due to events such as changes in rate case results, capital investment budgets or interest rates, could also result in an impairment charge. Recognition of impairments of goodwill would result in a charge to income in the period in which the impairment occurred, which may negatively affect our financial condition, results of operations and total capitalization. The effects of any such impairment could be material and could make it more difficult to maintain our credit ratings, secure financing on attractive terms, maintain compliance with debt covenants and meet the expectations of our regulators.

Market volatility and other conditions may impact the value of benefit plan assets and liabilities, as well as assumptions related to the benefit plans, which may require us to provide significant additional funding.

The performance of the capital markets affects the values of the assets that are held in trust to satisfy significant future obligations under our pension and postretirement benefit plans. The value of these assets is subject to market fluctuations and volatility, which may cause investment returns to fall below our projected return rates. We are currently unable to predict the effect, if any, of the COVID-19 pandemic or other events on the valuation of our pension assets and liabilities. A decline in the market value of our pension and postretirement benefit plan assets as of the measurement date can increase the funding requirements under our pension and postretirement benefit plans. Additionally, our pension and postretirement benefit plan liabilities are sensitive to changes in interest rates. Interest rates have experienced volatility and are subject to potential further adjustments based on the actions of the U.S. Federal Reserve, and others. If interest rates are lower at the measurement date, our liabilities would increase, potentially increasing benefit expense and funding requirements. Further, changes in assumptions, such as increases in life expectancy assumptions and increasing trends in health care costs may also increase our funding requirements. Future increases in pension and other postretirement costs as a result of reduced plan assets may not be fully recoverable in rates, in which case our results of operations and financial position could be negatively affected. In addition, market factors can affect assumptions we use in determining funding requirements with respect to our pension and postretirement plans. For example, a relatively modest change in our assumptions regarding discount rates can materially affect our calculation of funding requirements. To the extent that the discount rate used in our assumptions is reduced, our benefit obligations could be materially increased, which could adversely affect our financial position, results of operations and cash flows.

Additional Risks Related to Market-Based Businesses***Parent company provides performance guarantees with respect to certain of the obligations of our Market-Based Businesses, including financial guarantees or deposits, which may adversely affect parent company if the guarantees are successfully enforced.***

Under the terms of certain agreements under which our Market-Based Businesses, primarily MSG, provide water and wastewater services to municipalities and federal governmental entities, parent company provides guarantees of specified performance obligations, including financial guarantees or deposits. In the event these obligations are not performed, the entity holding the guarantees may seek to enforce the performance commitments against parent company or proceed against the deposit. In that event, our financial condition, results of operations, cash flows and liquidity could be adversely affected. At December 31, 2021, we had remaining performance commitments as measured by remaining contract revenue totaling approximately \$6.2 billion related to MSG's contracts, and this amount is likely to increase if the number of military bases served by MSG increases. The presence of these commitments may adversely affect our financial condition and make it more difficult for us to secure financing on attractive terms.

MSG's operations are subject to various risks associated with doing business with the U.S. government.

MSG enters into contracts with the U.S. government for the operation and maintenance of water and wastewater systems, which contracts may be terminated, in whole or in part, prior to the end of the 50-year term for convenience of the U.S. government or as a result of default or non-performance by the subsidiary performing the contract. In addition, the contract price for each of these military contracts is typically subject to either an annual economic price adjustment, or a redetermination two years after commencement of operations and every three years thereafter. Annual economic price adjustment is an inflation index-based contract price increase mechanism. Price redetermination is a contract mechanism to periodically adjust the service fee in the next period to reflect changes in contract obligations and anticipated market conditions. Any early contract termination or unfavorable annual economic price adjustment or price redetermination could adversely affect our financial condition, results of operations and cash flows.

Moreover, entering into contracts with the U.S. government subjects us to a number of operational and compliance risks, including dependence on the level of government spending and compliance with and changes in governmental procurement and security regulations. We are subject to potential government investigations of our business practices and compliance with government procurement and security regulations, which are complex, and compliance with these regulations can be expensive and burdensome. If we were charged with wrongdoing as a result of an investigation, we could be suspended or debarred from bidding on or receiving awards of new contracts with the U.S. government or our existing contracts could be terminated, which could have a material adverse effect on our results of operations and cash flows.

General Risk Factors***New accounting standards or changes to existing accounting standards could materially impact how we report our results of operations, cash flow and financial condition.***

Our Consolidated Financial Statements are prepared in accordance with GAAP. The SEC, the Financial Accounting Standards Board or other authoritative bodies or governmental entities may issue new pronouncements or new interpretations of existing accounting standards that may require us to change our accounting policies or critical accounting estimates. These changes are beyond our control, can be difficult to predict and could materially impact how we report our results of operations, cash flow and financial condition. We could be required to apply a new or revised standard retroactively, which could also adversely affect our previously reported results of operations, cash flow and financial condition.

Undetected errors in internal controls and information reporting could result in the disallowance of cost recovery and noncompliant disclosure.

Our internal controls, accounting policies and practices and internal information systems are designed to enable us to capture and process transactions and information in a timely and accurate manner in compliance with GAAP, taxation requirements, federal securities laws and regulations and other laws and regulations applicable to us. We have also implemented corporate governance, internal control and accounting policies and procedures in connection with the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act") and relevant SEC rules, as well as other applicable regulations. Such internal controls and policies have been and continue to be closely monitored by our management and Board of Directors to ensure continued compliance with these laws, rules and regulations. Management is also responsible for establishing and maintaining internal control over financial reporting and is required to assess annually the effectiveness of these controls. While we believe these controls, policies, practices and systems are adequate to verify data integrity, unanticipated or unauthorized actions of employees or temporary lapses in internal controls due to shortfalls in oversight or resource constraints could lead to undetected errors that could result in the disallowance of cost recovery and non-compliant disclosure and reporting. The consequences of these events could have a negative impact on our results of operations, cash flows and financial condition. The inability of management to certify as to the effectiveness of these controls due to the identification of one or more material weaknesses in these controls could also harm our reputation, increase financing costs or adversely affect our ability to access the capital markets.

Our continued success is dependent upon our ability to hire, retain and utilize qualified personnel.

The success of our business is dependent upon our ability to hire, retain and utilize qualified personnel, including engineers, licensed operators, water quality and other operating and craft personnel, and management professionals who have the required experience and expertise. From time to time, it may be difficult to attract and retain qualified individuals with the expertise and in the timeframe demanded for our business needs. In certain geographic areas, for example, we may not be able to satisfy the demand for our services because of our inability to successfully hire and retain qualified personnel.

In addition, as key personnel approach retirement age, we need to have appropriate succession plans in place and to successfully implement such plans. If we cannot attract and retain qualified personnel or effectively implement appropriate succession plans, our business, financial condition, results of operations and cash flows may be materially and adversely impacted.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The Company's properties consist primarily of (i) water and wastewater treatment plants, (ii) mains and pipes used for transmission, distribution and collection of water and wastewater, (iii) wells and other sources of water supply, such as reservoirs, (iv) water and wastewater pumping stations, (v) meters and fire hydrants, (vi) general structures, including buildings, dams and treated water storage facilities, (vii) land and easements, (viii) vehicles, (ix) software rights, and (x) other equipment and facilities, the majority of which are used directly in the operation of its systems. Substantially all of the Company's properties are owned by its subsidiaries, with a large percentage subject to liens of its mortgage bonds. A wholly owned subsidiary of parent company owns the Company's corporate headquarters, located in Camden, New Jersey, and the Company and its operating subsidiaries lease office space, equipment and furniture from certain of the Company's wholly owned subsidiaries. These properties are utilized by the Company's directors, officers and staff in the conduct of the business.

The properties of the Company's Regulated Businesses consist mainly of approximately:

- 80 surface water treatment plants;
- 480 groundwater treatment plants;
- 160 wastewater treatment plants;
- 52,500 miles of transmission, distribution and collection mains and pipes;
- 1,100 groundwater wells;
- 1,700 water and wastewater pumping stations;
- 1,300 treated water storage facilities; and
- 76 dams.

The Company has ongoing infrastructure renewal programs in all states in which its Regulated Businesses operate. These programs consist of both the rehabilitation of existing mains and equipment, and the replacement of mains and equipment that have been damaged or have reached, or are near, the end of their useful service lives. The properties of its Market-Based Businesses consist mainly of office furniture and IT equipment. Approximately 51% of all properties that the Company owns are located in New Jersey and Pennsylvania.

The Company maintains property insurance against loss or damage to its properties by fire or other perils, subject to certain exceptions. For insured losses, the Company is self-insured to the extent that any losses are within the policy deductible or exceed the amount of insurance maintained.

The Company believes that its properties are generally maintained in good operating condition and in accordance with current standards of good water and wastewater industry practice.

ITEM 3. LEGAL PROCEEDINGS

Set forth below is information related to the Company's material pending legal proceedings as of February 16, 2022, other than ordinary routine litigation incidental to the business, required to be disclosed in this Annual Report on Form 10-K. The information below should be read together with Note 17—Commitments and Contingencies in the Notes to the Consolidated Financial Statements. In accordance with the SEC's disclosure rules, the Company has elected to disclose environmental proceedings involving the Company and a governmental authority if the amount of potential monetary sanctions, exclusive of interest and costs, that the Company reasonably believes will result from such proceeding is \$1 million or more.

Alternative Water Supply in Lieu of Carmel River Diversions***Compliance with SWRCB Orders to Reduce Carmel River Diversions***

Under the 2009 Order, California-American Water Company, the Company's California subsidiary ("Cal Am") is required, among other things, to decrease significantly its yearly diversions of water from the Carmel River according to a set reduction schedule. See Item 1—Business—Regulated Businesses—Water Supply and Wastewater Services and Item 1A—Risk Factors. The 2009 Order responded to claims that Cal Am had not sufficiently implemented actions to terminate its unpermitted diversions of water from the Carmel River as required by a 1995 order of the SWRCB. In July 2016, at the request of Cal Am and several Monterey County government agencies, the SWRCB issued the 2016 Order approving the 2021 Deadline.

The 2009 Order includes a condition prohibiting Cal Am from diverting water from the Carmel River for new service connections or for any increased use of water at existing service addresses resulting from a change in zoning or use. In 2011, the California Public Utilities Commission (the "CPUC") issued a decision directing modifications in Cal Am's tariffs to recognize the moratorium mandated by the 2009 Order, and directing Cal Am to seek written guidance from the SWRCB with respect to any unresolved issues of interpretation or implementation of this condition. In 2012, the Deputy Director of the SWRCB sent a letter to Cal Am providing an interpretation as to the calculation of a baseline to determine increases in use of water at existing service addresses. In March 2018, the MPWMD adopted a resolution directing Cal Am to interpret the baseline in a manner that conflicts with the SWRCB's written interpretation. In May 2018, Cal Am notified the MPWMD and the SWRCB that it intends to seek declaratory relief concerning the conflicting regulatory interpretations under the 2009 Order. In an attempt to resolve these conflicting interpretations prior to seeking judicial intervention, Cal Am has met with the MPWMD and the SWRCB several times. The SWRCB agreed to circulate revisions to its 2012 interpretive letter, which would be subject to a public comment period. Any failure to follow the MPWMD's resolution or the SWRCB's written interpretation, despite these conflicting interpretations, could potentially result in fines, penalties and other actions against Cal Am.

Cal Am continues to work constructively with all appropriate agencies to provide necessary information in connection with obtaining required approvals for the Water Supply Project. However, there can be no assurance that the Water Supply Project in its current configuration will be completed on a timely basis, if ever. Beginning in January 2022, Cal Am expects to be able to comply with the diversion reduction requirements contained in the 2016 Order, but continued compliance with the diversion reduction requirements for 2023 and future years will depend on successful development of alternate water supply sources sufficient to meet customer demand. The 2009 Order and the 2016 Order remain in effect until Cal Am certifies to the SWRCB, and the SWRCB concurs, that Cal Am has obtained a permanent supply of water to substitute for past unauthorized Carmel River diversions. While the Company cannot currently predict the likelihood or result of any adverse outcome associated with these matters, further attempts to comply with the 2009 Order and the 2016 Order in the future may result in material additional costs and obligations to Cal Am, including fines and penalties against Cal Am in the event of noncompliance with the 2009 Order and the 2016 Order.

Monterey Peninsula Water Supply Project

CPUC Final Approval of Water Supply Project

Cal Am's ability to move forward on the Water Supply Project is and has been subject to extensive administrative review by the CPUC and other government agencies, obtaining necessary permits, and intervention from other parties. In September 2016, the CPUC unanimously approved a final decision to authorize Cal Am to enter into a water purchase agreement for the GWR Project and to construct a pipeline and pump station facilities and recover up to the incurred \$50 million in associated costs plus AFUDC, subject to meeting certain criteria.

In July 2019, Cal Am notified the MPWMD and Monterey One Water (collectively, the "Agencies") that an event of default occurred under the water purchase agreement for the GWR Project because the Agencies failed to deliver to Cal Am by July 1, 2019 advanced treated recycled water produced by the GWR Project. In its notification to the Agencies, Cal Am expressly reserved its right to terminate the water purchase agreement until the Performance Start Date, which was September 1, 2020. As of June 30, 2021, Cal Am determined that the Agencies met their performance obligations under the water purchase agreement with respect to the first fiscal year of the contract.

In September 2018, the CPUC unanimously approved another final decision finding that the Water Supply Project meets the CPUC's requirements for a CPCN and an additional procedural phase was not necessary to consider alternative projects. The CPUC's 2018 decision concludes that the Water Supply Project is the best project to address estimated future water demands in Monterey, and, in addition to the cost recovery approved in its 2016 decision, adopts Cal Am's cost estimates for the Water Supply Project, which amounted to an aggregate of \$279 million plus AFUDC at a rate representative of Cal Am's actual financing costs. The 2018 final decision specifies the procedures for recovery of all of Cal Am's prudently incurred costs associated with the Water Supply Project upon its completion, subject to the frameworks included in the final decision related to cost caps, O&M costs, financing, ratemaking and contingency matters. The reasonableness of the Water Supply Project costs will be reviewed in the first general rate case filed by Cal Am after it becomes operational. Cal Am is also required to implement mitigation measures to avoid, minimize or offset significant environmental impacts from the construction and operation of the Water Supply Project and comply with a mitigation monitoring and reporting program, a reimbursement agreement for CPUC costs associated with that program, and reporting requirements on plant operations following placement of the Water Supply Project in service. Cal Am has incurred \$186 million in aggregate costs as of December 31, 2021 related to the Water Supply Project, which includes \$47 million in AFUDC.

In September 2021, Cal Am, Monterey One Water and the MPWMD reached an agreement on Cal Am's purchase of additional water from the expansion to the GWR Project, which is not expected to produce additional water until 2024 at the earliest. The amended and restated water purchase agreement for the GWR Project is subject to review and approval of the CPUC, and on November 29, 2021, Cal Am filed an application with the CPUC seeking review and approval of the amended and restated water purchase agreement. Cal Am is also requesting rate base treatment of the additional capital investment for certain Cal Am facilities required to maximize the water supply from the expansion to the GWR Project and a related Aquifer Storage and Recovery Project, totaling approximately \$81 million. This amount is in addition to, and consistent in regulatory treatment with, the prior \$50 million of recovery for facilities associated with the original water purchase agreement, which was approved by the CPUC in its 2016 final decision.

While Cal Am believes that its expenditures to date have been prudent and necessary to comply with the 2009 Order and the 2016 Order, as well as the CPUC's 2016 and 2018 final decisions, Cal Am cannot currently predict its ability to recover all of its costs and expenses associated with the Water Supply Project and there can be no assurance that Cal Am will be able to recover all of such costs and expenses in excess of the \$50 million in construction costs previously approved by the CPUC in its 2016 final decision. See Note 17—Commitments and Contingencies in the Notes to the Consolidated Financial Statements for further discussion.

Coastal Development Permit Application

In June 2018, Cal Am submitted a coastal development permit application to the City of Marina (the "City") for those project components of the Water Supply Project located within the City's coastal zone. Members of the City's Planning Commission, as well as City councilpersons, have publicly expressed opposition to the Water Supply Project. In May 2019, the City issued a notice of final local action based upon the denial by the Planning Commission of Cal Am's coastal development permit application. Thereafter, Cal Am appealed this decision to the Coastal Commission, as permitted under the City's code and the California Coastal Act. At the same time, Cal Am submitted an application to the Coastal Commission for a coastal development permit for those project components located within the Coastal Commission's original jurisdiction. In October 2019, staff of the Coastal Commission issued a report recommending a denial of Cal Am's application for a coastal development permit with respect to the Water Supply Project, largely based on a memorandum prepared by the general manager of the MPWMD that contradicted findings made by the CPUC in its final decision approving the Water Supply Project. In November 2019, discussions between staffs of the Coastal Commission and the CPUC took place regarding the Coastal Commission staff recommendation, at which time the CPUC raised questions about the Coastal Commission staff's findings on water supply and demand, groundwater impacts and the viability of a project that the Coastal Commission staff believes may be a possible alternative to the Water Supply Project.

In August 2020, the staff of the Coastal Commission released a report again recommending denial of Cal Am's application for a coastal development permit. Although the report concluded that the Water Supply Project would have a negligible impact on groundwater resources, the report also concluded it would impact other coastal resources, such as environmentally sensitive habitat areas and wetlands, and that the Coastal Commission staff believes that a feasible alternative project exists that would avoid those impacts. The staff's report also noted disproportionate impacts to communities of concern. In September 2020, Cal Am withdrew its original jurisdiction application to allow additional time to address the Coastal Commission staff's environmental justice concerns. The withdrawal of the original jurisdiction application did not impact Cal Am's appeal of the City's denial, which remains pending before the Coastal Commission. Cal Am refiled the original jurisdiction application in November 2020. In December 2020, the Coastal Commission sent to Cal Am a notice of incomplete application, identifying certain additional information needed to consider the application complete.

In March 2021, Cal Am provided responses to the Coastal Commission's notice of incomplete application. On June 18, 2021, the Coastal Commission responded, acknowledging the responses and requesting certain additional information before the application could be considered complete. Cal Am responded with the requested additional information on January 11, 2022, and on February 8, 2022, the Coastal Commission requested additional information. The original jurisdiction application remains pending.

Desalination Plant Development Permit

The proposed desalination plant for the Water Supply Project is to be located in an unincorporated portion of Monterey County, California on a site owned by CEMEX, Inc. (“CEMEX”), and requires a combined development permit from the County of Monterey prior to commencement of construction. On April 24, 2019, the County’s Planning Commission voted to approve the permit. In July 2019, the Board of Supervisors heard appeals filed by MCWD and a public advocacy group, at which time it denied the appeals and approved the permit. In August 2019, MCWD filed a petition in Monterey County Superior Court challenging Monterey County’s approval of Cal Am’s combined development permit application and seeking injunctive relief to enjoin Monterey County and Cal Am from commencing construction of the desalination plant. In October 2019, after a hearing, the court denied, without prejudice, MCWD’s motion for a preliminary injunction, but issued a stay of the County’s approval of the combined development permit, precluding commencement of physical construction of the desalination plant, but allowing Cal Am to continue to obtain permits needed for the desalination plant’s construction. On January 21, 2021, the court issued its decision granting in part and denying in part MCWD’s petition. The court found that the County of Monterey did not completely comply with all of the requirements necessary to approve the combined development permit and set aside its approval so that the County could come into compliance. The court denied all of MCWD’s other claims. The court also lifted its stay on physical construction at the plant site.

On May 25, 2021, Cal Am filed a notice of appeal as to the Monterey County Superior Court’s January 21, 2021 decision, seeking to challenge the court’s decision on Monterey County’s statement of overriding considerations. Monterey County filed a notice of appeal as to the same issue on May 26, 2021. On June 22, 2021, MCWD filed cross-appeals on its claims that had been denied by the court.

Proposed Zoning Changes at CEMEX Site for Slant Wells

In August 2018, the City circulated a public review draft of proposed amendments to its local coastal program and zoning ordinance, and placed the matter for consideration on the Planning Commission’s agenda for its September 2018 meeting. The proposed amendments would change zoning at the CEMEX site to open space and restrict future uses, including with respect to Cal Am’s planned use of the site for the slant wells for the Water Supply Project. Any change to the City’s local coastal program must ultimately be approved by the Coastal Commission. Cal Am, CEMEX and the Coastal Commission each submitted letters opposing the proposed amendments. At its November 2018 meeting, the Planning Commission adopted a resolution recommending that the Marina City Council consider approving the amendments.

In December 2018, the Marina City Council considered the proposed amendments. Cal Am, CEMEX and the Coastal Commission again submitted letters opposing the proposed changes, but the City Council unanimously adopted a resolution amending its local coastal plan and a draft amendment to its zoning ordinance. Changes to the ordinance require a second reading before becoming final, which occurred at the City’s December 2018 meeting. The changes to the local coastal plan must be submitted to the Coastal Commission for approval and are not effective until such approval is obtained.

Test Slant Well Permitting

A preliminary step to building the Water Supply Project desalination plant is the construction and operation of a test slant well to confirm the suitability of the property on which intake wells will be located to draw water from under Monterey Bay. In November 2014, the Coastal Commission approved coastal development permits for the test slant well, enabling Cal Am to construct and operate the test slant well. Because Cal Am may use the test slant well as one of the slant wells for the Water Supply Project, Cal Am sought and obtained from the Coastal Commission permit amendments to allow the test slant well to remain in place and be maintained until February 23, 2023. A required lease obtained from the California State Lands Commission, as amended, will expire on December 16, 2022. Effective February 28, 2018, test slant well pumping ceased, except for minimal maintenance pumping activities, in accordance with Cal Am’s coastal development permits.

Water Supply Project Land Acquisition and Slant Well Site Use

In July 2017, the Coastal Commission adopted a consent agreement and cease and desist order requiring sand mining operations on the property owned by CEMEX on which intake wells for the Water Supply Project will be located, to cease by the end of 2020 and the property to be sold to either a non-profit or governmental entity. The consent agreement strictly limits future use of the property but preserves Cal Am's existing property rights and allows uses consistent with existing easements and other rights of record. A permanent easement granted by CEMEX to Cal Am was recorded in June 2018 to allow Cal Am access to the property and to construct, operate and maintain the Water Supply Project intake wells. On November 26, 2019, the City notified CEMEX that, based on this permanent easement and Cal Am's proposed use of the site for the intake wells, CEMEX has breached or will soon breach a prior 1996 annexation agreement (to which Cal Am was not a party). The City states that it intends to seek declaratory relief from CEMEX and Cal Am ordering that Cal Am's extraction is limited to 500 acre-feet per year of groundwater, that Cal Am cannot export extracted water out of the basin, and that the permanent easement granted by CEMEX to Cal Am is void. CEMEX has denied the City's claims and requested indemnification from Cal Am under the terms of the permanent easement. Cal Am and CEMEX believe that there is no valid limitation under the annexation agreement on Cal Am's right to pump brackish groundwater and seawater at the site for desalination and use by Cal Am's customers.

In May 2020, the City filed a lawsuit in Monterey County Superior Court, naming Cal Am and CEMEX as defendants, and MCWRA and MCWD as real parties in interest. The lawsuit, as amended, alleges a claim for breach of contract against CEMEX and seeks declaratory relief to void the permanent easement and prohibiting extraction of water by Cal Am's slant wells at the CEMEX site in excess of 500 acre-feet per year and the export of such water outside the groundwater basin. In November 2020, Cal Am, CEMEX and MCWRA filed demurrers, which were overruled by the court at a hearing held on February 9, 2021.

In August 2020, MCWD filed a cross-complaint in the May 8, 2020 lawsuit against Cal Am, CEMEX and MCWRA, alleging claims for specific performance of certain provisions of the 1996 annexation agreement related to the property owned by CEMEX on which intake wells for the Water Supply Project will be located, as well as claims of water rights, nuisance and unreasonable water use, and seeking additional declaratory relief. Following various rulings on demurrers filed by Cal Am, CEMEX and MCWRA, on February 23, 2021, the court sustained, without leave to amend, the demurrer to MCWD's nuisance claim and overruled the remainder of the demurrers. On October 7, 2021, the court granted a motion filed by Cal Am related to MCWD's cross-complaint, which motion requested a referral of certain issues related to MCWD's water rights and unreasonable use claims to the SWRCB for its expert advisory opinion.

Challenges Related to Compliance with California's Sustainable Groundwater Management Act

Under California's Sustainable Groundwater Management Act ("SGMA") enacted in 2015, groundwater basins designated by the state as critically overdrafted must be managed by a groundwater sustainability agency ("GSA") by 2020 in accordance with an approved groundwater sustainability plan ("GSP") designed to achieve sustainability by 2040. Under the SGMA, GSAs have broad powers to achieve sustainability including, but not limited to, regulating groundwater extraction by imposing fees on groundwater extractions and controlling groundwater extractions by regulating, limiting or suspending extractions from wells. The 400-acre CEMEX site overlies a small portion of the 180/400 Subbasin of the Salinas Valley Groundwater Basin; the 84,000-acre 180/400 Subbasin has been designated by the state as critically overdrafted, mainly due to seawater intrusion into the subbasin.

In late 2016, the Salinas Valley Basin Groundwater Sustainability Agency (the "SVBGSA") was formed as a joint powers authority to become the GSA for the Salinas Valley Groundwater Basin and prepare a GSP. In April 2018, the City filed a notice to become the GSA for the CEMEX site, creating an overlap with the SVBGSA's filing for the 180/400 Subbasin. In 2016, the SVBGSA commenced preparation of a GSP covering the entire 180/400 subbasin, including the CEMEX site, but in August 2019 the City filed a notice that it intends to prepare its own GSP for the CEMEX site with the intent to severely limit or prohibit groundwater pumping at that site. The State Department of Water Resources ("SDWR") has taken the position that until the overlap is resolved, it will not accept the GSP from either agency, placing the subbasin at risk of being placed in a probationary status and subject to state management. In December 2019, the County of Monterey filed its own notice to become the exclusive GSA at the CEMEX site in order to resolve the overlap, which is permitted under SGMA. SDWR accepted Monterey County's filing on December 18, 2019, and now lists Monterey County as the exclusive GSA for the site.

On December 30, 2019, the City filed a lawsuit in Monterey County Superior Court challenging Monterey County's filing, and SDWR's acceptance of the filing, as the exclusive GSA for the CEMEX site. The City has named Monterey County and its Board of Supervisors, its GSA, and SDWR and its director as defendants, and the SVBGSA and its Board of Directors as real parties. The City seeks to invalidate Monterey County's filing, as well as injunctive relief to preserve the City's status as a GSA for the site. To protect its interest in the matter, Cal Am filed an application to intervene in this lawsuit, which was granted. Monterey County filed cross-claims against the City and SDWR. After a hearing, on August 24, 2021, the court denied the claims brought by the City and granted Monterey County's cross-claims, finding that the City's GSA notice was untimely, the Monterey County GSA was the exclusive GSA for the CEMEX site, and the SVBGSA's GSP was properly adopted for the entire 180/400 subbasin, including the CEMEX site. On November 15, 2021, the City appealed this decision, and on December 13, 2021, Monterey County appealed the court's decision as to the finding that the City's action creating a GSA was not void.

On September 14, 2020, Cal Am filed a separate but related complaint in Monterey County Superior Court challenging the validity of actions taken by the City and its GSA in adopting a groundwater sustainability plan for the CEMEX site, and the validity of the provisions of such plan. Due to the overlap of issues in the City's lawsuit with those in the validation action, the parties stipulated to a stay of the validation action pending determination of the claims in the City's action, which was approved by the court in December 2020.

On February 16, 2021, the City filed a separate but related *in rem* reverse validation complaint challenging the adoption by Monterey County of a GSP for the CEMEX site. This complaint remains pending. Currently, both validation actions remain stayed during the pendency of the City's appeals.

Challenge of Certification — Proposed Monterey System Acquisition Final Environmental Impact Report

In November 2018, voters in Monterey, California passed "Measure J," which decided that the MPWMD should conduct a feasibility study concerning the potential purchase of Cal Am's Monterey system assets, and, if feasible, to proceed with a purchase of those assets without an additional public vote. This service territory represents approximately 40,000 customers. See Item 1—Business—Regulated Businesses—Condemnation and Eminent Domain for more information on this matter. In August 2019, the MPWMD's General Manager issued a report that recommends that the MPWMD board, among other things, (1) evaluate whether the acquisition of the Monterey system assets by the MPWMD is in the public interest and sufficiently satisfies the criterion of "feasible" as provided in Measure J, (2) ensure there is significant potential for cost savings before agreeing to commence an acquisition, and (3) develop more fully alternate operating plans before deciding whether to consider a Resolution of Necessity.

On October 7, 2020, the MPWMD issued a FEIR for the potential acquisition of the Monterey system assets, and on November 4, 2020, the MPWMD certified the FEIR, which purports to analyze the environmental impacts of the MPWMD's project to (1) acquire the Monterey system assets through the power of eminent domain, if necessary, and (2) expand its geographic boundaries to include all parts of this system. On November 25, 2020, Cal Am filed a petition for writ of mandate in Monterey County Superior Court challenging certification of the FEIR, alleging that the MPWMD's analysis of environmental impacts was inadequate and that certification was improper. A hearing on the matter was held on August 30, 2021, and on November 19, 2021, the court denied Cal Am's petition.

West Virginia Elk River Freedom Industries Chemical Spill

See Note 17—Commitments and Contingencies—Contingencies—West Virginia Elk River Freedom Industries Chemical Spill in the Notes to Consolidated Financial Statements for information regarding the final court approval of the global settlement with respect to the January 2014 Freedom Industries, Inc. chemical spill.

Dunbar, West Virginia Water Main Break Class Action Litigation

On the evening of June 23, 2015, a 36-inch pre-stressed concrete transmission water main, installed in the early 1970s, failed. The water main is part of the West Relay pumping station located in the City of Dunbar, West Virginia and owned by West Virginia-American Water Company, the Company's West Virginia subsidiary ("WVAWC"). The failure of the main caused water outages and low pressure for up to approximately 25,000 WVAWC customers. In the early morning hours of June 25, 2015, crews completed a repair, but that same day, the repair developed a leak. On June 26, 2015, a second repair was completed and service was restored that day to approximately 80% of the impacted customers, and to the remaining approximately 20% by the next morning. The second repair showed signs of leaking but the water main was usable until June 29, 2015 to allow tanks to refill. The system was reconfigured to maintain service to all but approximately 3,000 customers while a final repair was being completed safely on June 30, 2015. Water service was fully restored on July 1, 2015 to all customers affected by this event.

On June 2, 2017, a complaint captioned *Jeffries, et al. v. West Virginia-American Water Company* was filed in West Virginia Circuit Court in Kanawha County on behalf of an alleged class of residents and business owners who lost water service or pressure as a result of the Dunbar main break. The complaint alleges breach of contract by WVAWC for failure to supply water, violation of West Virginia law regarding the sufficiency of WVAWC's facilities and negligence by WVAWC in the design, maintenance and operation of the water system. The *Jeffries* plaintiffs seek unspecified alleged damages on behalf of the class for lost profits, annoyance and inconvenience, and loss of use, as well as punitive damages for willful, reckless and wanton behavior in not addressing the risk of pipe failure and a large outage.

In February 2020, the *Jeffries* plaintiffs filed a motion seeking class certification on the issues of breach of contract and negligence, and to determine the applicability of punitive damages and a multiplier for those damages if imposed. In July 2020, the Circuit Court entered an order granting the *Jeffries* plaintiffs' motion for certification of a class regarding certain liability issues but denying certification of a class to determine a punitive damages multiplier. In August 2020, WVAWC filed a Petition for Writ of Prohibition in the Supreme Court of Appeals of West Virginia seeking to vacate or remand the Circuit Court's order certifying the issues class. On January 28, 2021, the Supreme Court of Appeals remanded the case back to the Circuit Court for further consideration in light of a decision issued in another case relating to the class certification issues raised on appeal. On July 16, 2021, oral argument was heard by the Circuit Court on the issue of addressing the Supreme Court of Appeals' remand. This matter remains pending.

The Company and WVAWC believe that WVAWC has meritorious defenses to the claims raised in this class action complaint and WVAWC will continue to vigorously defend itself against these allegations.

Chattanooga, Tennessee Class Action Litigation

On September 12, 2019, Tennessee-American Water Company, the Company's Tennessee subsidiary ("TAWC"), experienced a leak in a 36-inch water transmission main, which caused service fluctuations or interruptions to TAWC customers and the issuance of a boil water notice. TAWC repaired the main by early morning on September 14, 2019, and restored full water service by the afternoon of September 15, 2019, with the boil water notice lifted for all customers on September 16, 2019.

On September 17, 2019, a complaint captioned *Bruce, et al. v. American Water Works Company, Inc., et al.* was filed in the Circuit Court of Hamilton County, Tennessee against TAWC, the Company and Service Company (collectively, the "Tennessee-American Water Defendants"), on behalf of a proposed class of individuals or entities who lost water service or suffered monetary losses as a result of the Chattanooga incident (the "Tennessee Plaintiffs"). The complaint alleged breach of contract and negligence against the Tennessee-American Water Defendants, as well as an equitable remedy of piercing the corporate veil. In the complaint as originally filed, the Tennessee Plaintiffs were seeking an award of unspecified alleged damages for wage losses, business and economic losses, out-of-pocket expenses, loss of use and enjoyment of property and annoyance and inconvenience, as well as punitive damages, attorneys' fees and pre- and post-judgment interest. In September 2020, the court dismissed all of the Tennessee Plaintiffs' claims in their complaint, except for the breach of contract claims against TAWC, which remain pending. In October 2020, TAWC answered the complaint, and the parties have been engaging in discovery. The court has entered an agreed scheduling order, which sets a hearing in October 2022 to address the question of class certification.

TAWC and the Company believe that TAWC has meritorious defenses to the claims raised in this class action complaint, and TAWC is vigorously defending itself against these allegations.

Other Matters

On April 2, 2021, American Water Resources, LLC ("AWR"), which, prior to the Closing Date was one of the indirect, wholly owned subsidiaries comprising the Company's former HOS operations, received a grand jury subpoena in connection with an investigation by the U.S. Attorney's Office for the Eastern District of New York (the "EDNY"). The subpoena seeks documents regarding AWR's operations and its contractor network in the New York City metropolitan area.

In connection with the sale of the HOS operations to the Buyer (including all of the Company's equity interests in AWR), the Company, AWR and the Buyer entered into a Common Interest and Cooperation Agreement (the "Cooperation Agreement"), dated as of the Closing Date, which facilitates a common defense for, and the sharing of information concerning, the EDNY investigation and any legal or regulatory inquiries or proceedings related to or resulting from it or the subject matter in the subpoena (collectively, the "Covered Matters"). The Company, on behalf of AWR, is required to defend any Covered Matter, using commercially reasonable efforts to resolve it on a reasonably expedient basis. Further, the Company is required to consult with the Buyer in specified circumstances and obtain its prior written consent (which consent may not be unreasonably withheld, conditioned or delayed) before entering into any resolution of any Covered Matter that imposes non-monetary provisions or undertakings or any other terms for which there will be no indemnification under the Cooperation Agreement. In addition, for the period from the Closing Date to March 9, 2025, the Company is required to indemnify the Buyer for any monetary losses or out-of-pocket damages (as described in the Cooperation Agreement) incurred by the Buyer or certain of the HOS subsidiaries to the extent directly arising in connection with, or directly resulting from, any Covered Matter.

Based on the subpoena and discussions with the EDNY, the investigation does not appear to be focused on the Company, and the Company is cooperating fully with the investigation. While it is not possible at this time to predict the outcome of the investigation or determine the amount, if any, of fines, penalties or other liabilities that may be incurred in connection with it, the Company does not currently believe that the investigation will have a material adverse effect on the Company's results of operations, financial condition or liquidity.

General

Periodically, the Company is involved in other proceedings or litigation arising in the ordinary course of business. Other than those proceedings described in this Item 3—Legal Proceedings, the Company does not believe that the ultimate resolution of these matters will materially affect its financial position or results of operations. However, litigation and other proceedings are subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. It is possible that some litigation and other proceedings could be decided unfavorably to the Company, and that any such unfavorable decisions could have a material adverse effect on its business, financial condition, results of operations and cash flows.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II**ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

Since April 23, 2008, the Company's common stock has traded on the New York Stock Exchange ("NYSE") under the symbol "AWK." As of February 10, 2022, there were 181,724,991 shares of common stock outstanding held by approximately 2,333 record holders. Holders of the Company's common stock are entitled to receive dividends when they are declared by its Board of Directors. See Note 10—Shareholders' Equity in the Notes to Consolidated Financial Statements for additional information regarding the Company's dividends.

In February 2015, the Board of Directors authorized an anti-dilutive stock repurchase program to mitigate the dilutive effect of shares issued through the Company's dividend reinvestment, employee stock purchase and executive compensation activities. The program allows the Company to purchase up to 10 million shares of its outstanding common stock over an unrestricted period of time in the open market or through privately negotiated transactions. The program is conducted in accordance with Rule 10b-18 of the Exchange Act, and, to facilitate these repurchases, the Company enters into Rule 10b5-1 stock repurchase plans with a third-party broker, which allow the Company to repurchase shares of its common stock at times when it otherwise might be prevented from doing so under insider trading laws or because of self-imposed trading blackout periods. Subject to applicable regulations, the Company may elect to amend or cancel the program or the stock repurchase parameters at its discretion to manage dilution.

From April 1, 2015, the date repurchases under the anti-dilutive stock repurchase program commenced, through December 31, 2021, the Company repurchased an aggregate of 4,860,000 shares of its common stock under the program, leaving an aggregate of 5,140,000 shares available for repurchase under this program. There were no repurchases of common stock in 2021.

ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read together with the Consolidated Financial Statements and the Notes thereto included elsewhere in this Annual Report on Form 10-K. This discussion contains forward-looking statements that are based on management’s current expectations, estimates and projections about the Company’s business, operations and financial performance. The cautionary statements made in this Form 10-K should be read as applying to all related forward-looking statements whenever they appear in this Form 10-K. The Company’s actual results may differ materially from those currently anticipated and expressed in such forward-looking statements as a result of a number of factors, including those that are discussed under “Forward-Looking Statements,” Item 1A—Risk Factors and elsewhere in this Form 10-K. The Company has a disclosure committee consisting of members of senior management and other key employees involved in the preparation of the Company’s SEC reports. The disclosure committee is actively involved in the review and discussion of the Company’s SEC filings. For a discussion and analysis of the Company’s financial statements for fiscal 2020 compared to fiscal 2019, please refer to Item 7—Management’s Discussion and Analysis of Financial Condition and Results of Operations in the Company’s Annual Report on Form 10-K for the year ended December 31, 2020, filed with the SEC on February 24, 2021.

Overview

American Water is the largest and most geographically diverse, publicly-traded water and wastewater utility company in the United States, as measured by both operating revenues and population served. The Company employs approximately 6,400 professionals who provide drinking water, wastewater and other related services to over 14 million people in 24 states. The Company’s primary business involves the ownership of utilities that provide water and wastewater services to residential, commercial, industrial, public authority, fire service and sale for resale customers, collectively presented as the “Regulated Businesses.” The Company’s utilities operate in approximately 1,700 communities in 14 states in the United States, with 3.4 million active customers with services provided by its water and wastewater networks. Services provided by the Company’s utilities are subject to regulation by PUCs. The Company also operates other market-based businesses that provide water, wastewater and other services to residential and smaller commercial customers, the U.S. government on military installations, as well as municipalities and utility customers, collectively presented as the “Market-Based Businesses.” These Market-Based Businesses are not subject to economic regulation by state PUCs. See Item 1—Business for additional information.

COVID-19 Pandemic Update

American Water continues to monitor the COVID-19 pandemic and has taken steps since the beginning of the pandemic to mitigate adverse impacts to the Company. The Company has three main areas of focus as part of its response to COVID-19: the care and safety of its employees; the safety of its customers and the communities it serves; and the execution of its business continuity plan. American Water continues to work with its vendors to prevent disruptions in its supply chain, and, at this time, has not experienced, and does not anticipate, any material disruptions. The Company also continues to monitor the impacts of the COVID-19 pandemic on the capital markets, including impacts that could increase its cost of capital.

The Company has experienced financial impacts since the beginning of the pandemic resulting from lower revenues from the suspension of late fees and foregone reconnect fees in certain states, certain incremental O&M expenses, an increase in uncollectible accounts expense and additional debt costs. These impacts are collectively referred to as “financial impacts.” See Note 3—Impact of the COVID-19 Pandemic in the Notes to Consolidated Financial Statements for additional information. The extent to which the COVID-19 pandemic may further impact American Water, including without limitation, its liquidity, financial condition, and results of operations, will depend on future developments, which presently cannot be predicted.

As of February 16, 2022, American Water has commission orders authorizing deferred accounting or cost recovery for COVID-19 financial impacts in 11 of 13 jurisdictions. Other regulatory actions to date are presented in the table below:

Commission Actions	Description	States
Orders issued with deferred accounting	Allows the Company to establish regulatory assets to record certain financial impacts related to the COVID-19 pandemic.	HI, IN, MD, NJ, PA, VA, WV
Orders issued with cost recovery	California’s Catastrophic Event Memorandum Account allows the Company’s California subsidiary to track certain financial impacts related to the COVID-19 pandemic for future recovery requests. Iowa issued a base rate case order on June 28, 2021, authorizing recovery in rates of the COVID-19 financial impacts deferred within its annual non-recurring expense rider. Illinois has authorized cost recovery of the COVID-19 financial impacts through a special purpose rider over a 24-month period, which was implemented effective October 1, 2020. Additionally, Illinois approved a bad debt rider tariff on December 16, 2020, allowing collection of actual bad debt expense over last authorized beginning April 2021 through February 2023. Illinois approved a stipulation in March 2021 to allow the rider to be extended through the end of 2023. Missouri issued a base rate case order on April 7, 2021, authorizing recovery in rates of the COVID-19 financial impacts deferred through March 31, 2021 over a three-year period.	CA, IA, IL, MO

The Company’s Pennsylvania subsidiary filed for a request with the Pennsylvania Public Utility Commission (the “PaPUC”) to defer as a regulatory asset all identified COVID-19 financial impacts. On September 15, 2021, the PaPUC issued an order approving the Company’s request to defer, with carrying costs, incremental uncollectible expense and other incremental costs net of savings attributed to the COVID-19 pandemic. The PaPUC order denied the request to include lost revenues attributed to the waiver of late fees and reconnect fees and expenses associated with additional interest costs. Additionally, the PaPUC order approved the request to allow for the continuation of the deferral of financial impacts, rejecting proposals from the intervening parties to define an end date to the deferral in 2021. As a result of the order discussed above, the Company recorded a net \$7 million reduction to its regulatory assets and corresponding impacts to revenue, interest expense and uncollectible expense during the third quarter of 2021. The Company continues to evaluate options within its next base rate case to address these denied items and the resulting financial impact.

On July 28, 2021, the Company’s Tennessee subsidiary filed a stipulation and settlement agreement with the Consumer Advocate Unit in the Financial Division of the Office of the Tennessee Attorney General, which reflected agreement on the deferral of COVID-19-related financial impacts through April 30, 2021. On August 9, 2021, the Tennessee Public Utility Commission denied the stipulation and settlement agreement and moved to address the Company’s Tennessee subsidiary’s petition to defer the COVID-19 financial impacts in a future hearing. On August 26, 2021, the Company’s Tennessee subsidiary filed a motion to withdraw its pending petition, preserving its right to seek recovery of the COVID-19 financial impacts in a future proceeding.

In December 2020, the Kentucky Public Service Commission issued an order denying a request to defer to a regulatory asset the financial impacts related to the COVID-19 pandemic.

Consistent with these regulatory orders, the Company has recorded \$36 million in regulatory assets and \$6 million of regulatory liabilities for the financial impacts related to the COVID-19 pandemic on the Consolidated Balance Sheets as of December 31, 2021.

As of February 16, 2022, one state, New Jersey, continues moratoria until March 15, 2022, on the suspension of service disconnections due to non-payment. The moratoria on disconnects have expired in 12 states. The Company continues to monitor the COVID-19 pandemic and will continue to comply with the current ordered moratoria and any future moratoria implemented.

In 2019, the Company completed and submitted its project completion certification to the New Jersey Economic Development Authority (“NJEDA”) in connection with its capital investment in its corporate headquarters in Camden, New Jersey. The NJEDA determined that the Company is qualified to receive \$164 million in tax credits over a ten-year period. The Company is required to meet various annual requirements in order to monetize one-tenth of the tax credits annually and is subject to a claw-back period if the Company does not meet certain NJEDA requirements of the tax credit program in years 11 through 15. The Company has made the necessary annual filings for the years ended December 31, 2019 and 2020 and expects to make the 2021 filing by April 30, 2022. As a result, the Company had receivables of \$49 million and \$115 million in other current assets and other long-term assets, respectively, on the Consolidated Balance Sheets as of December 31, 2021. The submitted filings are under review by the NJEDA and it is expected that the Company will receive final NJEDA approval and monetize the credits in the first half of 2022.

In March 2020, in connection with the COVID-19 pandemic, the NJEDA, pursuant to Executive Order 103 - State of Emergency and a Public Health Emergency, temporarily waived the requirement that a full-time employee must spend at least 80% of his or her time at the qualified business facility ("QBF") to meet the definition of eligible position or full-time job. The waiver will continue for as long as New Jersey's Executive Order 281 is valid. On July 2, 2021, New Jersey's Governor approved a bill that revised provisions of the Economic Recovery Act of 2020 and other economic development programs, including amending the definition of an eligible position and full-time job in the Grow New Jersey Program and replacing the 80% requirement of time spent at the QBF. The bill states that an eligible position is one that is filled by a full-time employee who has their primary office at the QBF and spends at least 60% of their time at the QBF. The bill specifically states that it supersedes the existing regulations and existing incentive agreements that require an eligible employee spend at least 80% of their time at the QBF.

Sale of Homeowner Services Group

On the Closing Date, the Company sold all of the equity interests in subsidiaries that comprised HOS to the Buyer for total consideration of approximately \$1.275 billion, resulting in a pre-tax gain on sale of \$748 million. The consideration is comprised of \$480 million in cash, a seller promissory note issued by the Buyer in the principal amount of \$720 million, and a contingent cash payment of \$75 million payable upon satisfaction of certain conditions on or before December 31, 2023. The structure of the transaction enables the initial cash proceeds to be redeployed into the Regulated Businesses to fund near-term incremental capital investments, while interest on the seller note provides a stream of earnings during its term. Upon maturity, the proceeds from the repayment of the seller note are expected to be used to fund capital investment in the Regulated Businesses. This sale narrowed the focus of the Company's Market-Based Businesses primarily to MSG.

The seller note has a five-year term, is payable in cash, and bears interest at a rate of 7.00% per year during the term. The repayment obligations of the Buyer under the seller note have been secured by a first priority security interest in certain property of the Buyer and the former HOS subsidiaries, including their cash and securities accounts, as well as a pledge of the equity interests in each of those subsidiaries, subject to certain limitations and exceptions. The seller note requires compliance with affirmative and negative covenants (subject to certain conditions, limitations and exceptions), including a covenant limiting the incurrence by the Buyer and certain affiliates of additional indebtedness in excess of certain thresholds, but does not include any financial maintenance covenants.

Beginning December 9, 2024, the Company has a put right pursuant to which it may require the seller note to be repaid in full at par, plus accrued and unpaid interest, except that upon the occurrence of a disruption event in the broadly syndicated term loan "B" debt financing market, repayment by the Buyer pursuant to the Company's exercise of the put right will be delayed until the market disruption event ends.

The seller note may not be prepaid at the Buyer's election except in certain limited circumstances before the fourth anniversary of the Closing Date. If the Buyer seeks to repay the seller note in breach of this non-call provision, an event of default will occur under the seller note and the Company may, among other actions, demand repayment in full together with a premium ranging from 105.5% to 107.5% of the outstanding principal amount of the loan and a customary "make-whole" payment.

The Company and the Buyer also entered into a revenue share agreement, pursuant to which the Company is to receive 10% of the revenue generated from customers who are billed for home warranty services through an applicable Company subsidiary (an "on-bill" arrangement), and 15% of the revenue generated from any future on-bill arrangements entered into after the closing. Unless earlier terminated, this agreement has a term of up to 15 years, which may be renewed for up to two five-year periods.

Financing Activities

On May 10, 2021, American Water Capital Corp. ("AWCC") completed a \$1.1 billion debt offering, which included the sale of \$550 million aggregate principal amount of its 2.30% senior notes due 2031 and \$550 million aggregate principal amount of its 3.25% senior notes due 2051. Net proceeds of this offering were used to lend funds to parent company and its regulated subsidiaries, to prepay \$327 million in aggregate principal amount of AWCC's outstanding senior notes, to repay AWCC's commercial paper obligations and for general corporate purposes. See Note 12—Long-Term Debt in the Notes to Consolidated Financial Statements for additional information.

As a result of AWCC's prepayment of the various senior notes, a make-whole premium of \$15 million was paid to the holders thereof on June 14, 2021. Substantially all of the early debt extinguishment costs were allocable to the Company's utility subsidiaries and recorded as regulatory assets, as the Company believes they are probable of recovery in future rates.

Selected Financial Data

This selected financial data below should be read in conjunction with the Company's Consolidated Financial Statements and related Notes in this Annual Report on Form 10-K as well as the remainder of this Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations.

(In millions, except per share data)	For the Years Ended December 31,				
	2021	2020	2019	2018	2017
Statement of Operations data:					
Operating revenues	\$ 3,930	\$ 3,777	\$ 3,610	\$ 3,440	\$ 3,357
Net income attributable to common shareholders	1,263	709	621	567	426
Net income attributable to common shareholders per basic common share	\$ 6.96	\$ 3.91	\$ 3.44	\$ 3.16	\$ 2.39
Net income attributable to common shareholders per diluted common share	6.95	3.91	3.43	3.15	2.38
Balance Sheet data:					
Total assets	\$ 26,075	\$ 24,766	\$ 22,682	\$ 21,223	\$ 19,482
Long-term debt and redeemable preferred stock at redemption value	10,344	9,333	8,644	7,576	6,498
Other data:					
Cash dividends declared per common share	\$ 2.41	\$ 2.20	\$ 2.00	\$ 1.82	\$ 1.66
Net cash provided by operating activities	1,441	1,426	1,383	1,386	1,449
Net cash used in investing activities	(1,536)	(2,061)	(1,945)	(2,036)	(1,672)
Net cash (used in) provided by financing activities	(345)	1,120	494	726	207
Capital expenditures included in net cash used in investing activities	(1,764)	(1,822)	(1,654)	(1,586)	(1,434)

Financial Results

For the years ended December 31, 2021, 2020 and 2019, diluted earnings per share (GAAP) were \$6.95, \$3.91 and \$3.43, respectively. In 2021, as compared to 2020, diluted earnings per share increased \$3.04. This increase was primarily driven by a pre-tax gain on sale of \$748 million relating to the sale of HOS and continued growth in the Regulated Businesses from infrastructure investment, acquisitions and organic growth. These increases were offset by the \$45 million pre-tax contribution to the AWCf authorized by the Company in 2021, and the impacts from weather in both 2021 and 2020, which had an estimated net decrease of \$13 million in revenues in 2021, or \$0.05 per share. The consolidated net income impact of the gain on sale of HOS and the AWCf contribution is \$491 million, or \$2.70 per share, inclusive of a \$13 million net income benefit included in the Other segment, from the revaluation of state net operating losses that can now be utilized as a result of the sale.

Growth Through Capital Investment in Infrastructure and Regulated Acquisitions

The Company expects to continue to grow its businesses, with the majority of its growth to be achieved in the Regulated Businesses through (i) continued capital investment in the Company's infrastructure to provide safe, clean, reliable and affordable water and wastewater services to its customers, and (ii) regulated acquisitions to expand the Company's services to new customers. In 2021, the Company invested \$1.9 billion, primarily in the Regulated Businesses, as discussed below:

Regulated Businesses Growth and Optimization

- \$1.8 billion capital investment in the Regulated Businesses, the majority for infrastructure improvements and replacements; and
- \$135 million to fund acquisitions, including deposits discussed below, in the Regulated Businesses, which added approximately 20,000 water and wastewater customers during 2021, in addition to approximately 17,500 customers added through organic growth during 2021.

On April 6, 2021, the Company's Pennsylvania subsidiary entered into an agreement to acquire the wastewater assets of the York City Sewer Authority for \$235 million, plus an amount of average daily revenue calculated for the period between the final meter reading and the date of closing. This system, directly and indirectly through bulk contracts, serves more than 45,000 customers. In connection with the execution of the acquisition agreement, the Company's Pennsylvania subsidiary paid a \$20 million deposit to the seller on April 30, 2021, which is refundable in the event the agreement is terminated prior to closing of the acquisition. The Company expects to close this acquisition in the first half of 2022, pending regulatory approval.

On March 29, 2021, the Company's New Jersey subsidiary entered into an agreement to acquire the water and wastewater assets of Egg Harbor City for \$22 million. The water and wastewater systems currently serve approximately 1,500 customers each, or 3,000 combined, and are being sold through the New Jersey Water Infrastructure Protection Act process. The Company expects to close this acquisition in the second half of 2022, pending regulatory approval.

During 2022, the Company closed on the acquisition of two regulated water and wastewater systems adding approximately 700 customers, for a total aggregate purchase price of \$2 million. As of February 16, 2022, the Company has entered into agreements for pending acquisitions in the Regulated Businesses, including the York City Sewer Authority and Egg Harbor City agreements discussed above, to add approximately 77,000 additional customers.

Sale of New York American Water Company, Inc.

On January 1, 2022, the Company completed the previously disclosed sale of its regulated utility operations in New York to Liberty, an indirect, wholly owned subsidiary of Algonquin Power & Utilities Corp. Liberty purchased from the Company all of the capital stock of the Company's New York subsidiary for a purchase price of \$608 million in cash. The sale was approved by the New York State Department of Public Service on December 16, 2021. The Company's regulated New York operations represented approximately 127,000 customers in the State of New York. The assets and related liabilities of the New York subsidiary were classified as held for sale on the Consolidated Balance Sheets as of December 31, 2021. See Note 6—Acquisitions and Divestitures in the Notes to Consolidated Financial Statements for additional information.

Sale of Michigan American Water Company

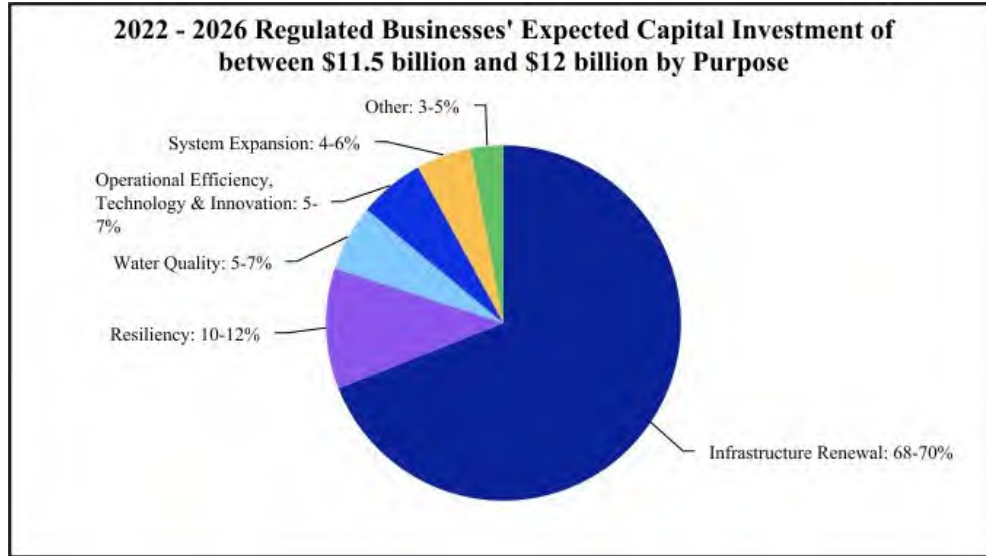
On February 4, 2022, the Company completed the sale of its operations in Michigan for approximately \$6 million.

Future Growth

The Company expects to invest between \$13 billion to \$14 billion over the next five years, and between \$28 billion to \$32 billion over the next 10 years, including \$2.5 billion in 2022. The Company's expected future investments include:

- capital investment for infrastructure improvements in the Regulated Businesses between \$11.5 billion to \$12 billion over the next five years, and between \$25 billion to \$28 billion over the next 10 years, including \$2 billion expected in 2022; and
- growth from acquisitions in the Regulated Businesses to expand the Company's water and wastewater customer base of between \$1.5 billion to \$2 billion over the next five years, and between \$3 billion to \$4 billion over the next 10 years, including \$500 million expected in 2022.

Presented in the following chart is the estimated allocation of the Company’s expected capital investment for infrastructure improvements in its Regulated Businesses over the next five years, by purpose:



Operational Excellence

The Company’s adjusted regulated O&M efficiency ratio, which is used as a measure of the operating performance of the Regulated Businesses, was 34.1% for the year ended December 31, 2021, compared to 34.3% for the year ended December 31, 2020. The improvement in this ratio reflects the continued focus on operating costs, as well as an increase in operating revenues for the Regulated Businesses after considering the adjustment for the amortization of the excess accumulated deferred income taxes (“EADIT”) shown in the table below.

The Company’s adjusted regulated O&M efficiency ratio is a non-GAAP measure and is defined by the Company as its operation and maintenance expenses from the Regulated Businesses, divided by the operating revenues from the Regulated Businesses, where both operation and maintenance expenses and operating revenues were adjusted to eliminate purchased water expense. Operating revenues were further adjusted to exclude reductions for the amortization of the EADIT. Also excluded from operation and maintenance expenses is the allocable portion of non-O&M support services costs, mainly depreciation and general taxes, which is reflected in the Regulated Businesses segment as operation and maintenance expenses, but for consolidated financial reporting purposes, is categorized within other line items in the accompanying Consolidated Statements of Operations. Additionally, the Company excluded the impact of certain Freedom Industries chemical spill settlement activities recognized in 2019 from operation and maintenance expenses. The items discussed above were excluded from the O&M efficiency ratio calculation as they are not reflective of management’s ability to increase the efficiency of the Regulated Businesses.

The Company evaluates its operating performance using this ratio, and believes it is useful to investors because it directly measures improvement in the operating performance and efficiency of the Regulated Businesses. This information is derived from the Company’s consolidated financial information but is not presented in its financial statements prepared in accordance with GAAP. This information supplements and should be read in conjunction with the Company’s GAAP disclosures, and should be considered as an addition to, and not a substitute for, any GAAP measure. The Company’s adjusted regulated O&M efficiency ratio (i) is not an accounting measure that is based on GAAP; (ii) is not based on a standard, objective industry definition or method of calculation; (iii) may not be comparable to other companies’ operating measures; and (iv) should not be used in place of the GAAP information provided elsewhere in this Annual Report on Form 10-K.

Presented in the table below is the calculation of the Company's adjusted regulated O&M efficiency ratio and a reconciliation that compares operation and maintenance expenses and operating revenues, each as determined in accordance with GAAP, to those amounts utilized in the calculation of its adjusted O&M efficiency ratio:

(Dollars in millions)	For the Years Ended December 31,		
	2021	2020	2019
Total operation and maintenance expenses	\$ 1,777	\$ 1,622	\$ 1,544
Less:			
Operation and maintenance expenses—Market-Based Businesses	482	389	393
Operation and maintenance expenses—Other	(30)	(25)	(31)
Total operation and maintenance expenses—Regulated Businesses	1,325	1,258	1,182
Less:			
Regulated purchased water expenses	153	149	135
Allocation of non-operation and maintenance expenses	34	41	31
Impact of Freedom Industries settlement activities (a)	—	—	(4)
Adjusted operation and maintenance expenses—Regulated Businesses (i)	\$ 1,138	\$ 1,068	\$ 1,020
Total operating revenues	\$ 3,930	\$ 3,777	\$ 3,610
Less:			
Operating revenues—Market-Based Businesses	563	540	539
Operating revenues—Other	(17)	(18)	(23)
Total operating revenues—Regulated Businesses	3,384	3,255	3,094
Less:			
Regulated purchased water revenues (b)	153	149	135
Revenue reductions from the amortization of EADIT	(104)	(7)	—
Adjusted operating revenues—Regulated Businesses (ii)	\$ 3,335	\$ 3,113	\$ 2,959
Adjusted O&M efficiency ratio—Regulated Businesses (i) / (ii)	34.1 %	34.3 %	34.5 %

(a) Includes the impact of a reduction of a liability in the first quarter of 2019 related to the Freedom Industries chemical spill.

(b) The calculation assumes regulated purchased water revenues approximate regulated purchased water expenses.

Regulatory Matters**General Rate Cases**

Presented in the table below are annualized incremental revenues, excluding reductions for the amortization of EADIT that are generally offset in income tax expense, assuming a constant water sales volume, resulting from general rate cases authorizations that became effective during 2019 through 2021:

(In millions)	2021	2020	2019
General rate cases by state (a):			
Iowa (effective October 11, 2021)	\$ 1	\$ —	\$ —
Missouri (effective May 28, 2021)	22	—	—
Pennsylvania (effective January 28, 2021)	70	—	—
California (effective January 1, 2021, January 1, 2020 and May 11, 2019)	22	5	4
New Jersey (effective November 1, 2020)	—	54	—
Indiana (effective May 1, 2020 and July 1, 2019)	—	13	4
Kentucky (effective June 28, 2019)	—	—	13
West Virginia (effective February 25, 2019)	—	—	19
Maryland (effective February 5, 2019)	—	—	1
Total general rate case authorizations	<u>\$ 115</u>	<u>\$ 72</u>	<u>\$ 41</u>

(a) Excludes authorized increases of \$7 million and \$4 million in 2021 and 2019, respectively, for the Company's New York subsidiary, which was sold on January 1, 2022. See Note 6—Acquisitions and Divestitures in the Notes to the Consolidated Financial Statements for additional information.

On November 18, 2021, the CPUC unanimously approved a final decision in the test year 2021 general rate case filed by the Company's California subsidiary, which is retroactive to January 1, 2021. The Company's California subsidiary received authorization for additional annualized water and wastewater revenues of \$22 million, excluding agreed to reductions for EADIT as a result of the Tax Cuts and Jobs Act of 2017 (the "TCJA"). The EADIT reduction in revenues is \$4 million and is offset by a like reduction in income tax expense. On January 18, 2022, the Company's California subsidiary filed for approval of \$13 million in 2022 escalation increases, excluding \$4 million of reductions related to the TCJA. This filing, which is retroactive to January 1, 2022, is subject to CPUC approval with a 45-day review period.

On June 28, 2021, an order was issued authorizing an increase of \$1 million in the general rate case filed by the Company's Iowa subsidiary in 2020. The Company's Iowa subsidiary filed tariffs consistent with the order on September 23, 2021. Effective October 11, 2021, the Iowa Utilities Board approved the tariffs and implemented the new rates.

On April 7, 2021, the Company's Missouri subsidiary was authorized additional annualized revenues of \$22 million, effective May 28, 2021, excluding agreed to reductions for EADIT as a result of the TCJA. The EADIT reduction in revenues is \$25 million and is offset by a like reduction in income tax expense. The protected EADIT balance of \$72 million is being returned to customers using the average rate assumption method ("ARAM"), and the unprotected EADIT balance of \$74 million is being returned to customers over 10 years. The \$25 million EADIT reduction includes both the protected and unprotected catch-up period EADIT of \$13 million. The catch-up period of January 1, 2018 through May 31, 2021 covers the period from when the lower federal corporate income tax rate went into effect until new base rates went into effect and will be amortized over 2.5 years.

On March 2, 2021, an administrative law judge ("ALJ") in the Office of Administrative Law of New Jersey filed an initial decision with the New Jersey Board of Public Utilities (the "NJBPU") that recommended denial of a petition filed by the Company's New Jersey subsidiary, which sought approval of acquisition adjustments in rate base of \$29 million associated with the acquisitions of Shorelands Water Company, Inc. in 2017 and the Borough of Haddonfield's water and wastewater systems in 2015. On July 29, 2021, the NJBPU issued an order adopting the ALJ's initial decision without modification. The Company's New Jersey subsidiary filed a Notice of Appeal with the New Jersey Appellate Division on September 10, 2021. A scheduling order was issued on October 18, 2021 establishing a briefing schedule through March 2022. There is no financial impact to the Company as a result of the NJBPU's order, since the acquisition adjustments are currently recorded as goodwill on the Consolidated Balance Sheets.

On February 25, 2021, the Company's Pennsylvania subsidiary was authorized additional annualized revenues of \$90 million, effective January 28, 2021, excluding agreed to reductions for EADIT as a result of the TCJA, over two steps. The EADIT reduction in revenues is \$19 million. The overall increase, net of TCJA reductions, is \$71 million in revenues combined over two steps. The first step was effective January 28, 2021 in the amount of \$70 million (\$51 million including TCJA reductions) and the second step will be effective January 1, 2022 in the amount of \$20 million. The protected EADIT balance of \$200 million is being returned to customers using the ARAM, and the unprotected EADIT balance of \$116 million is being returned to customers over 20 years. The \$19 million annually includes both the protected and unprotected EADIT amortizations and a portion of catch-up period EADIT. A bill credit of \$11 million annually for two years returns to customers the remainder of the EADIT catch-up period amortization. The catch-up period of January 1, 2018 through December 31, 2020 covers the period from when the lower federal corporate income tax rate went into effect until new base rates went into effect and will be amortized over two years.

Pending General Rate Case Filings

On February 10, 2022, the Company's Illinois subsidiary filed a general rate case requesting \$71 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA and infrastructure surcharges.

On January 14, 2022, the Company's New Jersey subsidiary filed a general rate case requesting \$110 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA and infrastructure surcharges.

On December 1, 2021, the Company's Kentucky subsidiary filed a wastewater rate case requesting additional revenues of \$1 million, excluding proposed reductions for EADIT as a result of TCJA. The Company requested a four-step rate increase for their wastewater operations with effective dates of June 1, 2022, June 1, 2023, June 1, 2024 and June 1, 2025 for annual amounts of less than \$1 million each year. The Company filed their wastewater case under the alternative rate filing process for smaller utilities which calculates an operating ratio of 88% rather than a return on equity.

On November 15, 2021, the Company's Virginia subsidiary filed a general rate case requesting \$15 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA.

On August 18, 2021, the Company's Hawaii subsidiary filed a general rate case requesting \$2 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA.

On April 30, 2021, the Company's West Virginia subsidiary filed a general rate case requesting \$32 million in annualized incremental revenues excluding proposed reductions for EADIT as a result of TCJA and infrastructure surcharges. The proposed EADIT reduction in revenues is \$1 million and the exclusion for infrastructure surcharges is \$10 million. Intervenor testimony was received on September 20, 2021. The Company's rebuttal testimony was filed on October 5, 2021. Hearings were conducted on November 3 and 4, 2021. A final order is expected no later than February 24, 2022.

The Company's California subsidiary submitted its application on May 3, 2021 to set its cost of capital for 2022 through 2024. According to the CPUC's process, a decision is expected to be issued, setting the authorized cost of capital in the third quarter of 2022.

Infrastructure Surcharges

A number of states have authorized the use of regulatory mechanisms that permit rates to be adjusted outside of a general rate case for certain costs and investments, such as infrastructure surcharge mechanisms that permit recovery of capital investments to replace aging infrastructure. Presented in the table below are annualized incremental revenues, assuming a constant water sales volume, resulting from infrastructure surcharge authorizations that became effective during 2019 through 2021:

(In millions)	2021	2020	2019
Infrastructure surcharges by state (a):			
New Jersey (b)	\$ 26	\$ 20	\$ 15
Missouri (c)	7	12	14
Kentucky (effective July 1, 2021 and July 1, 2020)	1	1	—
Indiana (effective March 17, 2021)	8	—	—
Pennsylvania (d)	8	27	11
Illinois (effective January 1, 2021, January 1, 2020 and January 1, 2019)	7	7	8
West Virginia (effective January 1, 2021, January 1, 2020 and January 1, 2019)	5	3	2
Tennessee (effective January 1, 2021, January 1, 2020 and September 1, 2019)	3	2	1
Total infrastructure surcharge authorizations	\$ 65	\$ 72	\$ 51

- (a) Excludes authorized increases of \$2 million in 2019 for the Company's New York subsidiary, which was sold on January 1, 2022. See Note 6—Acquisitions and Divestitures in the Notes to the Consolidated Financial Statements for additional information.
- (b) In 2021, \$12 million was effective on December 30 and \$14 million was effective June 28. In 2020, \$10 million was effective June 29 and \$10 million was effective January 1. In 2019, the effective date was July 1.
- (c) In 2021, the effective date was October 7. In 2020, \$2 million was effective December 14 and \$10 million was effective June 27. In 2019, \$5 million was effective December 21 and \$9 million was effective June 24.
- (d) In 2021, the effective date was January 1. In 2020, \$8 million was effective October 1, \$4 million was effective July 1, \$5 million was effective April 1 and \$10 million was effective January 1. In 2019, \$6 million was effective October 1, \$3 million was effective July 1 and \$2 million was effective April 1.

Presented in the table below are annualized incremental revenues, assuming a constant water sales volume, resulting from infrastructure surcharge authorizations that became effective after January 1, 2022:

(In millions)	Amount
Infrastructure surcharge filings by state:	
Illinois (effective January 1, 2022)	\$ 6
Missouri (effective February 1, 2022)	12
Total infrastructure surcharge filings	\$ 18

Pending Infrastructure Surcharge Filings

On January 19, 2022, the Company's Indiana subsidiary filed for infrastructure surcharges requesting \$8 million in additional annualized revenues.

On June 30, 2021, the Company's West Virginia subsidiary filed for an infrastructure surcharge requesting \$3 million in additional annualized revenues.

Tax Matters**Federal Tax Legislation**

On November 15, 2021, the IIJA was signed into law and was designed to provide significant investment in the nation's infrastructure. The Company has analyzed the bill to assess legislative tax impacts, and determined that the most significant aspect impacting the Company is the provision for special rules for regulated water and wastewater utilities as it relates to the tax treatment of contributions in aid of construction ("CIAC"). The bill reinstates the pre-TCJA tax treatment of CIAC, which allows regulated water and wastewater utilities to generally exclude the receipt of CIAC from taxable income. This provision is effective for contributions made after December 31, 2020. For the year ended December 31, 2021, the Company has reflected the exemption retroactively to January 1, 2021.

On December 22, 2017, the TCJA was signed into law, which, among other things, enacted significant and complex changes to the Internal Revenue Code of 1986, as amended (the “Code”), including a reduction in the federal corporate income tax rate from 35% to 21% as of January 1, 2018. The enactment of the TCJA required a re-measurement of the Company’s deferred income taxes. The portion of this re-measurement related to the Regulated Businesses was substantially offset by a regulatory liability as EADIT will be used to benefit the Company’s regulated customers in future rates. Twelve of the Company’s regulated subsidiaries are amortizing EADIT and crediting customers. The Company expects the timing of the amortization of EADIT credits for the one remaining regulated subsidiary to be addressed in a pending rate case or other proceedings. When crediting EADIT to the customer, the Company records both a reduction to revenue and a reduction to income tax expense, having no material impact on net income.

Federal Net Operating Loss

The Company had no federal NOL carryover balance remaining as of December 31, 2021 due to the HOS sale, after which time the Company became a cash taxpayer for federal income tax purposes.

Legislative Updates

During 2021, the Company’s regulatory jurisdictions enacted the following legislation that has been approved and is effective as of February 16, 2022:

- California passed electronic payment legislation, Assembly Bill 1058, which permanently changes state law to allow investor-owned water and wastewater utilities to accept electronic payments, including credit and debit cards, without charging processing fees to customers.
- California passed CPUC consolidation timeline legislation, Assembly Bill 1250, which requires the CPUC to make timely decisions on applications to acquire systems. Consolidations of \$5 million or less are to be processed within 180 days and those more than \$5 million are required to be processed within 12 months.
- The Kentucky General Assembly adopted House Bill 465 relating to the acquisition of water and wastewater utilities. The legislation affirms a method in valuing water and wastewater systems above net book value and establishes a timeline of 60 days for Public Service Commission approval of an acquisition.
- Indiana House Enrolled Act 1287 creates a mechanism that reduces the required upfront cost to new customers for a water or wastewater utility to extend service to underserved areas.
- Indiana House Enrolled Act 349 establishes a tax rider for water and wastewater utilities based upon a change in state or federal income tax law. The legislation also requires the Indiana Finance Authority to prioritize loans that secure long-term benefits over shorter term projects.
- New Jersey passed Lead Service Line Replacement Bill, Senate Bill 3398/Assembly Bill 5343, which provides for the replacement of lead service lines within 10 years of the effective date of the bill and authorizes cost recovery of customer-owned lead service lines as an O&M expense plus interest through a semi-annual surcharge.
- Missouri passed the Water and Sewer Infrastructure Act, Senate Bill 44/House Bill 397, to establish a new statewide surcharge mechanism program which covers replacement of aging water distribution and sewer collection infrastructure. This legislation broadens the eligible projects covered by the current Infrastructure System Replacement Surcharge mechanism and expands its applicability to projects across the state.
- New Jersey passed Senate Bill 647/House Bill 4825 which strengthens the WQAA by requiring the Department of Environmental Protection to adopt regulations to implement the WQAA, enhancing asset management plans and reporting, upgrading cyber security standards and adding criminal penalties for falsifying reports.
- Illinois passed House Bill 414, Low Income Water & Sewer Financial Assistance Program, which authorizes the state’s Department of Commerce and Economic Opportunity to institute a water and sewer assistance program for customers of privately and publicly owned systems. The program is modeled off the existing energy supplemental state Low Income Home Energy Assistance Program.

In September 2020, the CPUC released a decision under its Low-Income Rate Payer Assistance program rulemaking that will require the Company’s California subsidiary to file a proposal to alter its water revenue adjustment mechanism in its next general rate case filing in 2022, which would become effective in January 2024. On October 5, 2020, the Company’s California subsidiary filed an application for rehearing of the decision and following the CPUC’s denial of its rehearing application in September 2021, the Company’s California subsidiary filed a petition for writ of review with the California Supreme Court on October 27, 2021.

Consolidated Results of Operations

Presented in the table below are the Company's consolidated results of operations:

	For the Years Ended December 31,		
	2021	2020	2019
(In millions)			
Operating revenues	\$ 3,930	\$ 3,777	\$ 3,610
Operating expenses:			
Operation and maintenance	1,777	1,622	1,544
Depreciation and amortization	636	604	582
General taxes	321	303	280
Other	—	—	(10)
Total operating expenses, net	2,734	2,529	2,396
Operating income	1,196	1,248	1,214
Other income (expense):			
Interest expense	(403)	(397)	(386)
Interest income	4	2	4
Non-operating benefit costs, net	78	49	16
Gain or (loss) on sale of businesses	747	—	(44)
Other, net	18	22	29
Total other income (expense)	444	(324)	(381)
Income before income taxes	1,640	924	833
Provision for income taxes	377	215	212
Net income attributable to common shareholders	\$ 1,263	\$ 709	\$ 621

Segment Results of Operations

The Company's operating segments are comprised of the revenue-generating components of its business for which separate financial information is internally produced and regularly used by management to make operating decisions, assess performance and allocate resources. The Company operates its business primarily through one reportable segment, the Regulated Businesses segment. The Company also operates other businesses that, individually, do not meet the criteria of a reportable segment in accordance with GAAP, and are collectively presented as the Market-Based Businesses, which is consistent with how management assesses the results of these businesses. For a discussion and analysis of the Company's financial statements for fiscal 2020 compared to fiscal 2019, please refer to Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations in the Company's Annual Report on Form 10-K for the year ended December 31, 2020, filed with the SEC on February 24, 2021.

Regulated Businesses Segment

Presented in the table below is financial information for the Regulated Businesses:

	For the Years Ended December 31,		
	2021	2020	2019
(In millions)			
Operating revenues	\$ 3,384	\$ 3,255	\$ 3,094
Operation and maintenance	1,325	1,258	1,182
Depreciation and amortization	601	562	529
General taxes	301	285	262
Other operating expenses	1	(3)	(10)
Other income (expenses)	(195)	(221)	(262)
Income before income taxes	962	932	869
Provision for income taxes	172	217	215
Net income attributable to common shareholders	789	715	654

Operating Revenues

Presented in the tables below is information regarding the main components of the Regulated Businesses' operating revenues:

	For the Years Ended December 31,		
	2021	2020	2019
(In millions)			
Water services:			
Residential	\$ 1,935	\$ 1,895	\$ 1,735
Commercial	676	627	639
Fire service	151	147	142
Industrial	141	133	138
Public and other	239	226	230
Total water services	3,142	3,028	2,884
Wastewater services:			
Residential	151	134	119
Commercial	37	34	31
Industrial	4	3	3
Public and other	16	14	14
Total wastewater services	208	185	167
Other (a)	34	42	43
Total operating revenues	\$ 3,384	\$ 3,255	\$ 3,094

(a) Includes other operating revenues consisting primarily of miscellaneous utility charges, fees and rents.

	For the Years Ended December 31,		
	2021	2020	2019
(Gallons in millions)			
Billed water services volumes:			
Residential	173,644	178,753	167,470
Commercial	77,476	75,875	81,268
Industrial	35,738	34,875	37,242
Fire service, public and other	51,957	49,031	50,501
Total billed water services volumes	338,815	338,534	336,481

In 2021, as compared to 2020, operating revenues increased \$129 million primarily due to \$208 million increase from authorized rate increases, including infrastructure surcharges, principally to fund infrastructure investment in various states, and a \$26 million increase from water and wastewater acquisitions, as well as organic growth in existing systems. These increases were offset by an estimated net decrease of \$13 million from weather in both 2021 and 2020, a \$5 million decrease from lower water services demand and ongoing customer usage reductions from conservation, and a \$79 million decrease in revenues due to the amortization of EADIT, which is generally offset with a reduction in income tax expense. Additionally, there was an \$8 million decrease in revenue due to the denial of authorization to defer certain COVID-19 financial impacts based on the PaPUC order received by the Company's Pennsylvania subsidiary. See Note 3—Impact of the COVID-19 Pandemic in the Notes to Consolidated Financial Statements for additional information.

Operation and Maintenance

Presented in the table below is information regarding the main components of the Regulated Businesses' operating and maintenance expense:

	For the Years Ended December 31,		
	2021	2020	2019
(In millions)			
Employee-related costs	\$ 522	\$ 495	\$ 462
Production costs	353	335	317
Operating supplies and services	245	242	237
Maintenance materials and supplies	93	84	74
Customer billing and accounting	66	58	55
Other	46	44	37
Total	\$ 1,325	\$ 1,258	\$ 1,182

Employee-Related Costs

	For the Years Ended December 31,		
	2021	2020	2019
(In millions)			
Salaries and wages	\$ 402	\$ 382	\$ 363
Group insurance	66	65	60
Pensions	25	20	12
Other benefits	29	28	27
Total	\$ 522	\$ 495	\$ 462

In 2021, as compared to 2020, employee-related costs increased \$27 million primarily due to a \$20 million increase in salaries and wages from higher headcount and related compensation expense supporting growth in the businesses and a \$5 million increase in pension service costs.

Production Costs

(In millions)	For the Years Ended December 31,		
	2021	2020	2019
Purchased water	\$ 153	\$ 149	\$ 135
Fuel and power	97	88	90
Chemicals	59	57	54
Waste disposal	44	41	38
Total	\$ 353	\$ 335	\$ 317

In 2021, as compared to 2020, production costs increased \$18 million primarily due to a \$9 million increase in fuel and power due to higher rates and system delivery across several subsidiaries and a \$4 million increase in purchased water primarily due to usage in the Company's California subsidiary.

Maintenance Materials and Supplies

In 2021, as compared to 2020, maintenance materials and supplies increased \$9 million primarily due to timing of maintenance and tank painting projects in the Company's New Jersey subsidiary and increased paving costs from a higher volume of main breaks.

Customer Billing and Accounting

In 2021, as compared to 2020, customer billing and accounting increased \$8 million primarily due to higher call volumes experienced at our customer service centers, higher collections costs and higher uncollectible costs.

Depreciation and Amortization

In 2021, as compared to 2020, depreciation and amortization increased \$39 million primarily due to additional utility plant placed in service from capital infrastructure investments and acquisitions.

General Taxes

In 2021, as compared to 2020, general taxes increased \$16 million, primarily due to increased capital investments, including acquisitions, increased tax rates across several subsidiaries and an increase in the New Jersey Gross Receipts Tax.

Other Income (Expenses)

In 2021, as compared to 2020, other income (expenses) increased \$26 million primarily due to the reduction in the non-service cost components of pension and other postretirement benefits expense resulting from higher asset returns.

Provision for Income Taxes

In 2021, as compared to 2020, the Regulated Businesses' provision for income taxes decreased \$45 million. The Regulated Businesses' effective income tax rate was 17.9% and 23.3% for the years ended December 31, 2021 and 2020, respectively. The decrease was primarily due to an increase in the amortization of EADIT resulting from the TCJA, pursuant to regulatory orders. The amortization of EADIT is generally offset with reductions in revenue.

Market-Based Businesses

Presented in the table below is information for the Market-Based Businesses:

	For the Years Ended December 31,		
	2021	2020	2019
(In millions)			
Operating revenues	\$ 563	\$ 540	\$ 539
Operation and maintenance	482	389	393
Depreciation and amortization	22	26	37
Gain or (loss) on sale of businesses	748	(1)	(44)
Income before income taxes	798	120	66
Provision for income taxes	248	29	20
Net income attributable to common shareholders	550	91	46

Operating Revenues

In 2021, as compared to 2020, operating revenues increased \$23 million primarily due to a \$32 million increase in capital and O&M projects in the MSG, across several of the Company's military bases, primarily at the United States Military Academy at West Point, New York, Fort Belvoir and Joint Base Lewis-McChord and a \$7 million increase in the CSG related to the contract with the City of Camden, New Jersey. These increases were partially offset by a \$17 million year over year decrease at HOS due to the sale of the business in the fourth quarter of 2021.

Operation and Maintenance

Presented in the table below is information regarding the main components of the Market-Based Businesses' operating and maintenance expense:

	For the Years Ended December 31,		
	2021	2020	2019
(In millions)			
Operating supplies and services	\$ 221	\$ 148	\$ 128
Maintenance materials and supplies	123	114	109
Employee-related costs	96	90	109
Production costs	22	21	29
Other	20	16	18
Total	\$ 482	\$ 389	\$ 393

Operating Supplies and Services

In 2021, as compared to 2020, operating supplies and services increased \$73 million primarily due to the \$45 million pre-tax contribution to the AWCF authorized by the Company in 2021, costs associated with MSG from increased capital and O&M projects as discussed above and an increase in additional O&M costs related to CSG.

Maintenance Materials and Supplies

In 2021, as compared to 2020, maintenance materials and supplies increased \$9 million primarily due to an increase in CSG related to the contract with the City of Camden, New Jersey and an increase in HOS due to contract growth and an increase in claims. These increases were partially offset by a decrease in HOS due to the sale of its business in the fourth quarter of 2021.

Employee-Related Costs

In 2021, as compared to 2020, employee-related costs increased \$6 million primarily due to an increase in salaries and wages in MSG from the addition of new bases in the second half of 2020 and HOS for additional customer service costs to support the business.

Depreciation and Amortization

In 2021, as compared to 2020, depreciation and amortization decreased \$4 million primarily due to lower intangible asset amortization expenses in HOS.

Gain or (Loss) on Sale of Businesses

During the fourth quarter of 2021, the Company recognized a pre-tax gain on sale of \$748 million relating to the sale of HOS. See Note 6—Acquisitions and Divestitures in the Notes to Consolidated Financial Statements for additional information.

Provision for Income Taxes

In 2021, as compared to 2020, provision for income taxes increased \$219 million primarily due to the sale of HOS. See Note 6—Acquisitions and Divestitures in the Notes to Consolidated Financial Statements for additional information.

Liquidity and Capital Resources

The Company uses its capital resources, including cash, primarily to (i) fund operating and capital requirements, (ii) pay interest and meet debt maturities, (iii) pay dividends, (iv) fund acquisitions, (v) fund pension and postretirement benefit obligations, and (vi) to pay federal income taxes, which the Company began to pay as a result of fully utilizing its NOL carryforward in 2021. The Company invests a significant amount of cash on regulated capital projects where it expects to earn a long-term return on investment. Additionally, the Company operates in rate regulated environments in which the amount of new investment recovery may be limited, and where such recovery generally takes place over an extended period of time, and certain capital recovery is also subject to regulatory lag. See Item 1—Business—Regulated Businesses—*Regulation and Rate Making* for additional information. The Company expects to fund future maturities of long-term debt through a combination of external debt and, to the extent available, cash flows from operations. Since the Company expects its capital investments over the next few years to be greater than its cash flows from operating activities, the Company currently plans to fund the excess of its capital investments over its cash flows from operating activities for the next five years through a combination of long-term debt and equity in addition to the proceeds from the sales of HOS and the Company's New York subsidiary. If necessary, the Company may delay certain capital investments or other funding requirements, or pursue financing from other sources to preserve liquidity. In this event, the Company believes it can rely upon cash flows from operations to meet its obligations and fund its minimum required capital investments for an extended period of time.

The Company regularly evaluates and monitors its cash requirements for capital investments, acquisitions, operations, commitments, debt maturities, interest and dividends. The Company's business is capital intensive, with a majority of this capital funded by cash flows from operations. When necessary, the Company also obtains funds from external sources, primarily in the debt markets and through short-term commercial paper borrowings. In order to meet short-term liquidity needs, AWCC issues commercial paper that is supported by its revolving credit facility. The Company may also access the equity capital markets to support its capital funding requirements, as needed. The Company's access to external financing on reasonable terms depends on its credit ratings and current business conditions, including that of the utility and water utility industry in general, as well as conditions in the debt or equity capital markets, and the national and international economic and geopolitical arenas. Disruptions in the credit markets may discourage lenders from extending the terms of such commitments or agreeing to new commitments. Market disruptions may also limit the Company's ability to issue debt and equity securities in the capital markets.

If these unfavorable business, market, financial and other conditions deteriorate to the extent that the Company is no longer able to access the commercial paper and/or capital markets on reasonable terms, AWCC has access to an unsecured revolving credit facility that expires in March 2025 with aggregate bank commitments of \$2.25 billion. The facility is used principally to fulfill the Company's short-term liquidity needs by supporting AWCC's \$2.10 billion commercial paper program and to provide a sublimit of up to \$150 million for letters of credit. Subject to satisfying certain conditions, the credit agreement permits AWCC to increase the maximum commitment under the facility by up to \$500 million. As of December 31, 2021, AWCC had no outstanding borrowings and \$76 million of outstanding letters of credit under its revolving credit facility, with \$1.59 billion available to fulfill its short-term liquidity needs and to issue letters of credit.

To ensure adequate liquidity given the impacts of the COVID-19 pandemic on debt and capital markets, on March 20, 2020, AWCC entered into a Term Loan Credit Agreement, by and among parent company, AWCC and the lenders party thereto (the "Term Loan Facility"). The net proceeds were used for general corporate purposes of AWCC and American Water and to provide additional liquidity. The Term Loan Facility commitments terminated at maturity on March 19, 2021, and the Term Loan Facility was repaid in full.

The Company believes that its ability to access the debt and equity capital markets, the revolving credit facility and cash flows from operations will generate sufficient cash to fund the Company's short-term requirements. The Company believes it has sufficient liquidity and the ability to manage its expenditures, should there be a disruption of the capital and credit markets. However, there can be no assurance that the lenders will be able to meet existing commitments to AWCC under the revolving credit facility, or that AWCC will be able to access the commercial paper or loan markets in the future on acceptable terms or at all. See Credit Facilities and Short-Term Debt below for additional information.

Cash Flows from Operating Activities

Cash flows from operating activities primarily result from the sale of water and wastewater services and, due to the seasonality of demand, are generally greater during the warmer months. The Company's future cash flows from operating activities will be affected by, among other things: customers' ability to pay for service in a timely manner, economic utility regulation, inflation, compliance with environmental, health and safety standards, production costs, maintenance costs, customer growth, declining customer usage of water, employee-related costs, including pension funding, weather and seasonality, taxes, and overall economic conditions.

Operating cash flows can be negatively affected by changes in the Company's rate regulated environments, changes in the Market-Based Businesses, changes in the economy, interest rates, the timing of tax payments, and the Company's customers' ability to pay for service in a timely manner, among other items. The Company can provide no assurance that its customers' historical payment pattern will continue in the future. The Company's current liabilities may exceed current assets mainly from debt maturities due within one year and the use of short-term debt as a funding source, primarily to meet scheduled maturities of long-term debt, fund acquisitions and construction projects, as well as cash needs, which can fluctuate significantly due to the seasonality of the business and other factors. The Company addresses cash timing differences primarily through its short-term liquidity funding mechanisms.

Presented in the table below is a summary of the major items affecting the Company's cash flows from operating activities:

(In millions)	For the Years Ended December 31,		
	2021	2020	2019
Net income	\$ 1,263	\$ 709	\$ 621
Add (less):			
Depreciation and amortization	636	604	582
Deferred income taxes and amortization of investment tax credits	230	207	208
Other non-cash activities (a)	(27)	—	4
Changes in working capital (b)	126	(49)	(5)
Settlement of cash flow hedges	—	(6)	(30)
Pension and non-pension postretirement benefit contributions	(40)	(39)	(31)
(Gain) or loss on sale of businesses	(747)	—	34
Net cash provided by operating activities	\$ 1,441	\$ 1,426	\$ 1,383

(a) Includes provision for losses on accounts receivable, pension and non-pension postretirement benefits and other non-cash, net. Details of each component can be found on the Consolidated Statements of Cash Flows.

(b) Changes in working capital include changes to receivables and unbilled revenues, accounts payable and accrued liabilities, and other current assets and liabilities, net, less the settlement of cash flow hedges.

In 2021, cash flows provided by operating activities increased \$15 million, primarily due to an increase in net income, changes in working capital, primarily from an increase in accrued taxes, and an increase in depreciation and amortization due to additional utility plant placed in service from capital infrastructure investments. Partially offsetting these increases was the gain on sale of businesses, due to the gain on the sale of HOS.

The Company expects to make pension contributions to the plan trusts of \$37 million in 2022. In addition, the Company estimates that contributions will amount to \$35 million, \$33 million, \$30 million and \$27 million in 2023, 2024, 2025 and 2026, respectively. Actual amounts contributed could change materially from these estimates as a result of changes in assumptions and actual investment returns, among other factors.

Cash Flows from Investing Activities

Presented in the table below is a summary of the major items affecting the Company's cash flows from investing activities:

(In millions)	For the Years Ended December 31,		
	2021	2020	2019
Capital expenditures	\$ (1,764)	\$ (1,822)	\$ (1,654)
Acquisitions, net of cash acquired	(135)	(135)	(235)
Proceeds from sale of assets, net of cash on hand	472	2	48
Removal costs from property, plant and equipment retirements, net	(109)	(106)	(104)
Net cash used in investing activities	\$ (1,536)	\$ (2,061)	\$ (1,945)

In 2021, cash flows used in investing activities decreased \$525 million primarily due to proceeds received from the sale of HOS and timing of payments for capital expenditures. The Company continues to invest across all infrastructure categories, mainly replacement and renewal of transmission and distribution and services, meter and fire hydrants infrastructure in the Company's Regulated Businesses, as discussed below.

The Company's infrastructure investment plan consists of both infrastructure renewal programs, where the Company replaces infrastructure, as needed, and major capital investment projects, where the Company constructs new water and wastewater treatment and delivery facilities to meet new customer growth and water quality regulations. The Company's projected capital expenditures and other investments are subject to periodic review and revision to reflect changes in economic conditions and other factors.

Presented in the table below is a summary of the Company's capital expenditures by category:

(In millions)	For the Years Ended December 31,		
	2021	2020	2019
Transmission and distribution	\$ 749	\$ 704	\$ 661
Treatment and pumping	197	306	190
Services, meter and fire hydrants	366	333	346
General structure and equipment	251	299	234
Sources of supply	64	54	83
Wastewater	137	126	140
Total capital expenditures	\$ 1,764	\$ 1,822	\$ 1,654

In 2021, the Company's capital expenditures decreased \$58 million primarily due to a decrease in treatment and pumping and general structure and equipment infrastructure investment partially offset by increases in transmission and distribution and services, meter and fire hydrants infrastructure investment.

The Company also grows its business primarily through acquisitions of water and wastewater systems. These acquisitions are generally located in geographic proximity to the Company's existing Regulated Businesses and support continued geographical diversification and growth of its operations. Generally, acquisitions are funded initially with short-term debt, and later refinanced with long-term financing. During 2021, the Company paid \$112 million for the acquisition of 23 water and wastewater systems, representing in the aggregate approximately 20,000 customers and paid \$23 million in deposits for future acquisitions.

As previously noted, over the next five years the Company expects to invest between \$13 billion to \$14 billion, with \$11.5 billion to \$12 billion for infrastructure improvements in the Regulated Businesses, and the Company expects to invest between \$28 billion to \$32 billion over the next 10 years. In 2022, the Company expects to invest \$2.5 billion, consisting of \$2 billion for infrastructure improvements and \$500 million for acquisitions in the Regulated Businesses.

Cash Flows from Financing Activities

Presented in the table below is a summary of the major items affecting the Company's cash flows from financing activities:

(In millions)	For the Years Ended December 31,		
	2021	2020	2019
Proceeds from long-term debt	\$ 1,118	\$ 1,334	\$ 1,530
Repayments of long-term debt	(372)	(342)	(495)
(Repayments of) proceeds from term loan	(500)	500	—
Net short-term borrowings with maturities less than three months	(198)	(5)	(178)
Dividends paid	(428)	(389)	(353)
Anti-dilutive share repurchases	—	—	(36)
Other financing activities, net (a)	35	22	26
Net cash (used in) provided by financing activities	\$ (345)	\$ 1,120	\$ 494

(a) Includes proceeds from issuances of common stock under various employee stock plans and the Company's dividend reinvestment plan, net of taxes paid, advances and contributions in aid of construction, net of refunds, and debt issuance costs and make-whole premiums on early debt redemption.

In 2021, cash flows provided by financing activities decreased \$1,465 million, primarily due to the repayment in full at maturity of the \$500 million Term Loan Facility during the first quarter of 2021, an increase in net repayments of commercial paper borrowings, higher dividends paid in 2021 and an increase in repayments of long-term debt due to the prepayment of \$327 million in aggregate principal amount of AWCC's outstanding senior notes during the second quarter of 2021.

The Company's financing activities are primarily focused on funding regulated infrastructure expenditures, regulated acquisitions and payment of dividends. These activities included the issuance of long-term and short-term debt, primarily through AWCC. Based on the needs of the Regulated Businesses and the Company, AWCC may borrow funds or issue its debt in the capital markets and then, through intercompany loans, provide those borrowings to the Regulated Businesses and parent company. The Regulated Businesses and parent company are obligated to pay their portion of the respective principal and interest to AWCC, in the amount necessary to enable AWCC to meet its debt service obligations. Parent company's borrowings are not a source of capital for the Regulated Businesses, therefore, parent company is not able to recover the interest charges on its debt through regulated water and wastewater rates. As of December 31, 2021, AWCC has made long-term fixed rate loans and commercial paper loans to the Regulated Businesses amounting to \$6.7 billion. Additionally, as of December 31, 2021, AWCC has made long-term fixed rate loans and commercial paper loans to parent company amounting to \$3.1 billion.

On May 10, 2021, AWCC completed a \$1.1 billion debt offering, which included the sale of \$550 million aggregate principal amount of its 2.30% Senior Notes due 2031 and \$550 million aggregate principal amount of its 3.25% Senior Notes due 2051. At the closing of the offering, AWCC received, after deduction of underwriting discounts and before deduction of offering expenses, net proceeds of \$1,086 million. AWCC used the net proceeds of this offering: (i) to lend funds to parent company and its regulated subsidiaries; (ii) to prepay \$251 million aggregate principal amount of AWCC's outstanding 5.77% Series D Senior Notes due December 21, 2021 (the "Series D Notes") and \$76 million aggregate principal amount of AWCC's outstanding 6.55% Series H Senior Notes due May 15, 2023 (the "Series H Notes," and together with the Series D Notes, the "Series Notes"); (iii) to repay AWCC's commercial paper obligations; and (iv) for general corporate purposes. After the prepayments described above, none of the Series D Notes, and approximately \$14 million aggregate principal amount of the Series H Notes, remain outstanding. As a result of AWCC's prepayment of the Series Notes, a make-whole premium of \$15 million was paid to the holders thereof on June 14, 2021. Substantially all of the early debt extinguishment costs were allocable to the Company's utility subsidiaries and recorded as regulatory assets, as the Company believes they are probable of recovery in future rates.

One of the principal market risks to which the Company is exposed is changes in interest rates. In order to manage the exposure, the Company follows risk management policies and procedures, including the use of derivative contracts such as swaps. The Company also reduces exposure to interest rates by managing commercial paper and debt maturities. The Company does not enter into derivative contracts (through AWCC) for speculative purposes and does not use leveraged instruments. The derivative contracts entered into are for periods consistent with the related underlying exposures. The Company is exposed to the risk that counterparties to derivative contracts will fail to meet their contractual obligations. The Company minimizes the counterparty credit risk on these transactions by dealing only with leading, creditworthy financial institutions, having long-term credit ratings of "A" or better.

On May 10, 2021, the Company terminated two treasury lock agreements with an aggregate notional amount of \$275 million, realizing a net gain of less than \$1 million, to be amortized through interest, net over a ten-year period, in accordance with the terms of the new debt issued on May 10, 2021. No ineffectiveness was recognized on hedging instruments for the years ended December 31, 2021 and 2020.

In February 2021, parent company and AWCC filed with the SEC a universal shelf registration statement that enables the Company to meet its capital needs through the offer and sale to the public from time to time of an unlimited amount of various types of securities, including American Water common stock, preferred stock, and other equity and hybrid securities, and AWCC debt securities, all subject to market conditions and demand, general economic conditions, and as applicable, rating status. The shelf registration statement will expire in February 2024. During 2021, 2020 and 2019, \$1.10 billion, \$1.00 billion, and \$1.10 billion, respectively, of debt securities were issued under this and predecessor registration statements.

Presented in the table below are the issuances of long-term debt in 2021:

Company	Type	Rate	Weighted Average Rate	Maturity	Amount (in millions)
AWCC (a)	Senior notes—fixed rate	2.30%-3.25%	2.78%	2031-2051	\$ 1,100
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate	0.00%-5.00%	0.04%	2022-2047	18
Total issuances					\$ 1,118

(a) This indebtedness is considered “debt” for purposes of a support agreement between parent company and AWCC, which serves as a functional equivalent of a full and unconditional guarantee by parent company of AWCC’s payment obligations under such indebtedness. See “—Issuer and Guarantor of Senior Notes” below.

Presented in the table below are the retirements and redemptions of long-term debt in 2021 through sinking fund provisions, optional redemption or payment at maturity:

Company	Type	Rate	Weighted Average Rate	Maturity	Amount (in millions)
AWCC	Private activity bonds and government funded debt—fixed rate	1.79%-6.55%	5.94%	2021-2031	\$ 327
Other American Water subsidiaries	Private activity mortgage bonds	9.13%-9.69%	9.52%	2021	31
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate	0.00%-5.50%	1.38%	2021-2048	13
Other American Water subsidiaries	Mandatory redeemable preferred stock	8.49%-8.49%	8.49%	2022-2022	1
Total retirements and redemptions					\$ 372

From time to time and as market conditions warrant, the Company may engage in long-term debt retirements through make-whole redemptions, tender offers, open market repurchases or other viable alternatives.

Issuer and Guarantor of Senior Notes

The outstanding senior notes issued by AWCC, the wholly owned finance subsidiary of parent company, have been issued under two indentures, each by and between AWCC and Wells Fargo Bank, National Association, as trustee, providing for the rights and obligations of the parties thereto and the holders of the notes issued thereunder. The senior notes also have been issued with the benefit of a support agreement, as amended, between parent company and AWCC, which serves as the functional equivalent of a full and unconditional guarantee by parent company of AWCC’s payment obligations under the senior notes. No other subsidiary of parent company provides guarantees for any of the outstanding senior notes. If AWCC is unable to make timely payment of any interest, principal or premium, if any, on such senior notes, parent company will provide to AWCC, at its request or the request of any holder of such senior notes, funds to make such payment in full. If AWCC fails or refuses to take timely action to enforce certain rights under the support agreement or if AWCC defaults in the timely payment of any amounts owed to any holder of such senior notes, when due, the support agreement provides that the holder may proceed directly against parent company to enforce such rights or to obtain payment of the defaulted amounts owed to that holder.

As a wholly owned finance subsidiary of parent company, AWCC has no significant assets other than obligations of parent company and certain of its subsidiaries in its Regulated Businesses segment to repay certain intercompany loans made to them by AWCC. AWCC's ability to make payments of amounts owed to holders of the senior notes will be dependent upon AWCC's receipt of sufficient payments of amounts owed pursuant to the terms of such intercompany loans and from its ability to issue indebtedness or otherwise obtain loans in the future, the proceeds of which would be used to fund the repayment of the senior notes.

Because parent company is a holding company and substantially all of its operations are conducted through its subsidiaries other than AWCC, parent company's ability to fulfill its obligations under the support agreement will be dependent upon its receipt of sufficient cash dividends or distributions from its operating subsidiaries. See Note 10—Shareholders' Equity—Dividends and Distributions, in the Notes to the Consolidated Financial Statements for a summary of the limitations on parent company and its subsidiaries to pay dividends or make distributions. Furthermore, parent company's operating subsidiaries are separate and distinct legal entities and, other than AWCC, have no obligation to make any payments on the senior notes or to make available or provide any funds for such payment, other than through their repayment obligations under intercompany loans, if any, with AWCC. Based on the foregoing, parent company's obligations under the support agreement will be effectively subordinated to all indebtedness and other liabilities, including trade payables, lease commitments and moneys borrowed or other indebtedness incurred or issued by parent company's subsidiaries other than AWCC.

Credit Facilities and Short-Term Debt

Interest rates on advances under the Company's revolving credit facility are based on a credit spread to the LIBOR rate (or applicable market replacement rate) or base rate in accordance with Moody Investors Service's and Standard & Poor's Financial Services' then applicable credit rating on AWCC's senior unsecured, non-credit enhanced debt. The facility is used principally to support AWCC's commercial paper program and to provide up to \$150 million in letters of credit. Indebtedness under the facility and AWCC's commercial paper are considered "debt" for purposes of a support agreement between parent company and AWCC, which serves as a functional equivalent of a full and unconditional guarantee by parent company of AWCC's payment obligations thereunder.

Presented in the tables below are the aggregate credit facility commitments, commercial paper limit and letter of credit availability under the revolving credit facility, as well as the available capacity for each, as of December 31:

	2021		
	Commercial Paper Limit	Letters of Credit	Total (a)
(In millions)			
Total availability	\$ 2,100	\$ 150	\$ 2,250
Outstanding debt	(584)	(76)	(660)
Remaining availability as of December 31, 2021	\$ 1,516	\$ 74	\$ 1,590

(a) Total remaining availability of \$1.59 billion as of December 31, 2021 may be accessed through revolver draws.

	2020		
	Commercial Paper Limit	Letters of Credit	Total (a)
(In millions)			
Total availability	\$ 2,100	\$ 150	\$ 2,250
Outstanding debt	(786)	(76)	(862)
Remaining availability as of December 31, 2020	\$ 1,314	\$ 74	\$ 1,388

(a) Total remaining availability may be accessed through revolver draws.

Presented in the table below is the Company's total available liquidity as of December 31, 2021 and 2020:

(In millions)	Cash and Cash Equivalents	Availability on Revolving Credit Facility	Total Available Liquidity
Available liquidity as of December 31, 2021	\$ 116	\$ 1,590	\$ 1,706
Available liquidity as of December 31, 2020	547	1,388	1,935

The weighted average interest rate on AWCC short-term borrowings, including as of December 31, 2020, \$500 million of outstanding principal on the Term Loan Facility, was approximately 0.25% and 1.16%, for the years ended December 31, 2021 and 2020, respectively.

Capital Structure

Presented in the table below is the percentage of the Company's capitalization represented by the components of its capital structure as of December 31:

	2021	2020	2019
Total common shareholders' equity	39.9 %	37.1 %	39.2 %
Long-term debt and redeemable preferred stock at redemption value	56.6 %	53.6 %	55.6 %
Short-term debt and current portion of long-term debt	3.5 %	9.3 %	5.2 %
Total	100 %	100 %	100 %

The changes in the capital structure mix between periods were mainly attributable to the impacts of the HOS sale, repayment of the Term Loan Facility at maturity on March 19, 2021, and the Company's long-term debt offering that was completed on May 10, 2021.

Debt Covenants

The Company's debt agreements contain financial and non-financial covenants. To the extent that the Company is not in compliance with these covenants, an event of default may occur under one or more debt agreements and the Company, or its subsidiaries, may be restricted in its ability to pay dividends, issue new debt or access the revolving credit facility. The long-term debt indentures contain a number of covenants that, among other things, prohibit or restrict the Company from issuing debt secured by the Company's assets, subject to certain exceptions. Failure to comply with any of these covenants could accelerate repayment obligations.

Covenants in certain long-term notes and the revolving credit facility require the Company to maintain a ratio of consolidated debt to consolidated capitalization (as defined in the relevant documents) of not more than 0.70 to 1.00. On December 31, 2021, the Company's ratio was 0.60 to 1.00 and therefore the Company was in compliance with the covenants.

Security Ratings

Presented in the table below are long-term and short-term credit ratings and rating outlooks as of February 16, 2022 as issued by the following rating agencies:

Securities	Moody's Investors Service	Standard & Poor's Ratings Service
Rating outlook	Stable	Stable
Senior unsecured debt	Baa1	A
Commercial paper	P-2	A-1

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

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

Access to the capital markets, including the commercial paper market, and respective financing costs in those markets, may be directly affected by the Company's securities ratings. The Company primarily accesses the debt capital markets, including the commercial paper market, through AWCC. However, the Company has also issued debt through its regulated subsidiaries, primarily in the form of mortgage bonds and tax exempt securities or borrowings under state revolving funds, to lower the overall cost of debt.

Dividends and Regulatory Restrictions

For discussion of the Company's dividends, dividend restrictions and dividend policy, see Note 10—Shareholders' Equity in the Notes to Consolidated Financial Statements for additional information.

Insurance Coverage

The Company carries various property, casualty, cyber and financial insurance policies with limits, deductibles and exclusions that it believes are consistent with industry standards. However, insurance coverage may not be adequate or available to cover unanticipated losses or claims. Additionally, annual policy renewals can be impacted by claims experience which in turn can impact coverage terms and conditions on a going-forward basis. The Company is self-insured to the extent that losses are within the policy deductible or exceed the amount of insurance maintained. Such losses could have a material adverse effect on the Company's short-term and long-term financial condition and its results of operations and cash flows.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with GAAP requires that management apply accounting policies and make estimates, assumptions and judgments that could affect the Company's financial condition, results of operations and cash flows. Actual results could differ from these estimates, assumptions and judgments. Management believes that the areas described below require significant judgment in the application of accounting policy or in making estimates and assumptions in matters that are inherently uncertain and that may change in subsequent periods. Accordingly, changes in the estimates, assumptions and judgments applied to these accounting policies could have a significant impact on the Company's financial condition, results of operations and cash flows, as reflected in the Company's Consolidated Financial Statements. Management has reviewed the critical accounting policies described below with the Company's Audit, Finance and Risk Committee, including the estimates, assumptions and judgments used in their application. Additional discussion regarding these critical accounting policies and their application can be found in Note 2—Significant Accounting Policies in the Notes to Consolidated Financial Statements.

Regulation and Regulatory Accounting

The Company's regulated utilities are subject to regulation by PUCs and, as such, the Company follows the authoritative accounting principles required for rate regulated utilities, which requires the Company to reflect the effects of rate regulation in its Consolidated Financial Statements. Use of this authoritative guidance is applicable to utility operations that meet the following criteria: (i) third-party regulation of rates; (ii) cost-based rates; and (iii) a reasonable assumption that rates will be set to recover the estimated costs of providing service, plus a return on net investment, or rate base. As of December 31, 2021, the Company concluded that the operations of its utilities met the criteria.

Application of this authoritative guidance has a further effect on the Company's financial statements as it pertains to allowable costs used in the ratemaking process. The Company makes significant assumptions and estimates to quantify amounts recorded as regulatory assets and liabilities. Such judgments include, but are not limited to, assets and liabilities related to regulated acquisitions, pension and postretirement benefits, depreciation rates and taxes. Due to timing and other differences in the collection of revenues, these authoritative accounting principles allow a cost that would otherwise be charged as an expense by a non-regulated entity, to be deferred as a regulatory asset if it is probable that such cost is recoverable through future rates. Conversely, the principles require the creation of a regulatory liability for amounts collected in rates to recover costs expected to be incurred in the future, or amounts collected in excess of costs incurred and are refundable to customers.

For each regulatory jurisdiction where the Company conducts business, the Company assesses, at the end of each reporting period, whether the regulatory assets continue to meet the criteria for probable future recovery and regulatory liabilities continue to meet the criteria for probable future settlement. This assessment includes consideration of factors such as changes in regulatory environments, recent rate orders (including recent rate orders on recovery of a specific or similar incurred cost to other regulated entities in the same jurisdiction) and the status of any pending or potential legislation. If subsequent events indicate that the regulatory assets or liabilities no longer meet the criteria for probable future recovery or probable future settlement, the Company's Consolidated Statements of Operations and financial position could be materially affected. In addition, if the Company concludes in a future period that a separable portion of the business no longer meets the criteria, the Company is required to eliminate the financial statement effects of regulation for that part of the business, which would include the elimination of any or all regulatory assets and liabilities that had been recorded in the Consolidated Financial Statements. Failure to meet the criteria of this authoritative guidance could materially impact the Company's Consolidated Financial Statements.

As of December 31, 2021 and 2020, the Company's regulatory asset balance was \$1.1 billion and its regulatory liability balance was \$1.6 billion and \$1.8 billion, respectively. See Note 4—Regulatory Matters in the Notes to Consolidated Financial Statements for further information regarding the Company's significant regulatory assets and liabilities.

Accounting for Income Taxes

Significant management judgment is required in determining the provision for income taxes, primarily due to the uncertainty related to tax positions taken, as well as deferred tax assets and liabilities, valuation allowances and the utilization of NOL carryforwards.

In accordance with applicable authoritative guidance, the Company accounts for uncertain income tax positions using a benefit recognition model with a two-step approach, including a more-likely-than-not recognition threshold and a measurement approach based on the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement. If it is not more-likely-than-not that the benefit of the tax position will be sustained on its technical merits, no benefit is recorded. Uncertain tax positions that relate only to timing of when an item is included on a tax return are considered to have met the recognition threshold. Management evaluates each position based solely on the technical merits and facts and circumstances of the position, assuming the position will be examined by a taxing authority having full knowledge of all relevant information. Significant judgment is required to determine whether the recognition threshold has been met and, if so, the appropriate amount of unrecognized tax benefit to be recorded in the Consolidated Financial Statements.

The Company evaluates the probability of realizing deferred tax assets quarterly by reviewing a forecast of future taxable income and its intent and ability to implement tax planning strategies, if necessary, to realize deferred tax assets. The Company also assesses its ability to utilize tax attributes, including those in the form of carryforwards, for which the benefits have already been reflected in the financial statements. The Company records valuation allowances for deferred tax assets when it concludes that it is more-likely-than-not such benefit will not be realized in future periods.

Under GAAP, specifically Accounting Standards Codification Topic 740, *Income Taxes* ("ASC 740"), the tax effects of changes in tax laws must be recognized in the period in which the law is enacted. ASC 740 also requires deferred tax assets and liabilities to be measured at the enacted tax rate expected to apply when temporary differences are to be realized or settled. Thus, at the date of enactment of the TCJA, the Company's deferred taxes were re-measured based upon the new tax rate. For the Company's regulated entities, the change in deferred taxes are recorded as either an offset to a regulatory asset or a regulatory liability and may be subject to refund to customers. For the Company's unregulated operations, the change in deferred taxes are recorded as a non-cash re-measurement adjustment to earnings.

Actual income taxes could vary from estimated amounts due to the future impacts of various items, including changes in income tax laws, the Company's forecasted financial condition and results of operations, failure to successfully implement tax planning strategies and recovery of taxes through the regulatory process for the Regulated Businesses, as well as results of audits and examinations of filed tax returns by taxing authorities. The resulting tax balances as of December 31, 2021 and 2020 are appropriately accounted for in accordance with the applicable authoritative guidance; however, the ultimate outcome of tax matters could result in favorable or unfavorable adjustments to the Consolidated Financial Statements and such adjustments could be material. See Note 15—Income Taxes in the Notes to Consolidated Financial Statements for additional information regarding income taxes.

Accounting for Pension and Postretirement Benefits

The Company maintains noncontributory defined benefit pension plans covering eligible employees of its regulated utility and shared service operations. See Note 16—Employee Benefits in the Notes to Consolidated Financial Statements for additional information regarding the description of and accounting for the defined benefit pension plans and postretirement benefit plans.

The Company's pension and postretirement benefit costs are developed from actuarial valuations. Inherent in these valuations are key assumptions provided by the Company to its actuaries, including the discount rate and expected long-term rate of return on plan assets. Material changes in the Company's pension and postretirement benefit costs may occur in the future due to changes in these assumptions as well as fluctuations in plan assets. The assumptions are selected to represent the average expected experience over time and may differ in any one year from actual experience due to changes in capital markets and the overall economy. These differences will impact the amount of pension and other postretirement benefit expense that the Company recognizes. The primary assumptions are:

- **Discount Rate**—The discount rate is used in calculating the present value of benefits, which are based on projections of benefit payments to be made in the future. The objective in selecting the discount rate is to measure the single amount that, if invested at the measurement date in a portfolio of high-quality debt instruments, would provide the necessary future cash flows to pay the accumulated benefits when due.
- **Expected Return on Plan Assets ("EROA")**—Management projects the future return on plan assets considering prior performance, but primarily based upon the plans' mix of assets and expectations for the long-term returns on those asset classes. These projected returns reduce the net benefit costs the Company records currently.
- **Rate of Compensation Increase**—Management projects employees' pay increases, which are used to project employees' pension benefits at retirement.
- **Health Care Cost Trend Rate**—Management projects the expected increases in the cost of health care.
- **Mortality**—Management adopted the Society of Actuaries Pri-2012 mortality base table, the most recent table developed from private pension plan experience, which provides rates of mortality in 2012 and adopted the new MP-2021 mortality improvement scale to gradually adjust future mortality rates downward due to increased longevity in each year after 2012.

The discount rate assumption, which is determined for the pension and postretirement benefit plans independently, is subject to change each year, consistent with changes in applicable high-quality, long-term corporate bond indices. The Company uses an approach that approximates the process of settlement of obligations tailored to the plans' expected cash flows by matching the plans' cash flows to the coupons and expected maturity values of individually selected bonds. For each plan, the discount rate was developed as the level equivalent rate that would yield the same present value as using spot rates aligned with the projected benefit payments. The discount rate for determining pension benefit obligations was 2.94%, 2.74% and 3.44% at December 31, 2021, 2020 and 2019, respectively. The discount rate for determining other postretirement benefit obligations was 2.90%, 2.56% and 3.36% at December 31, 2021, 2020 and 2019, respectively.

In selecting an EROA, the Company considered tax implications, past performance and economic forecasts for the types of investments held by the plans. The long-term EROA assumption used in calculating pension cost was 6.50% for 2021, 6.50% for 2020, and 6.20% for 2019. The weighted average EROA assumption used in calculating other postretirement benefit costs was 3.67% for 2021, 3.68% for 2020 and 3.56% for 2019.

Presented in the table below are the allocations of the pension plan assets by asset category:

Asset Category	2022 Target Allocation	Percentage of Plan Assets as of December 31,	
		2021	2020
Equity securities	43 %	46 %	49 %
Fixed income	50 %	47 %	45 %
Real Estate	5 %	7 %	6 %
Real estate investment trusts ("REITs")	2 %	— %	— %
Total	100 %	100 %	100 %

Postretirement Medical Bargaining Plan Changes

On August 31, 2018, the Postretirement Medical Benefit Plan was remeasured as a result of an announced plan amendment which changed benefits for certain union and non-union plan participants. The plan change resulted in a \$175 million reduction in future benefits payable to plan participants, and, in combination with other experience reflected as of the remeasurement date, resulted in a \$227 million reduction to the net accumulated postretirement benefit obligation. As of December 31, 2021, the remaining amortization period of the impact of the plan amendment is 6.9 years. As a result of the remeasurement and change in funded status, the Company decreased the investment risk in the plan and reduced its exposure to changes in interest rates by matching the assets of the plan to the projected cash flows for future benefit payments of the liability. Plan assets in excess of those securities designed to match the long-term liabilities are invested in shorter duration fixed income securities and equities.

Presented in the table below are the allocations of the other postretirement benefit plan assets by asset category:

Asset Category	2022 Target Allocation (a)	Percentage of Plan Assets as of December 31,	
		2021	2020
Equity securities	18 %	22 %	18 %
Fixed income	82 %	78 %	82 %
Total	100 %	100 %	100 %

(a) Includes the American Water Postretirement Medical Benefits Bargaining Plan, the American Water Postretirement Medical Benefits Non-Bargaining Plan, and the American Water Life Insurance Trust.

The investments of the pension and postretirement welfare plan trusts include debt and equity securities held either directly or through mutual funds, commingled funds and limited partnerships. The trustee for the Company's defined benefit pension and postretirement welfare plans uses an independent valuation firm to calculate the fair value of plan assets.

In selecting a rate of compensation increase, the Company considers past experience in light of movements in inflation rates. The Company's rate of compensation increase was 3.51% for 2021, 3.51% for 2020 and 2.97% for 2019.

In selecting health care cost trend rates, the Company considers past performance and forecasts of increases in health care costs. As of January 1, 2021, the Company's health care cost trend rate assumption used to calculate the periodic cost was 6.25% in 2021 gradually declining to 5.00% in 2026 and thereafter. As of December 31, 2021, the Company projects that medical inflation will be 6.00% in 2022 gradually declining to 5.00% in 2026 and thereafter.

The Company will use a discount rate and EROA of 2.94% and 6.50%, respectively, for estimating its 2022 pension costs. Additionally, the Company will use a discount rate and expected blended return based on weighted assets of 2.90% and 3.60%, respectively, for estimating its 2022 other postretirement benefit costs. A decrease in the discount rate or the EROA would increase the Company's pension expense. The Company's 2021 pension and postretirement benefit credit was \$41 million and the 2020 pension and postretirement benefit credit was \$14 million. The Company expects to make pension contributions to the plan trusts of \$37 million in 2022, and \$35 million, \$33 million, \$30 million and \$27 million in 2023, 2024, 2025 and 2026, respectively. Actual amounts contributed could change significantly from these estimates. The assumptions are reviewed annually and at any interim re-measurement of the plan obligations. The impact of assumption changes is reflected in the recorded pension and postretirement benefit amounts as they occur, or over a period of time if allowed under applicable accounting standards.

Revenue Recognition

Revenue from the Company's Regulated Businesses is generated primarily from water and wastewater services delivered to customers. These contracts contain a single performance obligation, the delivery of water or wastewater services, as the promise to transfer the individual good or service is not separately identifiable from other promises within the contracts and, therefore, is not distinct. Revenues are recognized over time, as services are provided. There are generally no significant financing components or variable consideration. Revenues include amounts billed to customers on a cycle basis, and unbilled amounts calculated based on estimated usage from the date of the meter reading associated with the latest customer bill, to the end of the accounting period. The amounts that the Company has a right to invoice are determined by each customer's actual usage, an indicator that the invoice amount corresponds directly to the value transferred to the customer.

Increases or decreases in the volumes delivered to customers and rate mix due to changes in usage patterns in customer classes in the period could be significant to the calculation of unbilled revenue. In addition, changes in the timing of meter reading schedules and the number and type of customers scheduled for each meter reading date would also have an effect on the unbilled revenue calculation. Unbilled revenue for the Company's regulated utilities as of December 31, 2021 and 2020 was \$162 million and \$150 million, respectively.

The Company also recognizes revenue when it is probable that future recovery of previously incurred costs or future refunds that are to be credited to customers will occur through the ratemaking process.

Revenue from the Company's former HOS business was generated through various protection programs in which the Company provided fixed fee services to domestic homeowners and smaller commercial customers for interior and exterior water and sewer lines, interior electric and gas lines, heating and cooling systems, water heaters, power surge protection and other related services. Most of the contracts had a one-year term and each service was a separate performance obligation, satisfied over time, as the customers simultaneously received and consumed the benefits provided from the service. Customers were obligated to pay for the protection programs ratably over 12 months or via a one-time, annual fee, with revenues recognized ratably over time for those services. Advances from customers were deferred until the performance obligation was satisfied.

The Company also has long-term, fixed fee contracts to operate and maintain water and wastewater systems for the U.S. government on various military installations and facilities owned by municipal customers. Billing and revenue recognition for the fixed fee revenues occurs ratably over the term of the contract, as customers simultaneously receive and consume the benefits provided by the Company. Additionally, these contracts allow the Company to make capital improvements to underlying infrastructure, which are initiated through separate modifications or amendments to the original contract, whereby stand-alone, fixed pricing is separately stated for each improvement. The Company has determined that these capital improvements are separate performance obligations, with revenue recognized over time based on performance completed at the end of each reporting period. Losses on contracts are recognized during the period in which the losses first become probable and estimable. Revenues recognized during the period in excess of billings on construction contracts are recorded as unbilled revenues, with billings in excess of revenues recorded as other current liabilities until the recognition criteria are met. Changes in contract performance and related estimated contract profitability may result in revisions to costs and revenues and are recognized in the period in which revisions are determined. Unbilled revenue for the Market-Based Businesses as of December 31, 2021 and 2020 was \$86 million and \$56 million, respectively.

Accounting for Contingencies

The Company records loss contingencies when management determines that the outcome of future events is probable of occurring and when the amount of the loss or a range of losses can be reasonably estimated. The determination of a loss contingency is based on management's judgment and estimates about the likely outcome of the matter, which may include an analysis of different scenarios. Liabilities are recorded or adjusted when events or circumstances cause these judgments or estimates to change. In assessing whether a loss is reasonably possible, management considers many factors, which include, but are not limited to: the nature of the litigation, claim or assessment, review of applicable law, opinions or views of legal counsel and other advisors, and the experience gained from similar cases or situations. The Company provides disclosures for material contingencies when management deems there is a reasonable possibility that a loss or an additional loss may be incurred. The Company provides estimates of reasonably possible losses when such estimates may be reasonably determined, either as a single amount or within a reasonable range.

Actual amounts realized upon settlement or other resolution of loss contingencies may be different than amounts recorded and disclosed and could have a significant impact on the liabilities, revenue and expenses recorded on the Consolidated Financial Statements. See Note 17—Commitments and Contingencies in the Notes to Consolidated Financial Statements for additional information regarding contingencies.

Recent Accounting Standards

See Note 2—Significant Accounting Policies in the Notes to Consolidated Financial Statements for a description of recent accounting standards.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risk associated with changes in commodity prices, equity prices and interest rates. The Company is exposed to risks from changes in interest rates as a result of its issuance of variable and fixed rate debt and commercial paper. The Company manages its interest rate exposure by limiting its variable rate exposure and by monitoring the effects of market changes in interest rates. The Company also has the ability to enter into financial derivative instruments, which could include instruments such as, but not limited to, interest rate swaps, forward starting swaps and U.S. Treasury lock agreements to manage and mitigate interest rate risk exposure. As of December 31, 2021, a hypothetical increase of interest rates by 1% associated with the Company's short-term borrowings would result in a \$8 million increase in short-term interest expense.

The Company's risks associated with price increases for chemicals, electricity and other commodities are reduced through contractual arrangements and the expected ability to recover price increases through rates, in the next general rate case proceeding or other regulatory mechanism, as authorized by each regulatory jurisdiction. Non-performance by these commodity suppliers could have a material adverse impact on the Company's results of operations, financial position and cash flows.

The market price of the Company's common stock may experience fluctuations, which may be unrelated to its operating performance. In particular, the Company's stock price may be affected by general market movements as well as developments specifically related to the water and wastewater industry. These could include, among other things, interest rate movements, quarterly variations or changes in financial estimates by securities analysts and governmental or regulatory actions. This volatility may make it difficult for the Company to access the capital markets in the future through additional offerings of its common stock or other equity securities, regardless of its financial performance, and such difficulty may preclude the Company from being able to take advantage of certain business opportunities or meet business obligations.

The Company is exposed to credit risk through its water, wastewater and other water-related services provided by the Regulated Businesses and Market-Based Businesses. The Company's Regulated Businesses serve residential, commercial, industrial and other customers, while the Market-Based Businesses engage in business activities with developers, government entities and other customers. The Company's primary credit risk is exposure to customer default on contractual obligations and the associated loss that may be incurred due to the non-payment of customer accounts receivable balances. The Company's credit risk is managed through established credit and collection policies which are in compliance with applicable regulatory requirements and involve monitoring of customer exposure and the use of credit risk mitigation measures such as letters of credit or prepayment arrangements. The Company's credit portfolio is diversified with no significant customer or industry concentrations. In addition, the Regulated Businesses are generally able to recover all prudently incurred costs including uncollectible customer accounts receivable expenses and collection costs through rates.

The Company's retirement trust assets are exposed to the market prices of debt and equity securities. Changes to the retirement trust asset values can impact the Company's pension and other benefits expense, funded status and future minimum funding requirements. Changes in interest rates can impact retirement liabilities. The Company aims to reduce risk through asset diversification and by investing in long duration fixed-income securities that have a duration similar to that of its pension liabilities, seeking to hedge some of the interest rate sensitivity of its liabilities. That way, if interest rates fall and liabilities increase, the Company expects that the fixed-income assets in its retirement trust will also increase in value. The Company also expects its risk to be reduced through its ability to recover pension and other benefit costs through rates.

The Company is also exposed to a potential national economic recession or deterioration in local economic conditions in the markets in which it operates. The credit quality of the Company's customer accounts receivable is dependent on the economy and the ability of its customers to manage through unfavorable economic cycles and other market changes. In addition, there can be no assurances that regulators will grant sufficient rate authorizations. Therefore, the Company's ability to fully recover operating expense, recover its investment and provide an appropriate return on invested capital made in the Regulated Businesses may be adversely impacted.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
American Water Works Company, Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of American Water Works Company, Inc. and its subsidiaries (the "Company") as of December 31, 2021 and 2020, and the related consolidated statements of operations, comprehensive income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2021, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Accounting for the Effects of Rate Regulation

As described in Notes 2 and 4 to the consolidated financial statements, the Company's consolidated regulatory assets and liabilities balances were \$1,067 million and \$1,608 million, respectively, as of December 31, 2021. The Company's regulated utilities are subject to regulation by multiple state utility commissions and the Company follows authoritative accounting principles required for rate regulated utilities, which requires the effects of rate regulation to be reflected in the Company's consolidated financial statements. As disclosed by management, for each regulatory jurisdiction where the Company conducts business, the Company assesses, at the end of each reporting period, whether the regulatory assets continue to meet the criteria for probable future recovery and regulatory liabilities continue to meet the criteria for probable future settlement. This assessment includes consideration of factors such as changes in regulatory environments, recent rate orders (including recent rate orders on recovery of a specific or similar incurred cost to other regulated entities in the same jurisdiction) and the status of any pending or potential legislation.

The principal considerations for our determination that performing procedures relating to accounting for the effects of rate regulation is a critical audit matter are the significant judgment by management in accounting for regulatory assets and liabilities relative to whether regulatory assets continue to meet the criteria for probable future recovery and regulatory liabilities continue to meet the criteria for probable future settlement as a result of changes in regulatory environments, recent rate orders, and the status of any pending or potential legislation. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing audit procedures and evaluating audit evidence obtained relating to management's judgments.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the Company's regulatory accounting process, including controls over management's assessment and consideration of factors related to the probability of future recovery or settlement. These procedures also included, among others, evaluating the reasonableness of management's judgments regarding the probability of recovery and settlement based on the Company's correspondence with regulators, status of regulatory proceedings, past practices, and other relevant information; evaluating the related accounting and disclosure implications; and evaluating regulatory assets and liabilities balances based on provisions and formulas outlined in rate orders and other correspondence with the Company's regulators.

/s/ PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
February 16, 2022

We have served as the Company's auditor since 1948.

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

	December 31, 2021	December 31, 2020
ASSETS		
Property, plant and equipment	\$ 27,413	\$ 25,614
Accumulated depreciation	(6,329)	(5,904)
Property, plant and equipment, net	21,084	19,710
Current assets:		
Cash and cash equivalents	116	547
Restricted funds	20	29
Accounts receivable, net of allowance for uncollectible accounts of \$75 and \$60, respectively	271	321
Unbilled revenues	248	206
Materials and supplies	57	47
Assets held for sale	683	629
Other	159	127
Total current assets	1,554	1,906
Regulatory and other long-term assets:		
Regulatory assets	1,051	1,127
Seller promissory note from the sale of the Homeowner Services Group	720	—
Operating lease right-of-use assets	92	95
Goodwill	1,139	1,504
Postretirement benefit assets	193	173
Intangible assets	—	55
Other	242	196
Total regulatory and other long-term assets	3,437	3,150
Total assets	\$ 26,075	\$ 24,766

The accompanying notes are an integral part of these Consolidated Financial Statements.

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

	December 31, 2021	December 31, 2020
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock (\$0.01 par value; 500,000,000 shares authorized; 186,880,413 and 186,466,707 shares issued, respectively)	\$ 2	\$ 2
Paid-in-capital	6,781	6,747
Retained earnings	925	102
Accumulated other comprehensive loss	(45)	(49)
Treasury stock, at cost (5,269,324 and 5,168,215 shares, respectively)	(365)	(348)
Total common shareholders' equity	7,298	6,454
Long-term debt	10,341	9,329
Redeemable preferred stock at redemption value	3	4
Total long-term debt	10,344	9,333
Total capitalization	17,642	15,787
Current liabilities:		
Short-term debt	584	1,282
Current portion of long-term debt	57	329
Accounts payable	235	189
Accrued liabilities	701	591
Accrued taxes	176	50
Accrued interest	88	88
Liabilities related to assets held for sale	83	137
Other	217	215
Total current liabilities	2,141	2,881
Regulatory and other long-term liabilities:		
Advances for construction	284	270
Deferred income taxes and investment tax credits	2,421	2,113
Regulatory liabilities	1,600	1,770
Operating lease liabilities	80	81
Accrued pension expense	285	388
Other	180	83
Total regulatory and other long-term liabilities	4,850	4,705
Contributions in aid of construction	1,442	1,393
Commitments and contingencies (See Note 17)		
Total capitalization and liabilities	\$ 26,075	\$ 24,766

The accompanying notes are an integral part of these Consolidated Financial Statements.

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

	For the Years Ended December 31,		
	2021	2020	2019
Operating revenues	\$ 3,930	\$ 3,777	\$ 3,610
Operating expenses:			
Operation and maintenance	1,777	1,622	1,544
Depreciation and amortization	636	604	582
General taxes	321	303	280
Other	—	—	(10)
Total operating expenses, net	<u>2,734</u>	<u>2,529</u>	<u>2,396</u>
Operating income	1,196	1,248	1,214
Other income (expense):			
Interest expense	(403)	(397)	(386)
Interest income	4	2	4
Non-operating benefit costs, net	78	49	16
Gain or (loss) on sale of businesses	747	—	(44)
Other, net	18	22	29
Total other income (expense)	<u>444</u>	<u>(324)</u>	<u>(381)</u>
Income before income taxes	1,640	924	833
Provision for income taxes	377	215	212
Net income attributable to common shareholders	<u>\$ 1,263</u>	<u>\$ 709</u>	<u>\$ 621</u>
Basic earnings per share: (a)			
Net income attributable to common shareholders	<u>\$ 6.96</u>	<u>\$ 3.91</u>	<u>\$ 3.44</u>
Diluted earnings per share: (a)			
Net income attributable to common shareholders	<u>\$ 6.95</u>	<u>\$ 3.91</u>	<u>\$ 3.43</u>
Weighted average common shares outstanding:			
Basic	<u>182</u>	<u>181</u>	<u>181</u>
Diluted	<u>182</u>	<u>182</u>	<u>181</u>

(a) Amounts may not calculate due to rounding.

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Comprehensive Income
(In millions)

	For the Years Ended December 31,		
	2021	2020	2019
Net income attributable to common shareholders	\$ 1,263	\$ 709	\$ 621
Other comprehensive income (loss), net of tax:			
Change in employee benefit plan funded status, net of tax of \$0, \$(4) and \$3 in 2021, 2020 and 2019, respectively	(1)	(12)	8
Defined benefit pension plan actuarial loss, net of tax of \$1, \$1 and \$1 in 2021, 2020 and 2019, respectively	4	3	4
Foreign currency translation adjustment	—	—	(1)
Unrealized gain (loss) on cash flow hedges, net of tax of \$1, \$(1) and \$(5) in 2021, 2020 and 2019, respectively	1	(4)	(13)
Net other comprehensive income (loss)	4	(13)	(2)
Comprehensive income attributable to common shareholders	<u>\$ 1,267</u>	<u>\$ 696</u>	<u>\$ 619</u>

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Cash Flows
 (In millions)

	For the Years Ended December 31,		
	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 1,263	\$ 709	\$ 621
Adjustments to reconcile to net cash flows provided by operating activities:			
Depreciation and amortization	636	604	582
Deferred income taxes and amortization of investment tax credits	230	207	208
Provision for losses on accounts receivable	37	34	28
(Gain) or loss on sale of businesses	(747)	—	34
Pension and non-pension postretirement benefits	(41)	(14)	17
Other non-cash, net	(23)	(20)	(41)
Changes in assets and liabilities:			
Receivables and unbilled revenues	(74)	(97)	(25)
Pension and non-pension postretirement benefit contributions	(40)	(39)	(31)
Accounts payable and accrued liabilities	66	(2)	66
Other assets and liabilities, net	134	44	(76)
Net cash provided by operating activities	1,441	1,426	1,383
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(1,764)	(1,822)	(1,654)
Acquisitions, net of cash acquired	(135)	(135)	(235)
Proceeds from sale of assets, net of cash on hand	472	2	48
Removal costs from property, plant and equipment retirements, net	(109)	(106)	(104)
Net cash used in investing activities	(1,536)	(2,061)	(1,945)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term debt	1,118	1,334	1,530
Repayments of long-term debt	(372)	(342)	(495)
(Repayments of) proceeds from term loan	(500)	500	—
Net short-term borrowings with maturities less than three months	(198)	(5)	(178)
(Remittances) proceeds from issuances of employee stock plans and direct stock purchase plan, net of taxes paid of \$18, \$17 and \$11 in 2021, 2020 and 2019, respectively	(1)	9	15
Advances and contributions in aid of construction, net of refunds of \$25, \$24 and \$30 in 2021, 2020 and 2019, respectively	62	28	26
Debt issuance costs and make-whole premium on early debt redemption	(26)	(15)	(15)
Dividends paid	(428)	(389)	(353)
Anti-dilutive share repurchases	—	—	(36)
Net cash (used in) provided by financing activities	(345)	1,120	494
Net (decrease) increase in cash, cash equivalents and restricted funds	(440)	485	(68)
Cash, cash equivalents and restricted funds at beginning of period	576	91	159
Cash, cash equivalents and restricted funds at end of period	\$ 136	\$ 576	\$ 91
Cash paid during the year for:			
Interest, net of capitalized amount	\$ 389	\$ 382	\$ 383
Income taxes, net of refunds of \$6, \$2 and \$4 in 2021, 2020 and 2019, respectively	\$ 1	\$ 7	\$ 12
Non-cash investing activity:			
Capital expenditures acquired on account but unpaid as of year end	\$ 292	\$ 221	\$ 235
Seller promissory note from the sale of the Homeowner Services Group	\$ 720	\$ —	\$ —
Contingent cash payment from the sale of the Homeowner Services Group	\$ 75	\$ —	\$ —

The accompanying notes are an integral part of these Consolidated Financial Statements.

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

	Common Stock			Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Treasury Stock		Total Shareholders' Equity
	Shares	Par Value	Paid-in Capital			Shares	At Cost	
Balance as of December 31, 2018	185.4	\$ 2	\$ 6,657	\$ (464)	\$ (34)	(4.7)	\$ (297)	\$ 5,864
Cumulative effect of change in accounting principle	—	—	—	(2)	—	—	—	(2)
Net income attributable to common shareholders	—	—	—	621	—	—	—	621
Common stock issuances (a)	0.5	—	43	—	—	(0.1)	(5)	38
Repurchases of common stock	—	—	—	—	—	(0.3)	(36)	(36)
Net other comprehensive income	—	—	—	—	(2)	—	—	(2)
Dividends (\$2.00 declared per common share)	—	—	—	(362)	—	—	—	(362)
Balance as of December 31, 2019	185.9	\$ 2	\$ 6,700	\$ (207)	\$ (36)	(5.1)	\$ (338)	\$ 6,121
Net income attributable to common shareholders	—	—	—	709	—	—	—	709
Common stock issuances (a)	0.6	—	47	—	—	(0.1)	(10)	37
Net other comprehensive income	—	—	—	—	(13)	—	—	(13)
Dividends (\$2.20 declared per common share)	—	—	—	(400)	—	—	—	(400)
Balance as of December 31, 2020	186.5	\$ 2	\$ 6,747	\$ 102	\$ (49)	(5.2)	\$ (348)	\$ 6,454
Net income attributable to common shareholders	—	—	—	1,263	—	—	—	1,263
Common stock issuances (a)	0.4	—	34	—	—	(0.1)	(17)	17
Net other comprehensive income	—	—	—	—	4	—	—	4
Dividends (\$2.41 declared per common share)	—	—	—	(440)	—	—	—	(440)
Balance as of December 31, 2021	186.9	\$ 2	\$ 6,781	\$ 925	\$ (45)	(5.3)	\$ (365)	\$ 7,298

(a) Includes stock-based compensation, employee stock purchase plan and direct stock reinvestment and purchase plan activity.

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Notes to Consolidated Financial Statements

(Unless otherwise noted, in millions, except per share data)

Note 1: Organization and Operation

American Water Works Company, Inc. (the “Company” or “American Water”) is a holding company for regulated and market-based subsidiaries that provide water and wastewater services throughout the United States. References to “parent company” mean American Water Works Company, Inc., without its subsidiaries. The Company’s primary business involves the ownership of regulated utilities that provide water and wastewater services in 14 states in the United States, collectively referred to as the “Regulated Businesses.” The Company also operates other businesses that provide water and wastewater services within non-reportable operating segments, collectively referred to as the “Market-Based Businesses.” The Company’s primary Market-Based Businesses include the Military Services Group (“MSG”), which enters into long-term contracts with the U.S. government to provide water and wastewater services on various military installations; and the former Homeowner Services Group (“HOS”), which provided various warranty protection programs and other home services to residential customers.

Note 2: Significant Accounting Policies**Regulation**

The Company’s regulated utilities are subject to regulation by multiple state utility commissions or other entities engaged in utility regulation, collectively referred to as Public Utility Commissions (“PUCs”). As such, the Company follows authoritative accounting principles required for rate regulated utilities, which requires the effects of rate regulation to be reflected in the Company’s Consolidated Financial Statements. PUCs generally authorize revenue at levels intended to recover the estimated costs of providing service, plus a return on net investments, or rate base. Regulators may also approve accounting treatments, long-term financing programs and cost of capital, operation and maintenance (“O&M”) expenses, capital expenditures, taxes, affiliated transactions and relationships, reorganizations, mergers, acquisitions and dispositions, along with imposing certain penalties or granting certain incentives. Due to timing and other differences in the collection of a regulated utility’s revenues, these authoritative accounting principles allow a cost that would otherwise be charged as an expense by a non-regulated entity, to be deferred as a regulatory asset if it is probable that such cost is recoverable through future rates. Conversely, these principles also require the creation of a regulatory liability for amounts collected in rates to recover costs expected to be incurred in the future, or amounts collected in excess of costs incurred and are refundable to customers. See Note 4—Regulatory Matters for additional information.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States (“GAAP”) requires that management make estimates, assumptions and judgments that could affect the Company’s financial condition, results of operations and cash flows. Actual results could differ from these estimates, assumptions and judgments. The Company considers its critical accounting estimates to include (i) the application of regulatory accounting principles and the related determination and estimation of regulatory assets and liabilities, (ii) revenue recognition and the estimates used in the calculation of unbilled revenue, (iii) accounting for income taxes, (iv) benefit plan assumptions and (v) the estimates and judgments used in determining loss contingencies. The Company’s critical accounting estimates that are particularly sensitive to change in the near term are amounts reported for regulatory assets and liabilities, income taxes, benefit plan assumptions and contingency-related obligations.

Principles of Consolidation

The accompanying Consolidated Financial Statements include the accounts of American Water and all of its subsidiaries in which a controlling interest is maintained after the elimination of intercompany balances and transactions.

Property, Plant and Equipment

Property, plant and equipment consists primarily of utility plant utilized by the Company’s regulated utilities. Additions to utility plant and replacement of retirement units of utility plant are capitalized and include costs such as materials, direct labor, payroll taxes and benefits, indirect items such as engineering and supervision, transportation and an allowance for funds used during construction (“AFUDC”). Costs for repair, maintenance and minor replacements are charged to O&M expense as incurred.

The cost of utility plant is depreciated using the straight-line average remaining life, group method. The Company’s regulated utilities record depreciation in conformity with amounts approved by PUCs, after regulatory review of the information the Company submits to support its estimates of the assets’ remaining useful lives.

Nonutility property consists primarily of buildings and equipment utilized by the Company's Market-Based Businesses and for internal operations. This property is stated at cost, net of accumulated depreciation, which is calculated using the straight-line method over the useful lives of the assets.

When units of property, plant and equipment are replaced, retired or abandoned, the carrying value is credited against the asset and charged to accumulated depreciation. To the extent the Company recovers cost of removal or other retirement costs through rates after the retirement costs are incurred, a regulatory asset is recorded. In some cases, the Company recovers retirement costs through rates during the life of the associated asset and before the costs are incurred. These amounts result in a regulatory liability being reported based on the amounts previously recovered through customer rates, until the costs to retire those assets are incurred.

The costs incurred to acquire and internally develop computer software for internal use are capitalized as a unit of property. The carrying value of these costs amounted to \$374 million and \$360 million as of December 31, 2021 and 2020, respectively.

Cash and Cash Equivalents, and Restricted Funds

Substantially all cash is invested in interest-bearing accounts. All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

Restricted funds consist primarily of proceeds from financings for the construction and capital improvement of facilities, and deposits for future services under O&M projects. Proceeds are held in escrow or interest-bearing accounts until the designated expenditures are incurred. Restricted funds are classified on the Consolidated Balance Sheets as either current or long-term based upon the intended use of the funds.

Accounts Receivable and Unbilled Revenues

Accounts receivable include regulated utility customer accounts receivable, which represent amounts billed to water and wastewater customers generally on a monthly basis. Credit is extended based on the guidelines of the applicable PUCs and collateral is generally not required. Also included are market-based trade accounts receivable and nonutility customer receivables of the regulated subsidiaries. Unbilled revenues are accrued when service has been provided but has not been billed to customers and when costs exceed billings on market-based construction contracts.

Allowance for Uncollectible Accounts

Allowances for uncollectible accounts are maintained for estimated probable losses resulting from the Company's inability to collect receivables from customers. Accounts that are outstanding longer than the payment terms are considered past due. A number of factors are considered in determining the allowance for uncollectible accounts, including the length of time receivables are past due, previous loss history, current economic and societal conditions and reasonable and supportable forecasts that affect the collectability of receivables from customers. The Company generally writes off accounts when they become uncollectible or are over a certain number of days outstanding. An increase in the allowance for uncollectible accounts for the periods ending December 31, 2021 and 2020 reflects the impacts from the COVID-19 pandemic, including an increase in uncollectible accounts expense and a reduction in amounts written off due to shutoff moratoria in place across the Company's subsidiaries. See Note 8—Allowance for Uncollectible Accounts for additional information.

Materials and Supplies

Materials and supplies are stated at the lower of cost or net realizable value. Cost is determined using the average cost method.

Seller Promissory Note

The Company's seller promissory note is accounted for under ASC 310, Receivables, and is classified as held for investment and accounted for at amortized cost at the present value of consideration received for the sale of its HOS business. Interest income from the seller promissory note is accrued based on the principal amount outstanding and earned over the contractual life of the loan.

Leases

The Company has operating and finance leases involving real property, including facilities, utility assets, vehicles, and equipment. The Company determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use ("ROU") assets, accrued liabilities and operating lease liabilities on the Consolidated Balance Sheets. Finance leases are included in property, plant and equipment, accrued liabilities and other long-term liabilities on the Consolidated Balance Sheets. The Company has made an accounting policy election not to include operating leases with a lease term of twelve months or less.

ROU assets represent the right to use an underlying asset for the lease term and the lease liabilities represent the obligation to make lease payments arising from the lease. ROU assets and lease liabilities are generally recognized at the commencement date based on the present value of discounted lease payments over the lease term. As most of the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of discounted lease payments. The implicit rate is used when readily determinable. ROU assets also include any upfront lease payments and excludes lease incentives. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. Lease expense is recognized on a straight-line basis over the lease term.

The Company has lease agreements with lease components (e.g., fixed payments including rent, real estate taxes and insurance costs) and non-lease components (e.g., common-area maintenance costs), which are generally accounted for separately; however, the Company accounts for the lease and non-lease components as a single lease component for certain leases. Certain lease agreements include variable rental payments adjusted periodically for inflation. Additionally, the Company applies a portfolio approach to effectively account for the ROU assets and lease liabilities. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Goodwill

Goodwill represents the excess of the purchase price paid over the estimated fair value of the assets acquired and liabilities assumed in the acquisition of a business. Goodwill is not amortized and must be allocated at the reporting unit level, which is defined as an operating segment or one level below, and tested for impairment at least annually, or more frequently if an event occurs or circumstances change that would more likely than not, reduce the fair value of a reporting unit below its carrying value.

The Company's goodwill is primarily associated with the acquisition of American Water by an affiliate of the Company's previous owner in 2003 and has been allocated to reporting units based on the fair values at the date of the acquisitions. For purposes of testing goodwill for impairment, the reporting units in the Regulated Businesses segment are aggregated into a single reporting unit. The goodwill of the Market-Based Businesses is comprised of the MSG reporting unit.

The Company's annual impairment testing is performed as of November 30 of each year, in conjunction with the completion of the Company's annual business plan. The Company assesses qualitative factors to determine whether quantitative testing is necessary. If it is determined, based upon qualitative factors, that the estimated fair value of a reporting unit is more likely than not, greater than its carrying value, no further testing is required. If the Company bypasses the qualitative assessment or performs the qualitative assessment and determines that the estimated fair value of a reporting unit is more likely than not, less than its carrying value, a quantitative, fair value-based assessment is performed. This quantitative testing compares the estimated fair value of the reporting unit to its respective net carrying value, including goodwill, on the measurement date. An impairment loss will be recognized in the amount equal to the excess of the reporting unit's carrying value compared to its estimated fair value, limited to the total amount of goodwill allocated to that reporting unit.

Application of goodwill impairment testing requires management judgment, including the identification of reporting units and determining the fair value of reporting units. Management estimates fair value using a discounted cash flow analysis. Significant assumptions used in these fair value estimations include, but are not limited to, forecasts of future operating results, discount and growth rates.

The Company believes the assumptions and other considerations used to value goodwill to be appropriate, however, if actual experience differs from the assumptions and considerations used in its analysis, the resulting change could have a material adverse impact on the Consolidated Financial Statements. See Note 9—Goodwill and Other Intangible Assets for additional information.

Intangible Assets

Intangible assets consisted primarily of finite-lived customer relationships associated with the acquisition of Pivotal Home Solutions in June 2018. Finite-lived intangible assets were initially measured at their estimated fair values and were amortized over their estimated useful lives based on the pattern in which the economic benefits of the intangible assets were consumed or otherwise used. See Note 9—Goodwill and Other Intangible Assets for additional information. All of the Company's finite-lived intangible assets were sold as part of the HOS sale transaction.

Impairment of Long-Lived Assets

Long-lived assets include property, plant and equipment, goodwill, intangible assets and long-term investments. The Company evaluates long-lived assets for impairment when circumstances indicate the carrying value of those assets may not be recoverable. When such indicators arise, the Company estimates the fair value of the long-lived asset from future cash flows expected to result from its use and, if applicable, the eventual disposition of the asset, comparing the estimated fair value to the carrying value of the asset. An impairment loss will be recognized in the amount equal to the excess of the long-lived asset's carrying value compared to its estimated fair value.

The long-lived assets of the Company's regulated utilities are grouped on a separate entity basis for impairment testing, as they are integrated state-wide operations that do not have the option to curtail service and generally have uniform tariffs. A regulatory asset is charged to earnings if and when future recovery in rates of that asset is no longer probable.

The Company believes the assumptions and other considerations used to value long-lived assets to be appropriate, however, if actual experience differs from the assumptions and considerations used in its estimates, the resulting change could have a material adverse impact on the Consolidated Financial Statements.

Advances for Construction and Contributions in Aid of Construction

Regulated utility subsidiaries may receive advances for construction and contributions in aid of construction from customers, home builders and real estate developers to fund construction necessary to extend service to new areas.

Advances are refundable for limited periods of time as new customers begin to receive service or other contractual obligations are fulfilled. Included in other current liabilities as of December 31, 2021 and 2020 on the Consolidated Balance Sheets are estimated refunds of \$23 million and \$23 million, respectively. Those amounts represent expected refunds during the next 12-month period.

Advances that are no longer refundable are reclassified to contributions. Contributions are permanent collections of plant assets or cash for a particular construction project. For ratemaking purposes, the amount of such contributions generally serves as a rate base reduction since the contributions represent non-investor supplied funds.

Generally, the Company depreciates utility plant funded by contributions and amortizes its contributions balance as a reduction to depreciation expense, producing a result which is functionally equivalent to reducing the original cost of the utility plant for the contributions. In accordance with applicable regulatory guidelines, some of the Company's utility subsidiaries do not amortize contributions, and any contribution received remains on the balance sheet indefinitely. Amortization of contributions in aid of construction was \$36 million, \$32 million and \$29 million for the years ended December 31, 2021, 2020 and 2019, respectively.

Revenue Recognition

Under Accounting Standards Codification Topic 606, *Revenue From Contracts With Customers*, and all related amendments (collectively, "ASC 606"), a performance obligation is a promise within a contract to transfer a distinct good or service, or a series of distinct goods and services, to a customer. Revenue is recognized when performance obligations are satisfied and the customer obtains control of promised goods or services. The amount of revenue recognized reflects the consideration to which the Company expects to be entitled to receive in exchange for goods or services. Under ASC 606, a contract's transaction price is allocated to each distinct performance obligation. To determine revenue recognition for arrangements that the Company determines are within the scope of ASC 606, the Company performs the following five steps: (i) identifies the contracts with a customer; (ii) identifies the performance obligations within the contract, including whether any performance obligations are distinct and capable of being distinct in the context of the contract; (iii) determines the transaction price; (iv) allocates the transaction price to the performance obligations in the contract; and (v) recognizes revenue when, or as, the Company satisfies each performance obligation.

The Company's revenues from contracts with customers are discussed below. Customer payments for contracts are generally due within 30 days of billing and none of the contracts with customers have payment terms that exceed one year; therefore, the Company elected to apply the significant financing component practical expedient and no amount of consideration has been allocated as a financing component.

Regulated Businesses Revenue

Revenue from the Company's Regulated Businesses is generated primarily from water and wastewater services delivered to customers. These contracts contain a single performance obligation, the delivery of water and/or wastewater services, as the promise to transfer the individual good or service is not separately identifiable from other promises within the contracts and, therefore, is not distinct. Revenues are recognized over time, as services are provided. There are generally no significant financing components or variable consideration. Revenues include amounts billed to customers on a cycle basis and unbilled amounts calculated based on estimated usage from the date of the meter reading associated with the latest customer bill, to the end of the accounting period. The amounts that the Company has a right to invoice are determined by each customer's actual usage, an indicator that the invoice amount corresponds directly to the value transferred to the customer. The Company also recognizes revenue when it is probable that future recovery of previously incurred costs or future refunds that are to be credited to customers will occur through the ratemaking process.

Market-Based Businesses Revenue

The Company has long-term, fixed fee contracts to operate and maintain water and wastewater systems for the U.S. government on various military installations and facilities owned by municipal customers. Billing and revenue recognition for the fixed fee revenues occurs ratably over the term of the contract, as customers simultaneously receive and consume the benefits provided by the Company. Additionally, these contracts allow the Company to make capital improvements to underlying infrastructure, which are initiated through separate modifications or amendments to the original contract, whereby stand-alone, fixed pricing is separately stated for each improvement. The Company has determined that these capital improvements are separate performance obligations, with revenue recognized over time based on performance completed at the end of each reporting period. Losses on contracts are recognized during the period in which the losses first become probable and estimable. Revenues recognized during the period in excess of billings on construction contracts are recorded as unbilled revenues, with billings in excess of revenues recorded as other current liabilities until the recognition criteria are met. Changes in contract performance and related estimated contract profitability may result in revisions to costs and revenues and are recognized in the period in which revisions are determined. See Note 5—Revenue Recognition for additional information.

Through various warranty protection programs and other home services, the Company previously provided fixed fee services to residential customers for interior and exterior water and sewer lines, interior electric and gas lines, heating and cooling systems, water heaters and other home appliances, as well as power surge protection and other related services through its former HOS business. Most of the contracts had a one-year term and each service was a separate performance obligation, satisfied over time, as the customers simultaneously received and consumed the benefits provided from the service. Customers were obligated to pay for the protection programs ratably over 12 months or via a one-time, annual fee, with revenues recognized ratably over time for those services. Advances from customers were deferred until the performance obligation was satisfied.

Income Taxes

The Company and its subsidiaries participate in a consolidated federal income tax return for U.S. tax purposes. Members of the consolidated group are charged with the amount of federal income tax expense determined as if they filed separate returns.

Certain income and expense items are accounted for in different time periods for financial reporting than for income tax reporting purposes. The Company provides deferred income taxes on the difference between the tax basis of assets and liabilities and the amounts at which they are carried in the financial statements. These deferred income taxes are based on the enacted tax rates expected to be in effect when these temporary differences are projected to reverse. In addition, the regulated utility subsidiaries recognize regulatory assets and liabilities for the effect on revenues expected to be realized as the tax effects of temporary differences, previously flowed through to customers, reverse.

Investment tax credits have been deferred by the regulated utility subsidiaries and are being amortized to income over the average estimated service lives of the related assets.

The Company recognizes accrued interest and penalties related to tax positions as a component of income tax expense and accounts for sales tax collected from customers and remitted to taxing authorities on a net basis. See Note 15—Income Taxes for additional information.

Allowance for Funds Used During Construction

AFUDC is a non-cash credit to income with a corresponding charge to utility plant that represents the cost of borrowed funds or a return on equity funds devoted to plant under construction. The regulated utility subsidiaries record AFUDC to the extent permitted by the PUCs. The portion of AFUDC attributable to borrowed funds is shown as a reduction of interest, net on the Consolidated Statements of Operations. Any portion of AFUDC attributable to equity funds would be included in other, net on the Consolidated Statements of Operations. Presented in the table below is AFUDC for the years ended December 31:

	2021	2020	2019
Allowance for other funds used during construction	\$ 27	\$ 30	\$ 28
Allowance for borrowed funds used during construction	10	13	13

Environmental Costs

The Company's water and wastewater operations and the operations of its Market-Based Businesses are subject to U.S. federal, state, local and foreign requirements relating to environmental protection, and as such, the Company periodically becomes subject to environmental claims in the normal course of business. Environmental expenditures that relate to current operations or provide a future benefit are expensed or capitalized as appropriate. Remediation costs that relate to an existing condition caused by past operations are accrued, on an undiscounted basis, when it is probable that these costs will be incurred and can be reasonably estimated. A conservation agreement entered into by a subsidiary of the Company with the National Oceanic and Atmospheric Administration in 2010 and amended in 2017 required the subsidiary to, among other provisions, implement certain measures to protect the steelhead trout and its habitat in the Carmel River watershed in the State of California. The subsidiary agreed to pay \$1 million annually commencing in 2010 with the final payment made in 2021. No remediation costs were accrued as of December 31, 2021 and \$1 million was accrued as of December 31, 2020.

Derivative Financial Instruments

The Company uses derivative financial instruments primarily for purposes of hedging exposures to fluctuations in interest rates. These derivative contracts are entered into for periods consistent with the related underlying exposures and do not constitute positions independent of those exposures. The Company does not enter into derivative contracts for speculative purposes and does not use leveraged instruments.

All derivatives are recognized on the balance sheet at fair value. On the date the derivative contract is entered into, the Company may designate the derivative as a hedge of the fair value of a recognized asset or liability (fair-value hedge) or a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability (cash-flow hedge).

Changes in the fair value of a fair-value hedge, along with the gain or loss on the underlying hedged item, are recorded in current-period earnings. The gains and losses on the effective portion of cash-flow hedges are recorded in other comprehensive income, until earnings are affected by the variability of cash flows. Any ineffective portion of designated cash-flow hedges is recognized in current-period earnings.

Cash flows from derivative contracts are included in net cash provided by operating activities on the Consolidated Statements of Cash Flows. See Note 12—Long-Term Debt for additional information.

New Accounting Standards

Presented in the table below are new accounting standards that were adopted by the Company in 2021:

Standard	Description	Date of Adoption	Application	Effect on the Consolidated Financial Statements
Facilitation of the Effects of Reference Rate Reform on Financial Reporting	Provided optional guidance for a limited time to ease the potential accounting burden associated with the transition from London Interbank Offered Rate ("LIBOR"). The guidance contains optional expedients and exceptions for contract modifications, hedging relationships, and other transactions that reference LIBOR or other reference rates expected to be discontinued. The expedients elected must be applied for all eligible contracts or transactions, with the exception of hedging relationships, which can be applied on an individual basis.	March 12, 2020 through December 31, 2022	Prospective for contract modifications and hedging relationships; applied as of January 1, 2020.	The standard did not have a material impact on the Consolidated Financial Statements.
Simplifying the Accounting for Income Taxes	The guidance removes exceptions related to the incremental approach for intraperiod tax allocation, the requirement to recognize a deferred tax liability for changes in ownership of a foreign subsidiary or equity method investment, and the general methodology for calculating income taxes in an interim period when the year-to-date loss exceeds the anticipated loss. The guidance adds requirements to reflect changes to tax laws or rates in the annual effective tax rate computation in the interim period in which the changes were enacted, to recognize franchise or other similar taxes that are partially based on income as an income-based tax and any incremental amounts as non-income-based tax, and to evaluate when a step up in the tax basis of goodwill should be considered part of the business combination in which the book goodwill was originally recognized and when it should be considered a separate transaction.	January 1, 2021	Modified retrospective for amendments related to changes in ownership of a foreign subsidiary or equity method investment; Modified retrospective or retrospective for amendments related to taxes partially based on income; Prospective for all other amendments.	The standard did not have a material impact on the Consolidated Financial Statements.

Presented in the table below are recently issued accounting standards that have not yet been adopted by the Company as of December 31, 2021:

Standard	Description	Date of Adoption	Application	Estimated Effect on the Consolidated Financial Statements
Accounting for Convertible Instruments and Contracts in an Entity's Own Equity	Simplification of financial reporting associated with accounting for convertible instruments and contracts in an entity's own equity. The standard reduced the number of accounting models for convertible debt instruments and convertible preferred stock. This will result in fewer embedded conversion features being separately recognized from the host contract. Earnings per share ("EPS") calculations have been simplified for certain instruments.	January 1, 2022	Either modified retrospective or fully retrospective	The Company anticipates the adoption of the standard will not have a material impact on its Consolidated Financial Statements.
Disclosures by Business Entities about Government Assistance	The amendments in this update requires additional disclosures regarding government grants and contributions. These disclosures require information on the following three items about these government transactions to be provided: information on the nature of transactions and related accounting policy used to account for transactions, the line items on the balance sheet and income statement affected by these transactions including amounts applicable to each line, and significant terms and conditions of the transactions, including commitments and contingencies	January 1, 2022	Either prospective or retrospective	The Company is evaluating any impact on its Consolidated Financial Statements.
Accounting for Contract Asset and Contract Liabilities from Contracts with Customers	The guidance requires an acquirer in a business combination to recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with ASC 606 as if it had originated the contracts.	January 1, 2023; early adoption permitted	Prospective	The Company is evaluating any impact on its Consolidated Financial Statements, as well as the timing of adoption.

Reclassifications

Certain reclassifications have been made to prior periods in the Consolidated Financial Statements and Notes to conform to the current presentation. The Company reclassified \$44 million relating to loss on the sale of Keystone Clearwater Solutions, LLC in 2019 from operating expenses to other income (expenses) included in Gain or (loss) on sale of businesses on the Consolidated Statements of Operations.

Note 3: Impact of the COVID-19 Pandemic

American Water continues to monitor the COVID-19 pandemic and has experienced financial impacts since the start of the pandemic resulting from lower revenues from the suspension of late fees and foregone reconnect fees in certain states, certain incremental O&M expenses, an increase in uncollectible accounts expense and additional debt costs. These impacts are collectively referred to as “financial impacts.”

As of February 16, 2022, American Water has commission orders authorizing deferred accounting or cost recovery for COVID-19 financial impacts in 11 of 13 jurisdictions. Other regulatory actions to date are presented in the table below:

Commission Actions	Description	States
Orders issued with deferred accounting	Allows the Company to establish regulatory assets to record certain financial impacts related to the COVID-19 pandemic.	HI, IN, MD, NJ, PA, VA, WV
Orders issued with cost recovery	California’s Catastrophic Event Memorandum Account allows the Company’s California subsidiary to track certain financial impacts related to the COVID-19 pandemic for future recovery requests. Iowa issued a base rate case order on June 28, 2021, authorizing recovery in rates of the COVID-19 financial impacts deferred within its annual non-recurring expense rider. Illinois has authorized cost recovery of the COVID-19 financial impacts through a special purpose rider over a 24-month period, which was implemented effective October 1, 2020. Additionally, Illinois approved a bad debt rider tariff on December 16, 2020, allowing collection of actual bad debt expense over last authorized beginning April 2021 through February 2023. Illinois approved a stipulation in March 2021 to allow the rider to be extended through the end of 2023. Missouri issued a base rate case order on April 7, 2021, authorizing recovery in rates of the COVID-19 financial impacts deferred through March 31, 2021 over a three-year period.	CA, IA, IL, MO

The Company’s Pennsylvania subsidiary filed for a request with the Pennsylvania Public Utility Commission (the “PaPUC”) to defer as a regulatory asset all identified COVID-19 financial impacts. On September 15, 2021, the PaPUC issued an order approving the Company’s request to defer, with carrying costs, incremental uncollectible expense and other incremental costs net of savings attributed to the COVID-19 pandemic. The PaPUC order denied the request to include lost revenues attributed to the waiver of late fees and reconnect fees and expenses associated with additional interest costs. Additionally, the PaPUC order approved the request to allow for the continuation of the deferral of financial impacts, rejecting proposals from the intervening parties to define an end date to the deferral in 2021. As a result of the order discussed above, the Company recorded a net \$7 million reduction to its regulatory assets and corresponding impacts to revenue, interest expense and uncollectible expense during the third quarter of 2021. The Company continues to evaluate options within its next base rate case to address these denied items and the resulting financial impact.

On July 28, 2021, the Company’s Tennessee subsidiary filed a stipulation and settlement agreement with the Consumer Advocate Unit in the Financial Division of the Office of the Tennessee Attorney General, which reflected agreement on the deferral of COVID-19-related financial impacts through April 30, 2021. On August 9, 2021, the Tennessee Public Utility Commission denied the stipulation and settlement agreement and moved to address the Company’s Tennessee subsidiary’s petition to defer the COVID-19 financial impacts in a future hearing. On August 26, 2021, the Company’s Tennessee subsidiary filed a motion to withdraw its pending petition, preserving its right to seek recovery of the COVID-19 financial impacts in a future proceeding.

In December 2020, the Kentucky Public Service Commission issued an order denying a request to defer to a regulatory asset the financial impacts related to the COVID-19 pandemic.

Consistent with these regulatory orders, the Company has recorded \$36 million in regulatory assets and \$6 million of regulatory liabilities for the financial impacts related to the COVID-19 pandemic on the Consolidated Balance Sheets as of December 31, 2021.

As of February 16, 2022, one state, New Jersey, continues moratoria until March 15, 2022, on the suspension of service disconnections due to non-payment. The moratoria on disconnects have expired in 12 states.

Note 4: Regulatory Matters**General Rate Cases**

Presented in the table below are annualized incremental revenues, excluding reductions for the amortization of the excess accumulated deferred income taxes (“EADIT”) that are generally offset in income tax expense, assuming a constant water sales volume, resulting from general rate cases authorizations that became effective during 2019 through 2021:

(In millions)	2021	2020	2019
General rate cases by state (a):			
Iowa (effective October 11, 2021)	\$ 1	\$ —	\$ —
Missouri (effective May 28, 2021)	22	—	—
Pennsylvania (effective January 28, 2021)	70	—	—
California (effective January 1, 2021, January 1, 2020 and May 11, 2019)	22	5	4
New Jersey (effective November 1, 2020)	—	54	—
Indiana (effective May 1, 2020 and July 1, 2019)	—	13	4
Kentucky (effective June 28, 2019)	—	—	13
West Virginia (effective February 25, 2019)	—	—	19
Maryland (effective February 5, 2019)	—	—	1
Total general rate case authorizations	\$ 115	\$ 72	\$ 41

(a) Excludes authorized increases of \$7 million and \$4 million in 2021 and 2019, respectively, for the Company’s New York subsidiary, which was sold on January 1, 2022. See Note 6—Acquisitions and Divestitures for additional information.

On November 18, 2021, the California Public Utilities Commission (the “CPUC”) unanimously approved a final decision in the test year 2021 general rate case filed by the Company’s California subsidiary, which is retroactive to January 1, 2021. The Company’s California subsidiary received authorization for additional annualized water and wastewater revenues of \$22 million, excluding agreed to reductions for EADIT as a result of the Tax Cuts and Jobs Act of 2017 (the “TCJA”). The EADIT reduction in revenues is \$4 million and is offset by a like reduction in income tax expense. On January 18, 2022, the Company’s California subsidiary filed for approval of \$13 million in 2022 escalation increases, excluding \$4 million of reductions related to the TCJA. This filing, which is retroactive to January 1, 2022, is subject to CPUC approval with a 45-day review period.

On June 28, 2021, an order was issued authorizing an increase of \$1 million in the general rate case filed by the Company’s Iowa subsidiary in 2020. The Company’s Iowa subsidiary filed tariffs consistent with the order on September 23, 2021. Effective October 11, 2021, the Iowa Utilities Board approved the tariffs and implemented the new rates.

On April 7, 2021, the Company’s Missouri subsidiary was authorized additional annualized revenues of \$22 million, effective May 28, 2021, excluding agreed to reductions for EADIT as a result of the TCJA. The EADIT reduction in revenues is \$25 million and is offset by a like reduction in income tax expense. The protected EADIT balance of \$72 million is being returned to customers using the average rate assumption method (“ARAM”), and the unprotected EADIT balance of \$74 million is being returned to customers over 10 years. The \$25 million EADIT reduction includes both the protected and unprotected catch-up period EADIT of \$13 million. The catch-up period of January 1, 2018 through May 31, 2021 covers the period from when the lower federal corporate income tax rate went into effect until new base rates went into effect and will be amortized over 2.5 years.

On March 2, 2021, an administrative law judge (“ALJ”) in the Office of Administrative Law of New Jersey filed an initial decision with the New Jersey Board of Public Utilities (the “NJBPU”) that recommended denial of a petition filed by the Company’s New Jersey subsidiary, which sought approval of acquisition adjustments in rate base of \$29 million associated with the acquisitions of Shorelands Water Company, Inc. in 2017 and the Borough of Haddonfield’s water and wastewater systems in 2015. On July 29, 2021, the NJBPU issued an order adopting the ALJ’s initial decision without modification. The Company’s New Jersey subsidiary filed a Notice of Appeal with the New Jersey Appellate Division on September 10, 2021. A scheduling order was issued on October 18, 2021 establishing a briefing schedule through March 2022. There is no financial impact to the Company as a result of the NJBPU’s order, since the acquisition adjustments are currently recorded as goodwill on the Consolidated Balance Sheets.

On February 25, 2021, the Company's Pennsylvania subsidiary was authorized additional annualized revenues of \$90 million, effective January 28, 2021, excluding agreed to reductions for EADIT as a result of the TCJA, over two steps. The EADIT reduction in revenues is \$19 million. The overall increase, net of TCJA reductions, is \$71 million in revenues combined over two steps. The first step was effective January 28, 2021 in the amount of \$70 million (\$51 million including TCJA reductions) and the second step will be effective January 1, 2022 in the amount of \$20 million. The protected EADIT balance of \$200 million is being returned to customers using the ARAM, and the unprotected EADIT balance of \$116 million is being returned to customers over 20 years. The \$19 million annually includes both the protected and unprotected EADIT amortizations and a portion of catch-up period EADIT. A bill credit of \$11 million annually for two years returns to customers the remainder of the EADIT catch-up period amortization. The catch-up period of January 1, 2018 through December 31, 2020 covers the period from when the lower federal corporate income tax rate went into effect until new base rates went into effect and will be amortized over two years.

Pending General Rate Case Filings

On February 10, 2022, the Company's Illinois subsidiary filed a general rate case requesting \$71 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA and infrastructure surcharges.

On January 14, 2022, the Company's New Jersey subsidiary filed a general rate case requesting \$110 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA and infrastructure surcharges.

On December 1, 2021, the Company's Kentucky subsidiary filed a wastewater rate case requesting additional revenues of \$1 million, excluding proposed reductions for EADIT as a result of TCJA. The Company requested a four-step rate increase for their wastewater operations with effective dates of June 1, 2022, June 1, 2023, June 1, 2024 and June 1, 2025 for annual amounts of less than \$1 million each year. The Company filed their wastewater case under the alternative rate filing process for smaller utilities which calculates an operating ratio of 88% rather than a return on equity.

On November 15, 2021, the Company's Virginia subsidiary filed a general rate case requesting \$15 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA.

On August 18, 2021, the Company's Hawaii subsidiary filed a general rate case requesting \$2 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA.

On April 30, 2021, the Company's West Virginia subsidiary filed a general rate case requesting \$32 million in annualized incremental revenues excluding proposed reductions for EADIT as a result of TCJA and infrastructure surcharges. The proposed EADIT reduction in revenues is \$1 million and the exclusion for infrastructure surcharges is \$10 million. Intervenor testimony was received on September 20, 2021. The Company's rebuttal testimony was filed on October 5, 2021. Hearings were conducted on November 3 and 4, 2021. A final order is expected no later than February 24, 2022.

The Company's California subsidiary submitted its application on May 3, 2021 to set its cost of capital for 2022 through 2024. According to the CPUC's process, a decision is expected to be issued, setting the authorized cost of capital in the third quarter of 2022.

Infrastructure Surcharges

A number of states have authorized the use of regulatory mechanisms that permit rates to be adjusted outside of a general rate case for certain costs and investments, such as infrastructure surcharge mechanisms that permit recovery of capital investments to replace aging infrastructure. Presented in the table below are annualized incremental revenues, assuming a constant water sales volume, resulting from infrastructure surcharge authorizations that became effective during 2019 through 2021:

(In millions)	2021	2020	2019
Infrastructure surcharges by state (a):			
New Jersey (b)	\$ 26	\$ 20	\$ 15
Missouri (c)	7	12	14
Kentucky (effective July 1, 2021 and July 1, 2020)	1	1	—
Indiana (effective March 17, 2021)	8	—	—
Pennsylvania (d)	8	27	11
Illinois (effective January 1, 2021, January 1, 2020 and January 1, 2019)	7	7	8
West Virginia (effective January 1, 2021, January 1, 2020 and January 1, 2019)	5	3	2
Tennessee (effective January 1, 2021, January 1, 2020 and September 1, 2019)	3	2	1
Total infrastructure surcharge authorizations	\$ 65	\$ 72	\$ 51

- (a) Excludes authorized increases of \$2 million in 2019 for the Company's New York subsidiary, which was sold on January 1, 2022. See Note 6—Acquisitions and Divestitures for additional information.
- (b) In 2021, \$12 million was effective on December 30 and \$14 million was effective June 28. In 2020, \$10 million was effective June 29 and \$10 million was effective January 1. In 2019, the effective date was July 1.
- (c) In 2021, the effective date was October 7. In 2020, \$2 million was effective December 14 and \$10 million was effective June 27. In 2019, \$5 million was effective December 21 and \$9 million was effective June 24.
- (d) In 2021, the effective date was January 1. In 2020, \$8 million was effective October 1, \$4 million was effective July 1, \$5 million was effective April 1 and \$10 million was effective January 1. In 2019, \$6 million was effective October 1, \$3 million was effective July 1 and \$2 million was effective April 1.

Presented in the table below are annualized incremental revenues, assuming a constant water sales volume, resulting from infrastructure surcharge authorizations that became effective after January 1, 2022:

(In millions)	Amount
Infrastructure surcharge filings by state:	
Illinois (effective January 1, 2022)	\$ 6
Missouri (effective February 1, 2022)	12
Total infrastructure surcharge filings	\$ 18

Pending Infrastructure Surcharge Filings

On January 19, 2022, the Company's Indiana subsidiary filed for infrastructure surcharges requesting \$8 million in additional annualized revenues.

On June 30, 2021, the Company's West Virginia subsidiary filed for an infrastructure surcharge requesting \$3 million in additional annualized revenues.

Regulatory Assets

Regulatory assets represent costs that are probable of recovery from customers in future rates. Approximately 50% of the Company’s total regulatory asset balance at December 31, 2021 earns a return. Presented in the table below is the composition of regulatory assets as of December 31:

	2021	2020
Deferred pension expense	\$ 323	\$ 374
Removal costs recoverable through rates	313	314
Regulatory balancing accounts	52	57
Other	439	446
Less: Regulatory assets included in assets held for sale (a)	(76)	(64)
Total regulatory assets	<u>\$ 1,051</u>	<u>\$ 1,127</u>

(a) These regulatory assets are related to the sale of the Company’s New York subsidiary, which was completed on January 1, 2022, and are included in assets held for sale on the Consolidated Balance Sheets as of December 31, 2021 and December 31, 2020. See Note 6—Acquisitions and Divestitures for additional information.

The Company’s deferred pension expense includes a portion of the underfunded status that is probable of recovery through rates in future periods of \$317 million and \$366 million as of December 31, 2021 and 2020, respectively. The remaining portion is the pension expense in excess of the amount contributed to the pension plans which is deferred by certain subsidiaries and will be recovered in future service rates as contributions are made to the pension plan.

Removal costs recoverable through rates represent costs incurred for removal of property, plant and equipment or other retirement costs.

Regulatory balancing accounts accumulate differences between revenues recognized and authorized revenue requirements until they are collected from customers or are refunded. Regulatory balancing accounts include low income programs and purchased power and water accounts.

Other regulatory assets include the financial impacts relating to the COVID-19 pandemic, purchase premium recoverable through rates, tank painting costs, certain construction costs for treatment facilities, property tax stabilization, employee-related costs, business services project expenses, coastal water project costs, rate case expenditures and environmental remediation costs among others. These costs are deferred because the amounts are being recovered in rates or are probable of recovery through rates in future periods.

The Company has current regulatory assets of \$16 million and \$13 million included in other current assets on the Consolidated Balance Sheet as of December 31, 2021 and 2020, respectively, which is primarily made up of deferred vacation pay.

Regulatory Liabilities

Regulatory liabilities generally represent amounts that are probable of being credited or refunded to customers through the rate making process. Also, if costs expected to be incurred in the future are currently being recovered through rates, the Company records those expected future costs as regulatory liabilities. Presented in the table below is the composition of regulatory liabilities as of December 31:

	2021	2020
Income taxes recovered through rates	\$ 1,093	\$ 1,230
Removal costs recovered through rates	291	301
Postretirement benefit liability	153	170
Other	110	111
Less: Regulatory liabilities included in liabilities related to assets held for sale (a)	(47)	(42)
Total regulatory liabilities	<u>\$ 1,600</u>	<u>\$ 1,770</u>

(a) These regulatory liabilities are related to the sale of the Company’s New York subsidiary, which was completed on January 1, 2022, and are included in liabilities related to assets held for sale on the Consolidated Balance Sheets as of December 31, 2021 and December 31, 2020. See Note 6—Acquisitions and Divestitures for additional information.

Income taxes recovered through rates relate to deferred taxes that will likely be refunded to the Company's customers. On December 22, 2017, the TCJA was signed into law, which, among other things, enacted significant and complex changes to the Internal Revenue Code of 1986, as amended (the "Code"), including a reduction in the federal corporate income tax rate from 35% to 21% as of January 1, 2018. The enactment of the TCJA required a re-measurement of the Company's deferred income taxes. The portion of this re-measurement related to the Regulated Businesses was substantially offset by a regulatory liability as EADIT will be used to benefit its regulated customers in future rates. Twelve of the Company's regulated subsidiaries are amortizing EADIT and crediting customers. The Company expects the timing of the amortization of EADIT credits for the one remaining regulated subsidiary to be addressed in a pending or future rate case or other proceedings.

Removal costs recovered through rates are estimated costs to retire assets at the end of their expected useful lives that are recovered through customer rates over the lives of the associated assets.

On August 31, 2018, the Postretirement Medical Benefit Plan was remeasured to reflect an announced plan amendment which changed benefits for certain union and non-union plan participants. As a result of the remeasurement, the Company recorded a \$227 million reduction to the net accumulated postretirement benefit obligation, with a corresponding regulatory liability.

Other regulatory liabilities include the financial impacts relating to the COVID-19 pandemic, TCJA reserve on revenue, pension and other postretirement benefit balancing accounts, legal settlement proceeds, deferred gains and various regulatory balancing accounts.

The Company has current regulatory liabilities of \$8 million and \$6 million included in other current liabilities on the Consolidated Balance Sheets as of December 31, 2021 and 2020, respectively, which primarily is made up of TCJA reserve on revenue.

Note 5: Revenue Recognition

Disaggregated Revenues

Presented in the table below are operating revenues disaggregated for the year ended December 31, 2021:

	Revenues from Contracts with Customers	Other Revenues Not from Contracts with Customers (a)	Total Operating Revenues
Regulated Businesses:			
Water services:			
Residential	\$ 1,935	\$ —	\$ 1,935
Commercial	676	—	676
Fire service	151	—	151
Industrial	141	—	141
Public and other	230	—	230
Total water services	3,133	—	3,133
Wastewater services:			
Residential	151	—	151
Commercial	37	—	37
Industrial	4	—	4
Public and other	16	—	16
Total wastewater services	208	—	208
Miscellaneous utility charges	26	—	26
Alternative revenue programs	—	9	9
Lease contract revenue	—	8	8
Total Regulated Businesses	3,367	17	3,384
Market-Based Businesses	563	—	563
Other	(16)	(1)	(17)
Total operating revenues	\$ 3,914	\$ 16	\$ 3,930

(a) Includes revenues associated with provisional rates, alternative revenue programs, lease contracts and intercompany rent, which are outside the scope of ASC 606, and accounted for under other existing GAAP.

Presented in the table below are operating revenues disaggregated for the year ended December 31, 2020:

	Revenues from Contracts with Customers	Other Revenues Not from Contracts with Customers (a)	Total Operating Revenues
Regulated Businesses:			
Water services:			
Residential	\$ 1,895	\$ —	\$ 1,895
Commercial	627	—	627
Fire service	147	—	147
Industrial	133	—	133
Public and other	201	—	201
Total water services	3,003	—	3,003
Wastewater services:			
Residential	134	—	134
Commercial	34	—	34
Industrial	3	—	3
Public and other	14	—	14
Total wastewater services	185	—	185
Miscellaneous utility charges	32	—	32
Alternative revenue programs	—	25	25
Lease contract revenue	—	10	10
Total Regulated Businesses	3,220	35	3,255
Market-Based Businesses	540	—	540
Other	(17)	(1)	(18)
Total operating revenues	\$ 3,743	\$ 34	\$ 3,777

(a) Includes revenues associated with provisional rates, alternative revenue programs, lease contracts and intercompany rent, which are outside the scope of ASC 606, and accounted for under other existing GAAP.

Presented in the table below are operating revenues disaggregated for the year ended December 31, 2019:

	Revenues from Contracts with Customers	Other Revenues Not from Contracts with Customers (a)	Total Operating Revenues
Regulated Businesses:			
Water services:			
Residential	\$ 1,734	\$ 1	\$ 1,735
Commercial	639	—	639
Fire service	142	—	142
Industrial	138	—	138
Public and other	214	—	214
Total water services	2,867	1	2,868
Wastewater services:			
Residential	119	—	119
Commercial	31	—	31
Industrial	3	—	3
Public and other	14	—	14
Total wastewater services	167	—	167
Miscellaneous utility charges	36	—	36
Alternative revenue programs	—	16	16
Lease contract revenue	—	7	7
Total Regulated Businesses	3,070	24	3,094
Market-Based Businesses	539	—	539
Other	(22)	(1)	(23)
Total operating revenues	\$ 3,587	\$ 23	\$ 3,610

(a) Includes revenues associated with provisional rates, alternative revenue programs, lease contracts and intercompany rent, which are outside the scope of ASC 606, and accounted for under other existing GAAP.

Contract Balances

Contract assets and contract liabilities are the result of timing differences between revenue recognition, billings and cash collections. In the Company's Market-Based Businesses, certain contracts are billed as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals or upon achievement of contractual milestones. Contract assets are recorded when billing occurs subsequent to revenue recognition and are reclassified to accounts receivable when billed and the right to consideration becomes unconditional. Contract liabilities are recorded when the Company receives advances from customers prior to satisfying contractual performance obligations, particularly for construction contracts, and are recognized as revenue when the associated performance obligations are satisfied.

Contract assets of \$71 million, \$39 million and \$13 million are included in unbilled revenues on the Consolidated Balance Sheets as of December 31, 2021, 2020 and 2019, respectively. There were \$71 million of contract assets added during 2021, and \$39 million of contract assets were transferred to accounts receivable during 2021. There were \$60 million of contract assets added during 2020, and \$34 million of contract assets were transferred to accounts receivable during 2020.

Contract liabilities of \$19 million, \$35 million and \$27 million are included in other current liabilities on the Consolidated Balance Sheets as of December 31, 2021, 2020 and 2019, respectively. There were \$152 million of contract liabilities added during 2021, and \$168 million of contract liabilities were recognized as revenue during 2021. There were \$120 million of contract liabilities added during 2020, and \$112 million of contract liabilities were recognized as revenue during 2020.

Remaining Performance Obligations

Remaining performance obligations (“RPOs”) represent revenues the Company expects to recognize in the future from contracts that are in progress. The Company enters into agreements for the provision of services to water and wastewater facilities for the U.S. military, municipalities and other customers. As of December 31, 2021, the Company’s O&M and capital improvement contracts in the Market-Based Businesses have RPOs. Contracts with the U.S. government for work on various military installations expire between 2051 and 2071 and have RPOs of \$6.2 billion as of December 31, 2021, as measured by estimated remaining contract revenue. Such contracts are subject to customary termination provisions held by the U.S. government, prior to the agreed-upon contract expiration. Contracts with municipalities and commercial customers expire between 2022 and 2038 and have RPOs of \$584 million as of December 31, 2021, as measured by estimated remaining contract revenue. Some of the Company’s long-term contracts to operate and maintain the federal government’s, a municipality’s or other party’s water or wastewater treatment and delivery facilities include responsibility for certain maintenance for some of those facilities, in exchange for an annual fee. Unless specifically required to perform certain maintenance activities, the maintenance costs are recognized when the maintenance is performed.

Note 6: Acquisitions and Divestitures**Regulated Businesses***Acquisitions*

During 2021, the Company closed on 23 acquisitions of various regulated water and wastewater systems for a total aggregate purchase price of \$112 million, which added approximately 20,000 water and wastewater customers, including the acquisitions of the East Pasadena Water Company in California on September 23, 2021 for \$34 million, the water and wastewater system assets of Valley Township in Pennsylvania on November 19, 2021 for \$21 million and the Lowell water system in Indiana on December 28, 2021 for \$25 million. Assets acquired from these acquisitions, principally utility plant, totaled \$114 million and liabilities assumed totaled \$2 million. Several of these acquisitions were accounted for as business combinations. The preliminary purchase price allocations related to acquisitions accounted for as business combinations will be finalized once the valuation of assets acquired has been completed, no later than one year after their acquisition date.

On April 6, 2021, the Company’s Pennsylvania subsidiary entered into an agreement to acquire the wastewater assets of the York City Sewer Authority for \$235 million, plus an amount of average daily revenue calculated for the period between the final meter reading and the date of closing. This system, directly and indirectly through bulk contracts, serves more than 45,000 customers. In connection with the execution of the acquisition agreement, the Company’s Pennsylvania subsidiary paid a \$20 million deposit to the seller on April 30, 2021, which is refundable in the event the agreement is terminated prior to closing of the acquisition. The Company expects to close this acquisition in the first half of 2022, pending regulatory approval.

On March 29, 2021, the Company’s New Jersey subsidiary entered into an agreement to acquire the water and wastewater assets of Egg Harbor City for \$22 million. The water and wastewater systems currently serve approximately 1,500 customers each, or 3,000 combined, and are being sold through the New Jersey Water Infrastructure Protection Act process. The Company expects to close this acquisition in the second half of 2022, pending regulatory approval.

During 2020, the Company closed on 23 acquisitions of various regulated water and wastewater systems for a total aggregate purchase price of \$135 million. Assets acquired from these acquisitions, principally utility plant, totaled \$159 million and liabilities assumed totaled \$29 million, including \$21 million of contributions in aid of construction and assumed debt of \$7 million. The Company recorded additional goodwill of \$5 million associated with two of its acquisitions, which is reported in its Regulated Businesses segment.

During 2019, the Company closed on 21 acquisitions of various regulated water and wastewater systems for a total aggregate purchase price of \$235 million. Assets acquired from these acquisitions, principally utility plant, totaled \$237 million and liabilities assumed, primarily contributions in aid of construction, totaled \$5 million. The Company recorded additional goodwill of \$3 million associated with three of its acquisitions, which is reported in its Regulated Businesses segment.

Assets Held for Sale

On January 1, 2022, the Company completed the previously disclosed sale of its regulated utility operations in New York to Liberty Utilities (Eastern Water Holdings) Corp. (“Liberty”), an indirect, wholly owned subsidiary of Algonquin Power & Utilities Corp. Liberty purchased from the Company all of the capital stock of the Company’s New York subsidiary for a purchase price of \$608 million in cash. The sale was approved by the New York State Department of Public Service on December 16, 2021. The Company’s regulated New York operations represented approximately 127,000 customers in the State of New York. The assets and related liabilities of the New York subsidiary were classified as held for sale on the Consolidated Balance Sheets as of December 31, 2021 and 2020.

Presented in the table below are the components of assets held for sale and liabilities related to assets held for sale of the New York subsidiary as of December 31, 2021:

	December 31, 2021	
Property, plant and equipment	\$	556
Current assets		18
Regulatory assets		76
Goodwill		27
Other assets		6
Assets held for sale	\$	683
Current liabilities		13
Regulatory liabilities		47
Other liabilities		23
Liabilities related to assets held for sale	\$	83

Sale of Michigan American Water Company

On February 4, 2022, the Company completed the sale of its operations in Michigan for approximately \$6 million.

Sale of Homeowner Services Group

On December 9, 2021 (the "Closing Date"), the Company sold all of the equity interests in subsidiaries that comprised HOS to a wholly owned subsidiary of funds advised by Apax Partners LLP, a global private equity advisory firm (the "Buyer"), for total consideration of approximately \$1.275 billion, resulting in pre-tax gain on sale of \$748 million. The consideration is comprised of \$480 million in cash, a seller promissory note issued by the Buyer in the principal amount of \$720 million, and a contingent cash payment of \$75 million payable upon satisfaction of certain conditions on or before December 31, 2023. See Note 19—Fair Value of Financial Information for additional information relating to the seller promissory note and contingent cash payment.

The seller note has a five-year term, is payable in cash, and bears interest at a rate of 7.00% per year during the term. The repayment obligations of the Buyer under the seller note have been secured by a first priority security interest in certain property of the Buyer and the former HOS subsidiaries, including their cash and securities accounts, as well as a pledge of the equity interests in each of those subsidiaries, subject to certain limitations and exceptions. The seller note requires compliance with affirmative and negative covenants (subject to certain conditions, limitations and exceptions), including a covenant limiting the incurrence by the Buyer and certain affiliates of additional indebtedness in excess of certain thresholds, but does not include any financial maintenance covenants.

Beginning December 9, 2024, the Company has a put right pursuant to which it may require the seller note to be repaid in full at par, plus accrued and unpaid interest, except that upon the occurrence of a disruption event in the broadly syndicated term loan "B" debt financing market, repayment by the Buyer pursuant to the Company's exercise of the put right will be delayed until the market disruption event ends.

The seller note may not be prepaid at the Buyer's election except in certain limited circumstances before the fourth anniversary of the Closing Date. If the Buyer seeks to repay the seller note in breach of this non-call provision, an event of default will occur under the seller note and the Company may, among other actions, demand repayment in full together with a premium ranging from 105.5% to 107.5% of the outstanding principal amount of the loan and a customary "make-whole" payment.

The Company and the Buyer also entered into a revenue share agreement, pursuant to which the Company is to receive 10% of the revenue generated from customers who are billed for home warranty services through an applicable Company subsidiary (an "on-bill" arrangement), and 15% of the revenue generated from any future on-bill arrangements entered into after the closing. Unless earlier terminated, this agreement has a term of up to 15 years, which may be renewed for up to two five-year periods.

The pro forma impact of the Company's divestitures was not material to the Consolidated Statements of Operations for the years ended December 31, 2021, 2020 and 2019.

Note 7: Property, Plant and Equipment

Presented in the table below are the major classes of property, plant and equipment by category as of December 31:

	2021	2020	Range of Remaining Useful Lives	Weighted Average Useful Life
Utility plant:				
Land and other non-depreciable assets	\$ 210	\$ 174		
Sources of supply	938	897	2 to 127 years	46 years
Treatment and pumping facilities	4,198	3,984	3 to 111 years	39 years
Transmission and distribution facilities	12,308	11,457	9 to 130 years	69 years
Services, meters and fire hydrants	4,888	4,555	5 to 90 years	31 years
General structures and equipment	2,200	2,003	1 to 109 years	15 years
Waste collection	1,363	1,288	5 to 113 years	58 years
Waste treatment, pumping and disposal	912	859	2 to 139 years	38 years
Construction work in progress	934	837		
Less: Utility plant included in assets held for sale (a)	(664)	(646)		
Total utility plant	27,287	25,408		
Nonutility property	126	211	3 to 50 years	6 years
Less: Nonutility plant included in assets held for sale (a)	—	(5)		
Total property, plant and equipment	\$ 27,413	\$ 25,614		

(a) This property, plant and equipment is related to the sale of the Company's New York subsidiary, which was completed on January 1, 2022, and is included in assets held for sale on the Consolidated Balance Sheets as of December 31, 2021 and December 31, 2020. See Note 6—Acquisitions and Divestitures for additional information.

Property, plant and equipment depreciation expense amounted to \$550 million, \$520 million and \$508 million for the years ended December 31, 2021, 2020 and 2019, respectively and was included in depreciation and amortization expense on the Consolidated Statements of Operations. The provision for depreciation expressed as a percentage of the aggregate average depreciable asset balances was 2.77%, 2.82% and 2.96% for years December 31, 2021, 2020 and 2019, respectively. Additionally, the Company had capital expenditures acquired on account but unpaid of \$292 million and \$221 million included in accrued liabilities on the Consolidated Balance Sheets as of December 31, 2021 and 2020, respectively.

In 2019, the Company completed and submitted its project completion certification to the New Jersey Economic Development Authority ("NJEDA") in connection with its capital investment in its corporate headquarters in Camden, New Jersey. The NJEDA determined that the Company is qualified to receive \$164 million in tax credits over a ten-year period. The Company is required to meet various annual requirements in order to monetize one-tenth of the tax credits annually and is subject to a claw-back period if the Company does not meet certain NJEDA requirements of the tax credit program in years 11 through 15. The Company has made the necessary annual filings for the years ended December 31, 2019 and 2020 and expects to file the 2021 filing by April 30, 2022. As a result, the Company had receivables of \$49 million and \$115 million in other current assets and other long-term assets, respectively, on the Consolidated Balance Sheets as of December 31, 2021. The submitted filings are under review by the NJEDA and it is expected that the Company will receive final NJEDA approval and monetize the credits in the first half of 2022.

In March 2020, in connection with the COVID-19 pandemic, the NJEDA, pursuant to Executive Order 103 - State of Emergency and a Public Health Emergency, temporarily waived the requirement that a full-time employee must spend at least 80% of his or her time at the qualified business facility ("QBF") to meet the definition of eligible position or full-time job. The waiver will continue for as long as New Jersey's Executive Order 281 is valid. On July 2, 2021, New Jersey's Governor approved a bill that revised provisions of the Economic Recovery Act of 2020 and other economic development programs, including amending the definition of an eligible position and full-time job in the Grow New Jersey Program and replacing the 80% requirement of time spent at the QBF. The bill states that an eligible position is one that is filled by a full-time employee who has their primary office at the QBF and spends at least 60% of their time at the QBF. The bill specifically states that it supersedes the existing regulations and existing incentive agreements that require an eligible employee spend at least 80% of their time at the QBF.

Note 8: Allowance for Uncollectible Accounts

Presented in the table below are the changes in the allowances for uncollectible accounts for the years ended December 31:

	2021	2020	2019
Balance as of January 1	\$ (60)	\$ (41)	\$ (45)
Amounts charged to expense	(37)	(34)	(28)
Amounts written off	17	12	32
Less: Allowance for uncollectible accounts included in assets held for sale (a)	5	3	—
Balance as of December 31	<u>\$ (75)</u>	<u>\$ (60)</u>	<u>\$ (41)</u>

- (a) This portion of the allowance for uncollectible accounts is related to the sale of the Company's New York subsidiary, which was completed on January 1, 2022, and is included in assets held for sale on the Consolidated Balance Sheets as of December 31, 2021 and December 31, 2020. See Note 6—Acquisitions and Divestitures for additional information.

Note 9: Goodwill and Other Intangible Assets**Goodwill**

Presented in the table below are the changes in the carrying value of goodwill for the years ended December 31, 2021 and 2020:

	Regulated Businesses		Market-Based Businesses		Consolidated		
	Cost	Accumulated Impairment	Cost	Accumulated Impairment	Cost	Accumulated Impairment	Total Net
Balance as of January 1, 2020	\$ 3,497	\$ (2,332)	\$ 483	\$ (108)	\$ 3,980	\$ (2,440)	\$ 1,540
Goodwill from acquisitions	5	—	—	—	5	—	5
Measurement period adjustments	(2)	—	—	—	(2)	—	(2)
Less: Goodwill included in assets held for sale (a)	(39)	—	—	—	(39)	—	(39)
Balance as of December 31, 2020	<u>\$ 3,461</u>	<u>\$ (2,332)</u>	<u>\$ 483</u>	<u>\$ (108)</u>	<u>\$ 3,944</u>	<u>\$ (2,440)</u>	<u>\$ 1,504</u>
Measurement period adjustments	(7)	—	—	—	(7)	—	(7)
Goodwill included in assets held for sale (a)	12	—	—	—	12	—	12
Goodwill reduced through sale of HOS	—	—	(370)	—	(370)	—	(370)
Balance as of December 31, 2021	<u>\$ 3,466</u>	<u>\$ (2,332)</u>	<u>\$ 113</u>	<u>\$ (108)</u>	<u>\$ 3,579</u>	<u>\$ (2,440)</u>	<u>\$ 1,139</u>

- (a) This goodwill is related to the sale of the Company's New York subsidiary, which was completed on January 1, 2022, and is included in assets held for sale on the Consolidated Balance Sheets as of December 31, 2021 and December 31, 2020. See Note 6—Acquisitions and Divestitures for additional information.

In 2021, the Company reduced goodwill by \$370 million included in Market-Based Businesses through the sale of HOS. See Note 6—Acquisitions and Divestitures for additional information relating to the sale of HOS.

The Company completed its annual impairment testing of goodwill as of November 30, 2021, which included qualitative assessments of its Regulated Businesses and MSG reporting units. Based on these assessments, the Company determined that there were no factors present that would indicate that the fair value of these reporting units was less than their respective carrying values as of November 30, 2021.

In 2020, the Company acquired goodwill of \$5 million associated with two of its acquisitions in the Regulated Businesses segment.

Intangible Assets

The Company held finite-lived intangible assets, including customer relationships and other intangible assets prior to the sale of HOS during the fourth quarter of 2021. All of the Company's finite-lived intangible assets were sold as part of the HOS sale transaction. As a result, there was no gross carrying value or net book value of customer relationships and other intangible assets remaining as of December 31, 2021. The gross carrying value of customer relationships and other intangible assets as of December 31, 2020 was \$78 million and \$13 million, respectively. Accumulated amortization of customer relationships and other intangible assets was \$29 million and \$7 million, respectively, as of December 31, 2020. Intangible asset amortization expense amounted to \$9 million, \$12 million and \$14 million for the years ended December 31, 2021, 2020 and 2019, respectively. Amortization expense related to customer relationships and other intangible assets was \$7 million and \$2 million, respectively, for the year ended December 31, 2021.

Note 10: Shareholders' Equity**Common Stock**

Under the Company's dividend reinvestment and direct stock purchase plan (the "DRIP"), shareholders may reinvest cash common stock dividends and purchase additional shares of Company common stock, up to certain limits, through the plan administrator without paying brokerage commissions. Shares purchased by participants through the DRIP may be newly issued shares, treasury shares, or at the Company's election, shares purchased by the plan administrator in the open market or in privately negotiated transactions. Purchases generally will be made and credited to DRIP accounts once each week. As of December 31, 2021, there were approximately 5.1 million shares available for future issuance under the DRIP.

Anti-dilutive Stock Repurchase Program

In February 2015, the Company's Board of Directors authorized an anti-dilutive stock repurchase program, which allows the Company to purchase up to 10 million shares of its outstanding common stock from time to time over an unrestricted period of time. The Company did not repurchase shares of common stock during the years ended December 31, 2021 and 2020. As of December 31, 2021, there were 5.1 million shares of common stock available for purchase under the program.

Accumulated Other Comprehensive Loss

Presented in the table below are the changes in accumulated other comprehensive loss by component, net of tax, for the years ended December 31, 2021 and 2020:

	Defined Benefit Plans				
	Employee Benefit Plan Funded Status	Amortization of Prior Service Cost	Amortization of Actuarial Loss	Gain (Loss) on Cash Flow Hedge	Accumulated Other Comprehensive Loss
Beginning balance as of January 1, 2020	\$ (94)	\$ 1	\$ 60	\$ (3)	\$ (36)
Other comprehensive income (loss) before reclassification	(12)	—	—	(4)	(16)
Amounts reclassified from accumulated other comprehensive loss	—	—	3	—	3
Net other comprehensive income (loss)	(12)	—	3	(4)	(13)
Ending balance as of December 31, 2020	\$ (106)	\$ 1	\$ 63	\$ (7)	\$ (49)
Other comprehensive income (loss) before reclassification	(1)	—	—	1	—
Amounts reclassified from accumulated other comprehensive loss	—	—	4	—	4
Net other comprehensive income (loss)	(1)	—	4	1	4
Ending balance as of December 31, 2021	\$ (107)	\$ 1	\$ 67	\$ (6)	\$ (45)

The Company does not reclassify the amortization of defined benefit pension cost components from accumulated other comprehensive loss directly to net income in its entirety, as a portion of these costs have been deferred as a regulatory asset. These accumulated other comprehensive loss components are included in the computation of net periodic pension cost. See Note 16—Employee Benefits for additional information.

The amortization of the gain (loss) on cash flow hedges is reclassified to net income during the period incurred and is included in interest, net in the accompanying Consolidated Statements of Operations.

Dividends and Distributions

The Company's Board of Directors authorizes the payment of dividends. The Company's ability to pay dividends on its common stock is subject to having access to sufficient sources of liquidity, net income and cash flows of the Company's subsidiaries, the receipt of dividends and direct and indirect distributions from, and repayments of indebtedness of, the Company's subsidiaries, compliance with Delaware corporate and other laws, compliance with the contractual provisions of debt and other agreements and other factors.

The Company's dividend rate on its common stock is determined by the Board of Directors on a quarterly basis and takes into consideration, among other factors, current and possible future developments that may affect the Company's income and cash flows. When dividends on common stock are declared, they are typically paid in March, June, September and December. Historically, dividends have been paid quarterly to holders of record less than 30 days prior to the distribution date. Since the dividends on the Company's common stock are not cumulative, only declared dividends are paid.

During 2021, 2020 and 2019, the Company paid \$428 million, \$389 million and \$353 million in cash dividends, respectively. Presented in the table below is the per share cash dividends paid for the years ended December 31:

	2021		2020		2019	
December	\$	0.6025	\$	0.55	\$	0.50
September	\$	0.6025	\$	0.55	\$	0.50
June	\$	0.6025	\$	0.55	\$	0.50
March	\$	0.55	\$	0.50	\$	0.455

On December 9, 2021, the Company's Board of Directors declared a quarterly cash dividend payment of \$0.6025 per share payable on March 1, 2022, to shareholders of record as of February 8, 2022.

Under applicable law, the Company's subsidiaries may pay dividends on their capital stock or other equity only from retained, undistributed or current earnings. A significant loss recorded at a subsidiary may limit the amount of the dividend that the subsidiary can pay. The ability of the Company's subsidiaries to pay upstream dividends, make other upstream distributions or repay indebtedness to parent company or American Water Capital Corp. ("AWCC"), the Company's wholly owned financing subsidiary, as applicable, is subject to compliance with applicable corporate, tax and other laws, regulatory restrictions and financial and other contractual obligations, including, for example, (i) regulatory capital, surplus or net worth requirements, (ii) outstanding debt service obligations, (iii) requirements to make preferred and preference stock dividend payments, and (iv) other contractual agreements, covenants or obligations made or entered into by the Company and its subsidiaries.

Regulatory Restrictions on Indebtedness

The issuance of long-term debt or equity securities by the Company or long-term debt by AWCC does not require authorization of any state PUC if no guarantee or pledge of the regulated subsidiaries is utilized. Based on the needs of the Regulated Businesses and parent company, AWCC may borrow funds or issue its debt in the capital markets and then, through intercompany loans, provide these borrowings to the Regulated Businesses or parent company. PUC authorization is generally required for the regulated subsidiaries to incur long-term debt. The Company's regulated subsidiaries normally obtain these required PUC authorizations on a periodic basis to cover their anticipated financing needs for a period of time, or, as necessary, in connection with a specific financing or refinancing of debt.

Note 11: Stock Based Compensation

The Company has granted stock options, stock units and dividend equivalents to non-employee directors, officers and other key employees of the Company pursuant to the terms of its 2007 Omnibus Equity Compensation Plan (the "2007 Plan"). Stock units under the 2007 Plan generally vest based on (i) continued employment with the Company ("RSUs"), or (ii) continued employment with the Company where distribution of the shares is subject to the satisfaction in whole or in part of stated performance-based goals ("PSUs"). The 2007 Plan has been replaced by the 2017 Omnibus Plan, as defined below, and no additional awards may be granted under the 2007 Plan. However, shares may still be issued under the 2007 Plan pursuant to the terms of awards previously issued under that plan prior to May 12, 2017.

In May 2017, the Company's shareholders approved the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "2017 Omnibus Plan"). The Company has granted stock units, including RSUs and PSUs, stock awards and dividend equivalents to non-employee directors, officers and employees under the 2017 Omnibus Plan. A total of 7.2 million shares of common stock may be issued under the 2017 Omnibus Plan. As of December 31, 2021, 6.5 million shares were available for grant under the 2017 Omnibus Plan. The 2017 Omnibus Plan provides that grants of awards may be in any of the following forms: incentive stock options, nonqualified stock options, stock appreciation rights, stock units, stock awards, other stock-based awards and dividend equivalents. Dividend equivalents may be granted only on stock units or other stock-based awards. The 2017 Omnibus Plan expires in 2027.

The cost of services received from employees in exchange for the issuance of stock options and restricted stock awards is measured based on the grant date fair value of the awards issued. The value of stock options and stock unit awards at the date of the grant is amortized through expense over the requisite service period. All awards granted in 2021, 2020 and 2019 are classified as equity. The Company recognizes compensation expense for stock awards over the vesting period of the award. The Company stratified its grant populations and used historic employee turnover rates to estimate employee forfeitures. The estimated rate is compared to the actual forfeitures at the end of the reporting period and adjusted as necessary. There have been no significant adjustments to the forfeiture rates during 2021, 2020 and 2019. There were no grants of stock options to employees after 2016, and the remaining stock options outstanding as of December 31, 2021 were not material. Presented in the table below is the stock-based compensation expense recorded in O&M expense in the accompanying Consolidated Statements of Operations for the years ended December 31:

	2021	2020	2019
RSUs and PSUs	\$ 15	\$ 19	\$ 15
Nonqualified employee stock purchase plan	2	2	2
Stock-based compensation	17	21	17
Income tax benefit	(4)	(5)	(4)
Stock-based compensation expense, net of tax	<u>\$ 13</u>	<u>\$ 16</u>	<u>\$ 13</u>

There were no significant stock-based compensation costs capitalized during the years ended December 31, 2021, 2020 and 2019.

Subject to limitations on deductibility imposed by the Federal income tax code, the Company receives a tax deduction based on the intrinsic value of the award at the exercise date for stock options and the distribution date for stock units. For each award, throughout the requisite service period, the Company records the tax impacts related to compensation costs as deferred income tax assets. The tax deductions in excess of the deferred benefits recorded throughout the requisite service period are recorded to the Consolidated Statements of Operations and are presented in the financing section of the Consolidated Statements of Cash Flows.

Stock Units

During 2021, 2020 and 2019, the Company granted RSUs to certain employees under the 2017 Omnibus Plan. RSUs generally vest based on continued employment with the Company over periods ranging from one to three years.

During 2021, 2020 and 2019, the Company granted stock units to non-employee directors under the 2017 Omnibus Plan. The stock units were vested in full on the date of grant; however, distribution of the shares will be made within 30 days of the earlier of (i) 15 months after the date of the last annual meeting of shareholders, subject to any deferral election by the director, or (ii) the participant's separation from service. Because these stock units vested on the grant date, the total grant date fair value was recorded in operation and maintenance expense on the grant date.

The RSUs are valued at the closing price of the Company's common stock on the date of the grant and the majority vest ratably over a three-year service period. These RSUs are amortized through expense over the requisite service period using the straight-line method.

Presented in the table below is RSU activity for the year ended December 31, 2021:

	Shares (in thousands)	Weighted Average Grant Date Fair Value (per share)
Non-vested total as of December 31, 2020	92	\$ 100.39
Granted	45	158.54
Vested	(76)	122.26
Forfeited	(13)	128.93
Non-vested total as of December 31, 2021	<u>48</u>	<u>\$ 112.22</u>

As of December 31, 2021, \$3 million of total unrecognized compensation cost related to the nonvested RSUs is expected to be recognized over the weighted average remaining life of 1.33 years. The total fair value of stock units and RSUs vested was \$9 million, \$5 million and \$4 million for the years ended December 31, 2021, 2020 and 2019, respectively.

During 2021, 2020 and 2019, the Company granted PSUs to certain employees under the 2017 Omnibus Plan. The majority of PSUs vest ratably based on continued employment with the Company over the three-year performance period (the "Performance Period"). Distribution of the performance shares is contingent upon the achievement of one or more internal performance measures and, separately, a relative total shareholder return performance measure, over the Performance Period.

Presented in the table below is PSU activity for the year ended December 31, 2021:

	Shares (in thousands)	Weighted Average Grant Date Fair Value (per share)
Non-vested total as of December 31, 2020	293	\$ 105.70
Granted	145	128.30
Vested	(186)	75.47
Forfeited	(20)	159.99
Non-vested total as of December 31, 2021	<u>232</u>	<u>\$ 139.40</u>

As of December 31, 2021, \$3 million of total unrecognized compensation cost related to the nonvested PSUs is expected to be recognized over the weighted average remaining life of 0.71 years. The total fair value of PSUs vested was \$22 million, \$18 million and \$14 million for the years ended December 31, 2021, 2020 and 2019, respectively.

PSUs granted with one or more internal performance measures are valued at the market value of the closing price of the Company's common stock on the date of grant. PSUs granted with a relative total shareholder return condition are valued using a Monte Carlo simulation model. Expected volatility is based on historical volatilities of traded common stock of the Company and comparative companies using daily stock prices over the past three years. The expected term is three years and the risk-free interest rate is based on the three-year U.S. Treasury rate in effect as of the measurement date. Presented in the table below are the weighted average assumptions used in the Monte Carlo simulation and the weighted average grant date fair values of PSUs granted for the years ended December 31:

	2021	2020	2019
Expected volatility	28.59%	16.65%	16.80%
Risk-free interest rate	0.22%	1.28%	2.47%
Expected life (years)	3.0	3.0	3.0
Grant date fair value per share	\$229.22	\$159.64	\$110.37

The grant date fair value of PSUs that vest ratably and have market and/or performance conditions are amortized through expense over the requisite service period using the graded-vesting method.

Employee Stock Purchase Plan

The Company maintains a nonqualified employee stock purchase plan (the “ESPP”) that expires in 2027 through which employee participants (other than the Company’s executive officers) may use payroll deductions to acquire Company common stock at a purchase price of 85% of the fair market value of the common stock at the end of a three-month purchase period. A total of 2.0 million shares may be issued under the ESPP, and as of December 31, 2021, there were 1.6 million shares of common stock reserved for issuance under the ESPP. The ESPP is considered compensatory. During the years ended December 31, 2021, 2020 and 2019, the Company issued 80 thousand, 86 thousand and 88 thousand shares, respectively, under the ESPP.

Note 12: Long-Term Debt

The Company obtains long-term debt through AWCC primarily to fund capital expenditures of the Regulated Businesses and to lend funds to parent company to refinance debt and for other purposes. Presented in the table below are the components of long-term debt as of December 31:

	Rate	Weighted Average Rate	Maturity	2021	2020
Long-term debt of AWCC: (a)					
Senior notes—fixed rate	2.30%-8.27%	3.83%	2023-2051	\$ 8,965	\$ 8,191
Private activity bonds and government funded debt—fixed rate	0.60%-2.45%	1.63%	2023-2031	190	191
Long-term debt of other American Water subsidiaries:					
Private activity bonds and government funded debt—fixed rate	0.00%-5.50%	1.70%	2022-2048	739	735
Mortgage bonds—fixed rate	6.35%-9.19%	7.36%	2023-2039	534	565
Mandatorily redeemable preferred stock	8.47%-9.75%	8.60%	2024-2036	4	5
Finance lease obligations	12.25%	12.25%	2026	1	1
Long-term debt				10,433	9,688
Unamortized debt (discount) premium, net (b)				(9)	(4)
Unamortized debt issuance costs				(23)	(22)
Less current portion of long-term debt				(57)	(329)
Total long-term debt				\$ 10,344	\$ 9,333

(a) This indebtedness is considered “debt” for purposes of a support agreement between parent company and AWCC, which serves as a functional equivalent of a full and unconditional guarantee by parent company of AWCC’s payment obligations under such indebtedness.

(b) Includes debt discount, net of fair value adjustments previously recognized in acquisition purchase accounting.

All mortgage bonds and \$738 million of the private activity bonds and government funded debt held by the Company’s subsidiaries were collateralized as of December 31, 2021.

Long-term debt indentures contain a number of covenants that, among other things, limit, subject to certain exceptions, AWCC from issuing debt secured by the Company’s consolidated assets. Certain long-term notes require the Company to maintain a ratio of consolidated total indebtedness to consolidated total capitalization of not more than 0.70 to 1.00. The ratio as of December 31, 2021 was 0.60 to 1.00. In addition, the Company has \$859 million of notes which include the right to redeem the notes at par value, in whole or in part, from time to time, subject to certain restrictions, with a weighted average interest rate of 1.84%.

Presented in the table below are future sinking fund payments and debt maturities:

	Amount
2022	\$ 57
2023	280
2024	474
2025	597
2026	441
Thereafter	8,584

Presented in the table below are the issuances of long-term debt in 2021:

Company	Type	Rate	Weighted Average Rate	Maturity	Amount
AWCC	Senior notes—fixed rate	2.30%-3.25%	2.78%	2031-2051	\$ 1,100
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate	0.00%-5.00%	0.04%	2022-2047	18
Total issuances					\$ 1,118

The Company incurred debt issuance costs of \$11 million related to the above issuances.

Presented in the table below are the retirements and redemptions of long-term debt in 2021 through sinking fund provisions, optional redemption or payment at maturity:

Company	Type	Rate	Weighted Average Rate	Maturity	Amount
AWCC	Private activity bonds and government funded debt—fixed rate	1.79%-6.55%	5.94%	2021-2031	\$ 327
Other American Water subsidiaries	Private activity mortgage bonds	9.13%-9.69%	9.52%	2021	31
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate	0.00%-5.50%	1.38%	2021-2048	13
Other American Water subsidiaries	Mandatory redeemable preferred stock	8.49%-8.49%	8.49%	2022-2022	1
Total retirements and redemptions					\$ 372

On May 10, 2021, AWCC completed a \$1.1 billion debt offering which included the sale of \$550 million aggregate principal amount of its 2.30% senior notes due 2031 and \$550 million aggregate principal amount of its 3.25% senior notes due 2051. At the closing of the offering, AWCC received, after deduction of underwriting discounts and before deduction of offering expenses, net proceeds of \$1,086 million. AWCC used the net proceeds of this offering: (i) to lend funds to parent company and its regulated subsidiaries; (ii) to prepay \$251 million aggregate principal amount of AWCC's outstanding 5.77% Series D Senior Notes due December 21, 2021 (the "Series D Notes") and \$76 million aggregate principal amount of AWCC's outstanding 6.55% Series H Senior Notes due May 15, 2023 (the "Series H Notes," and together with the Series D Notes, the "Series Notes"); (iii) to repay AWCC's commercial paper obligations; and (iv) for general corporate purposes. After the prepayments described above, none of the Series D Notes, and approximately \$14 million aggregate principal amount of the Series H Notes, remain outstanding. As a result of AWCC's prepayment of the Series Notes, a make-whole premium of \$15 million was paid to the holders thereof on June 14, 2021. Substantially all of the early debt extinguishment costs were allocable to the Company's utility subsidiaries and recorded as regulatory assets, as the Company believes they are probable of recovery in future rates.

One of the principal market risks to which the Company is exposed is changes in interest rates. In order to manage the exposure, the Company follows risk management policies and procedures, including the use of derivative contracts such as swaps. The Company also reduces exposure to interest rates by managing commercial paper and debt maturities. The Company does not enter into derivative contracts for speculative purposes and does not use leveraged instruments. The derivative contracts entered into are for periods consistent with the related underlying exposures. The Company is exposed to the risk that counterparties to derivative contracts will fail to meet their contractual obligations and minimizes this risk by dealing only with leading, creditworthy financial institutions having long-term credit ratings of "A" or better.

On May 6, 2021, the Company entered into two 10-year treasury lock agreements, with notional amounts of \$125 million and \$150 million, to reduce interest rate exposure on debt, which was subsequently issued on May 10, 2021. These treasury lock agreements had an average fixed rate of 1.58%. The Company designated these treasury lock agreements as cash flow hedges, with their fair value recorded in accumulated other comprehensive gain or loss. On May 10, 2021, the Company terminated these two treasury lock agreements with an aggregate notional amount of \$275 million, realizing a net gain of less than \$1 million, to be amortized through interest, net over a 10-year period, in accordance with the terms of the \$1.1 billion new debt issued on May 10, 2021. No ineffectiveness was recognized on hedging instruments for the years ended December 31, 2021 and 2020.

Note 13: Short-Term Debt

Liquidity needs for capital investment, working capital and other financial commitments are generally funded through cash flows from operations, public and private debt offerings, commercial paper markets and, if and to the extent necessary, borrowings under the AWCC revolving credit facility. Additionally, proceeds from the aforementioned sales of HOS and the Company's New York subsidiary will be used primarily for capital investment in the Regulated Businesses. The revolving credit facility provides \$2.25 billion in aggregate total commitments from a diversified group of financial institutions. The termination date of the credit agreement with respect to AWCC's revolving credit facility is March 21, 2025. The facility is used principally to support AWCC's commercial paper program, to provide additional liquidity support and to provide a sub-limit of up to \$150 million for letters of credit. Letters of credit are non-debt instruments maintained to provide credit support for certain transactions as requested by third parties. Subject to satisfying certain conditions, the credit agreement also permits AWCC to increase the maximum commitment under the facility by up to an aggregate of \$500 million. As of December 31, 2021, AWCC had no outstanding borrowings and \$76 million of outstanding letters of credit under the revolving credit facility, with \$1.59 billion available to fulfill the Company's short-term liquidity needs and to issue letters of credit. The Company regularly evaluates the capital markets and closely monitors the financial condition of the financial institutions with contractual commitments in its revolving credit facility. Interest rates on advances under the facility are based on a credit spread to the LIBOR rate (or applicable market replacement rate) or base rate in accordance with Moody Investors Service's and Standard & Poor's Financial Services' then applicable credit rating on AWCC's senior unsecured, non-credit enhanced debt.

On March 20, 2020, AWCC entered into a Term Loan Credit Agreement, by and among parent company, AWCC and the lenders party thereto (the "Term Loan Facility"). As of December 31, 2020, \$500 million of principal was outstanding under the Term Loan Facility. The Term Loan Facility commitments terminated at maturity on March 19, 2021, and the Term Loan Facility was repaid in full. Borrowings under the Term Loan Facility bore interest at a variable annual rate based on LIBOR, plus a margin of 0.80%.

Short-term debt consists of commercial paper and credit facility borrowings totaling \$584 million and \$786 million as of December 31, 2021 and 2020, respectively. The weighted average interest rate on AWCC's outstanding short-term borrowings was approximately 0.25%, for the year ended December 31, 2021. The weighted average interest rate on AWCC's outstanding short-term borrowings was 1.16%, for the year ended December 31, 2020, including \$500 million of outstanding principal on the Term Loan Facility as of December 31, 2020. As of December 31, 2021 there were no commercial paper or credit facility borrowings outstanding with maturities greater than three months.

Presented in the tables below is the aggregate credit facility commitments, commercial paper limit and letter of credit availability under the revolving credit facility, as well as the available capacity for each, as of December 31:

	2021		
	Commercial Paper Limit	Letters of Credit	Total (a)
(In millions)			
Total availability	\$ 2,100	\$ 150	\$ 2,250
Outstanding debt	(584)	(76)	(660)
Remaining availability as of December 31, 2021	\$ 1,516	\$ 74	\$ 1,590

(a) Total remaining availability of \$1.59 billion as of December 31, 2021 may be accessed through revolver draws.

	2020		
	Commercial Paper Limit	Letters of Credit	Total (a)
(In millions)			
Total availability	\$ 2,100	\$ 150	\$ 2,250
Outstanding debt	(786)	(76)	(862)
Remaining availability as of December 31, 2020	\$ 1,314	\$ 74	\$ 1,388

(a) Total remaining availability may be accessed through revolver draws.

Presented in the table below is the Company's total available liquidity as of December 31, 2021 and 2020, respectively:

	Cash and Cash Equivalents	Availability on Revolving Credit Facility	Total Available Liquidity
(In millions)			
Available liquidity as of December 31, 2021	\$ 116	\$ 1,590	\$ 1,706
Available liquidity as of December 31, 2020	\$ 547	\$ 1,388	\$ 1,935

Presented in the table below is the short-term borrowing activity for AWCC for the years ended December 31:

	2021	2020
Average borrowings	\$ 910	\$ 1,047
Maximum borrowings outstanding	1,647	2,172
Weighted average interest rates, computed on daily basis	0.25 %	1.16 %
Weighted average interest rates, as of December 31	0.20 %	0.53 %

The changes in average borrowings between periods were mainly attributable to the \$500 million borrowed under the Term Loan Facility during 2020, which terminated and was repaid in full at maturity on March 19, 2021.

The credit facility requires the Company to maintain a ratio of consolidated debt to consolidated capitalization of not more than 0.70 to 1.00. The ratio as of December 31, 2021 was 0.60 to 1.00.

None of the Company's borrowings are subject to default or prepayment as a result of a downgrading of securities, although such a downgrading could increase fees and interest charges under AWCC's revolving credit facility.

Note 14: General Taxes

Presented in the table below is the components of general tax expense for the years ended December 31:

	2021	2020	2019
Property and capital stock	\$ 149	\$ 140	\$ 124
Gross receipts and franchise	121	116	110
Payroll	39	36	35
Other general	12	11	11
Total general taxes	\$ 321	\$ 303	\$ 280

Note 15: Income Taxes

Presented in the table below is the components of income tax expense for the years ended December 31:

	2021	2020	2019
Current income taxes:			
State	\$ 72	\$ 8	\$ 4
Federal	75	—	—
Total current income taxes	\$ 147	\$ 8	\$ 4
Deferred income taxes:			
State	\$ 10	\$ 49	\$ 54
Federal	221	159	155
Amortization of deferred investment tax credits	(1)	(1)	(1)
Total deferred income taxes	230	207	208
Provision for income taxes	\$ 377	\$ 215	\$ 212

Presented in the table below is a reconciliation between the statutory federal income tax rate and the Company's effective tax rate for the years ended December 31:

	2021	2020	2019
Income tax at statutory rate	21.0 %	21.0 %	21.0 %
Increases (decreases) resulting from:			
State taxes, net of federal taxes	3.9 %	4.8 %	5.4 %
EADIT	(3.6)%	(2.1)%	(0.9)%
Tax impact due to the sale of HOS	1.6 %	— %	— %
Other, net	0.1 %	(0.4)%	(0.1)%
Effective tax rate	23.0 %	23.3 %	25.4 %

Presented in the table below are the components of the net deferred tax liability as of December 31:

	2021	2020
Deferred tax assets:		
Advances and contributions	\$ 439	\$ 424
Tax losses and credits	10	65
Regulatory income tax assets	301	329
Pension and other postretirement benefits	50	100
Other	144	165
Total deferred tax assets	<u>944</u>	<u>1,083</u>
Valuation allowance	(10)	(19)
Total deferred tax assets, net of allowance	<u>\$ 934</u>	<u>\$ 1,064</u>
Deferred tax liabilities:		
Property, plant and equipment	\$ 3,087	\$ 2,913
Deferred pension and other postretirement benefits	69	97
Other	180	216
Total deferred tax liabilities	<u>3,336</u>	<u>3,226</u>
Less: Deferred tax liabilities included in liabilities related to assets held for sale (a)	—	69
Total deferred tax liabilities, net of deferred tax assets	<u>\$ (2,402)</u>	<u>\$ (2,093)</u>

(a) These deferred tax liabilities are related to the sale of the Company's New York subsidiary, which was completed on January 1, 2022, and are included in liabilities related to assets held for sale on the Consolidated Balance Sheets as of December 31, 2021 and December 31, 2020. See Note 6—Acquisitions and Divestitures for additional information.

The Company recognized no federal net operating loss ("NOL") carryforwards as of December 31, 2021 and \$366 million as of December 31, 2020. The Company fully utilized its federal NOL carryforwards in 2021 due to the sale of HOS, and therefore, no valuation allowance is required.

As of December 31, 2021 and 2020, the Company had state NOLs of \$123 million and \$357 million, respectively, a portion of which are offset by a valuation allowance as the Company does not believe these NOLs are more likely than not to be realized. The state NOL carryforwards expire in 2021 through 2041.

The Company files income tax returns in the United States federal jurisdiction and various state and foreign jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal, state or local or non-U.S. income tax examinations by tax authorities for years on or before 2012. The Company has state income tax examinations in progress and does not expect material adjustments to result.

Presented in the table below are the changes in gross liability, excluding interest and penalties, for unrecognized tax benefits:

	Amount
Balance as of January 1, 2020	\$ 110
Increases in current period tax positions	18
Decreases in prior period measurement of tax positions	(6)
Balance as of December 31, 2020	<u>\$ 122</u>
Increases in current period tax positions	23
Decreases in prior period measurement of tax positions	(5)
Balance as of December 31, 2021	<u>\$ 140</u>

The Company's tax positions relate primarily to the deductions claimed for repair and maintenance costs on its utility plant. The Company does not anticipate material changes to its unrecognized tax benefits within the next year. As discussed above, the Company utilized its remaining federal NOLs in 2021, and therefore this federal tax attribute will not be available to reduce the federal liabilities for uncertain tax positions or interest accrued as presented on the Company's Consolidated Financial Statements.

If the Company sustains all of its positions as of December 31, 2021, an unrecognized tax benefit of \$10 million, excluding interest and penalties, would impact the Company’s effective tax rate. The Company had an insignificant amount of interest and penalties related to its tax positions as of December 31, 2021 and 2020.

Presented in the table below are the changes in the valuation allowance:

	Amount
Balance as of January 1, 2019	\$ 14
Increases in current period tax positions	7
Balance as of December 31, 2019	\$ 21
Decreases in current period tax positions	(2)
Balance as of December 31, 2020	\$ 19
Decreases in current period tax positions	(9)
Balance as of December 31, 2021	\$ 10

Note 16: Employee Benefits

Pension and Other Postretirement Benefits

The Company maintains noncontributory defined benefit pension plans covering eligible employees of its regulated utility and shared services operations. Benefits under the plans are based on the employee’s years of service and compensation. The pension plans have been closed for all new employees. The pension plans were closed for most employees hired on or after January 1, 2006. Union employees hired on or after January 1, 2001, except for specific eligible groups specified in the plan, had their accrued benefit frozen and will be able to receive this benefit as a lump sum upon termination or retirement. Union employees hired on or after January 1, 2001 and non-union employees hired on or after January 1, 2006 are provided with a 5.25% of base pay defined contribution plan. The Company does not participate in a multi-employer plan. The Company also has unfunded noncontributory supplemental nonqualified pension plans that provide additional retirement benefits to certain employees.

The Company’s pension funding practice is to contribute at least the greater of the minimum amount required by the Employee Retirement Income Security Act of 1974 or the normal cost. Further, the Company will consider additional cash contributions and/or available prefunding balances if needed to avoid “at risk” status and benefit restrictions under the Pension Protection Act of 2006 (“PPA”). The Company may also consider increased contributions, based on other financial requirements and the plans’ funded position. Pension expense in excess of the amount contributed to the pension plans is deferred by certain regulated subsidiaries pending future recovery in rates charged for utility services as contributions are made to the plans. See Note 4—Regulatory Matters for additional information. Pension plan assets are invested in a number of actively managed, commingled funds, and limited partnerships including equities, fixed income securities, guaranteed annuity contracts with insurance companies, real estate funds and real estate investment trusts (“REITs”).

The Company maintains other postretirement benefit plans providing varying levels of medical and life insurance to eligible retirees. The retiree welfare plans are closed for union employees hired on or after January 1, 2006. The plans had previously closed for non-union employees hired on or after January 1, 2002. The Company’s policy is to fund other postretirement benefit costs up to the amount recoverable through rates. Assets of the plans are invested in a number of actively managed funds in the form of separate accounts, commingled funds and limited partnerships, including equities and fixed income securities.

The investment policy guideline of the pension plan is focused on diversification, improving returns and reducing the volatility of the funded status over a long-term horizon. The investment policy guidelines of the postretirement plans focus on the appropriate strategy given the funded status of the plans. None of the Company’s securities are included in pension or other postretirement benefit plan assets.

The Company uses fair value for all classes of assets in the calculation of market-related value of plan assets. As of 2018, the fair values and asset allocations of the pension plan assets include the American Water Pension Plan, the New York Water Service Corporation Pension Plan, and the Shorelands Water Company, Inc. Pension Plan.

As a result of the sale of the Company’s New York subsidiary, there will be a transfer of assets from two pension plans and two other postretirement benefit plans from the Company to Liberty. The Company does not expect the assets to be transferred to be a significant percentage of the Company’s overall pension and other postretirement benefit plans.

Presented in the tables below are the fair values and asset allocations of the pension plan assets as of December 31, 2021 and 2020, respectively, by asset category:

Asset Category	2022 Target Allocation	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Percentage of Plan Assets as of December 31, 2021
Cash		\$ 54	\$ 54	\$ —	\$ —	3 %
Equity securities:	50 %					
U.S. large cap		217	217	—	—	11 %
U.S. small cap		113	113	—	—	6 %
International		516	7	354	155	26 %
Real estate fund		141	—	—	141	7 %
REITs		9	—	9	—	— %
Fixed income securities:	50 %					
U.S. Treasury securities and government bonds		256	249	7	—	13 %
Corporate bonds		601	—	601	—	30 %
Mortgage-backed securities		9	—	9	—	— %
Municipal bonds		25	—	25	—	1 %
Treasury futures		—	—	—	—	— %
Long duration bond fund		10	7	3	—	1 %
Guarantee annuity contracts		40	—	—	40	2 %
Total	100 %	\$ 1,991	\$ 647	\$ 1,008	\$ 336	100 %

Asset Category	2021 Target Allocation	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Percentage of Plan Assets as of December 31, 2020
Cash		\$ 78	\$ 78	\$ —	\$ —	4 %
Equity securities:	50 %					
U.S. large cap		420	420	—	—	21 %
U.S. small cap		124	124	—	—	6 %
International		367	8	169	190	18 %
Real estate fund		120	—	—	120	6 %
REITs		7	—	7	—	— %
Fixed income securities:	50 %					
U.S. Treasury securities and government bonds		171	163	8	—	9 %
Corporate bonds		594	—	594	—	30 %
Mortgage-backed securities		9	—	9	—	— %
Municipal bonds		34	—	34	—	2 %
Treasury futures		10	10	—	—	1 %
Long duration bond fund		10	7	3	—	1 %
Guarantee annuity contracts		46	—	—	46	2 %
Total	100 %	\$ 1,990	\$ 810	\$ 824	\$ 356	100 %

Presented in the tables below are a reconciliation of the beginning and ending balances of the fair value measurements using significant unobservable inputs (Level 3) for 2021 and 2020, respectively:

	Level 3
Balance as of January 1, 2021	\$ 356
Actual return on assets	41
Purchases, issuances and settlements, net	(61)
Balance as of December 31, 2021	<u>\$ 336</u>
	Level 3
Balance as of January 1, 2020	\$ 349
Actual return on assets	3
Purchases, issuances and settlements, net	4
Balance as of December 31, 2020	<u>\$ 356</u>

The Company’s postretirement benefit plans have different levels of funded status and the assets are held under various trusts. The investments and risk mitigation strategies for the plans are tailored specifically for each trust. In setting new strategic asset mixes, consideration is given to the likelihood that the selected asset allocation will effectively fund the projected plan liabilities and meet the risk tolerance criteria of the Company. The Company periodically updates the long-term, strategic asset allocations for these plans through asset liability studies and uses various analytics to determine the optimal asset allocation. Considerations include plan liability characteristics, liquidity needs, funding requirements, expected rates of return and the distribution of returns.

In 2018, the Company announced plan design changes to the medical bargaining benefit plan, which resulted in a cap on future benefits and an over funded postretirement medical benefits bargaining plan. As a result of the change in funded status, the Company decreased the investment risk in the plan and reduced its exposure to changes in interest rates by matching the assets of the plan to the projected cash flows for future benefit payments of the liability.

The Company engages third-party investment managers for all invested assets. Managers are not permitted to invest outside of the asset class (e.g. fixed income, equity, alternatives) or strategy for which they have been appointed. Investment management agreements and recurring performance and attribution analysis are used as tools to ensure investment managers invest solely within the investment strategy they have been provided. Futures and options may be used to adjust portfolio duration to align with a plan’s targeted investment policy.

In order to minimize asset volatility relative to the liabilities, a portion of plan assets is allocated to long duration fixed income investments that are exposed to interest rate risk. Increases in interest rates generally will result in a decline in the value of fixed income assets while reducing the present value of the liabilities. Conversely, rate decreases will increase fixed income assets, partially offsetting the related increase in the liabilities. Within equities, risk is mitigated by constructing a portfolio that is broadly diversified by geography, market capitalization, manager mandate size, investment style and process. For the postretirement medical bargaining plan, its asset structure is designed to meet the cash flows of the liabilities. This design reduces the plan’s exposure to changes in interest rates.

Actual allocations to each asset class vary from target allocations due to periodic investment strategy updates, market value fluctuations, the length of time it takes to fully implement investment allocations, and the timing of benefit payments and contributions. The asset allocation is rebalanced on a quarterly basis, if necessary. Voluntary Employees’ Beneficiary Association (“VEBA”) Trust assets include the American Water Postretirement Medical Benefits Bargaining Plan, the New York Water Service Corporation Postretirement Medical Benefits Bargaining Plan, the American Water Postretirement Medical Benefits Non-Bargaining Plan, and the American Water Life Insurance Trust.

Presented in the tables below are the fair values and asset allocations of the postretirement benefit plan assets as of December 31, 2021 and 2020, respectively, by asset category:

Asset Category	2022 Target Allocation	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Percentage of Plan Assets as of December 31, 2021
Bargain VEBA:						
Cash		\$ 10	\$ 10	\$ —	\$ —	3 %
Equity securities:	4 %					
U.S. large cap		18	18	—	—	5 %
International		1	1	—	—	— %
Fixed income securities:	96 %					
U.S. Treasury securities and government bonds		363	279	84	—	91 %
Long duration bond fund		5	5	—	—	1 %
Total bargain VEBA	100 %	\$ 397	\$ 313	\$ 84	\$ —	100 %
Non-bargain VEBA:						
Cash		\$ 2	\$ 2	\$ —	\$ —	— %
Equity securities:	60 %					
U.S. large cap		54	54	—	—	39 %
International		35	35	—	—	25 %
Fixed income securities:	40 %					
Core fixed income bond fund (a)		49	—	49	—	36 %
Total non-bargain VEBA	100 %	\$ 140	\$ 91	\$ 49	\$ —	100 %
Life VEBA:						
Cash		\$ 1	\$ 1	\$ —	\$ —	100 %
Equity securities:	70 %					
U.S. large cap		—	—	—	—	— %
Fixed income securities:	30 %					
Core fixed income bond fund (a)		—	—	—	—	— %
Total life VEBA	100 %	\$ 1	\$ 1	\$ —	\$ —	100 %
Total	100 %	\$ 538	\$ 405	\$ 133	\$ —	100 %

(a) Includes cash for margin requirements.

Asset Category	2021 Target Allocation	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Percentage of Plan Assets as of 12/31/2020
Bargain VEBA:						
Cash		\$ 12	\$ 12	\$ —	\$ —	3 %
Equity securities:	4 %					
U.S. large cap		14	14	—	—	3 %
Fixed income securities:	96 %					
U.S. Treasury securities and government bonds		389	308	81	—	93 %
Long duration bond fund		5	5	—	—	1 %
Total bargain VEBA	100 %	\$ 420	\$ 339	\$ 81	\$ —	100 %
Non-bargain VEBA:						
Cash		\$ 1	\$ 1	\$ —	\$ —	—
Equity securities:	60 %					
U.S. large cap		51	51	—	—	38 %
International		33	33	—	—	24 %
Fixed income securities:	40 %					
Core fixed income bond fund (a)		50	—	50	—	38 %
Total non-bargain VEBA	100 %	\$ 135	\$ 85	\$ 50	\$ —	100 %
Life VEBA:						
Equity securities:	70 %					
U.S. large cap		\$ —	\$ —	\$ —	\$ —	—
Fixed income securities:	30 %					
Core fixed income bond fund (a)		1	1	—	—	100 %
Total life VEBA	100 %	\$ 1	\$ 1	\$ —	\$ —	100 %
Total	100 %	\$ 556	\$ 425	\$ 131	\$ —	100 %

(a) Includes cash for margin requirements.

Valuation Techniques Used to Determine Fair Value

Cash—Cash and investments with maturities of three months or less when purchased, including certain short-term fixed-income securities, are considered cash and are included in the recurring fair value measurements hierarchy as Level 1.

Equity securities—For equity securities, the trustees obtain prices from pricing services, whose prices are obtained from direct feeds from market exchanges, that the Company is able to independently corroborate. Certain equity securities are valued based on quoted prices in active markets and categorized as Level 1. Other equities, such as international securities held in the pension plan, are invested in commingled funds and/or limited partnerships. These funds are valued to reflect the plan fund's interest in the fund based on the reported year-end net asset value. Since net asset value is not directly observable or not available on a nationally recognized securities exchange for the commingled funds, they are categorized as Level 2. For limited partnerships, the assets as a whole are categorized as Level 3 due to the fact that the partnership provides the pricing and the pricing inputs are less readily observable. In addition, the limited partnership vehicle cannot be readily traded.

Fixed-income securities—The majority of U.S. Treasury securities and government bonds have been categorized as Level 1 because they trade in highly-liquid and transparent markets and their prices can be corroborated. The fair values of corporate bonds, mortgage backed securities, and certain government bonds are based on prices that reflect observable market information, such as actual trade information of similar securities. They are categorized as Level 2 because the valuations are calculated using models which utilize actively traded market data that the Company can corroborate. Exchange-traded options and futures, for which market quotations are readily available, are valued at the last reported sale price or official closing price on the primary market or exchange on which they are traded and are classified as Level 1.

Real estate fund—Real estate fund is categorized as Level 3 as the fund uses significant unobservable inputs for fair value measurement and the vehicle is in the form of a limited partnership.

REITs—REITs are invested in commingled funds. Commingled funds are valued to reflect the plan fund's interest in the fund based on the reported year-end net asset value. Since the net asset value is not directly observable for the commingled funds, they are categorized as Level 2.

Guaranteed annuity contracts—Guaranteed annuity contracts are categorized as Level 3 because the investments are not publicly quoted. Since these market values are determined by the provider, they are not highly observable and have been categorized as Level 3. Exchange-traded future and option positions are reported in accordance with changes in variation margins that are settled daily.

Presented in the table below is a rollforward of the changes in the benefit obligation and plan assets for the two most recent years, for all plans combined:

	Pension Benefits		Other Benefits	
	2021	2020	2021	2020
Change in benefit obligation:				
Benefit obligation as of January 1,	\$ 2,386	\$ 2,161	\$ 382	\$ 374
Service cost	36	31	4	4
Interest cost	64	73	10	12
Plan participants' contributions	—	—	2	2
Plan amendments	—	—	—	5
Actuarial loss (gain)	(46)	233	(26)	13
Settlements (a)	(6)	(3)	—	—
Gross benefits paid	(140)	(109)	(31)	(29)
Federal subsidy	—	—	1	1
Benefit obligation as of December 31,	\$ 2,294	\$ 2,386	\$ 342	\$ 382
Change in plan assets:				
Fair value of plan assets as of January 1,	\$ 1,990	\$ 1,747	\$ 556	\$ 532
Actual return on plan assets	108	314	9	53
Employer contributions	39	41	1	(2)
Plan participants' contributions	—	—	2	2
Settlements (a)	(6)	(3)	—	—
Benefits paid	(140)	(109)	(30)	(29)
Fair value of plan assets as of December 31,	\$ 1,991	\$ 1,990	\$ 538	\$ 556
Funded value as of December 31,	\$ (303)	\$ (396)	\$ 196	\$ 174
Amounts recognized on the balance sheet:				
Noncurrent asset	\$ —	\$ —	\$ 193	\$ 173
Current liability	(2)	(2)	—	—
Noncurrent liability	(285)	(388)	(1)	(1)
(Liabilities) assets related to assets held for sale (b)	(16)	(6)	4	2
Net amount recognized	\$ (303)	\$ (396)	\$ 196	\$ 174

(a) The Company paid \$6 million and \$3 million of lump sum payment distributions from the Company's New York Water Service Corporation Pension Plan for the years ended December 31, 2021 and 2020, respectively.

(b) These balances are related to the sale of the Company's New York subsidiary, which was completed on January 1, 2022, and are included in assets held for sale and liabilities related to assets held for sale on the Consolidated Balance Sheets as of December 31, 2021 and December 31, 2020. See Note 6—Acquisitions and Divestitures for additional information.

Presented in the table below are the components of accumulated other comprehensive income and regulatory assets that have not been recognized as components of periodic benefit costs as of December 31:

	Pension Benefits		Other Benefits	
	2021	2020	2021	2020
Net actuarial loss	\$ 381	\$ 436	\$ 35	\$ 49
Prior service credit	(14)	(16)	(186)	(217)
Net amount recognized	\$ 367	\$ 420	\$ (151)	\$ (168)
Regulatory assets (liabilities)	\$ 317	\$ 366	\$ (151)	\$ (168)
Accumulated other comprehensive income	50	54	—	—
Total	\$ 367	\$ 420	\$ (151)	\$ (168)

Presented in the tables below are the projected benefit obligation, accumulated benefit obligation and fair value of plan assets for pension plans with a projected obligation in excess of plan assets as of December 31, 2021 and 2020:

	Projected Benefit Obligation Exceeds the Fair Value of Plans' Assets	
	2021	2020
Projected benefit obligation	\$ 2,294	\$ 2,386
Fair value of plan assets	1,991	1,990
Accumulated benefit obligation	\$ 2,138	\$ 2,188
Fair value of plan assets	1,991	1,990

The accumulated postretirement plan assets exceed benefit obligations for all of the Company's other postretirement benefit plans, except for the Northern Illinois Retiree Welfare Plan.

In 2006, the PPA replaced the funding requirements for defined benefit pension plans by requiring that defined benefit plans contribute to 100% of the current liability funding target over seven years. Defined benefit plans with a funding status of less than 80% of the current liability are defined as being "at risk" and additional funding requirements and benefit restrictions may apply. The PPA was effective for the 2008 plan year with short-term phase-in provisions for both the funding target and at-risk determination. The Company's qualified defined benefit plan is currently funded above the at-risk threshold, and therefore the Company expects that the plans will not be subject to the "at risk" funding requirements of the PPA. The Company is proactively monitoring the plan's funded status and projected contributions under the law to appropriately manage the potential impact on cash requirements.

Minimum funding requirements for the qualified defined benefit pension plan are determined by government regulations and not by accounting pronouncements. The Company plans to contribute amounts at least equal to or greater than the minimum required contributions or the normal cost in 2022 to the qualified pension plans. Contributions may be in the form of cash contributions as well as available prefunding balances.

Presented in the table below is information about the expected cash flows for the pension and postretirement benefit plans:

	Pension Benefits	Other Benefits
2022 expected employer contributions:		
To plan trusts	\$ 38	\$ —
To plan participants	2	—

Presented in the table below are the net benefits expected to be paid from the plan assets or the Company's assets:

	Pension Benefits		Other Benefits	
	Expected Benefit Payments	Expected Benefit Payments	Expected Benefit Payments	Expected Federal Subsidy Payments
2022	\$ 130	\$ 26	\$	1
2023	133	25		1
2024	134	25		1
2025	137	25		1
2026	138	25		1
2027-2031	688	113		3

Because the above amounts are net benefits, plan participants' contributions have been excluded from the expected benefits.

Accounting for pensions and other postretirement benefits requires an extensive use of assumptions about the discount rate, expected return on plan assets, the rate of future compensation increases received by the Company's employees, mortality, turnover and medical costs. Each assumption is reviewed annually. The assumptions are selected to represent the average expected experience over time and may differ in any one year from actual experience due to changes in capital markets and the overall economy. These differences will impact the amount of pension and other postretirement benefit expense that the Company recognizes.

Presented in the table below are the significant assumptions related to the pension and other postretirement benefit plans:

	Pension Benefits			Other Benefits		
	2021	2020	2019	2021	2020	2019
Weighted average assumptions used to determine December 31 benefit obligations:						
Discount rate	2.94%	2.74%	3.44%	2.90%	2.56%	3.36%
Rate of compensation increase	3.51%	3.51%	2.97%	N/A	N/A	N/A
Medical trend	N/A	N/A	N/A	graded from 6.00% in 2022 to 5.00% in 2026+	graded from 6.25% in 2021 to 5.00% in 2026+	graded from 6.50% in 2020 to 5.00% in 2026+
Weighted average assumptions used to determine net periodic cost:						
Discount rate	2.74%	3.44%	4.38%	2.56%	3.36%	4.32%
Expected return on plan assets	6.50%	6.50%	6.20%	3.67%	3.68%	3.56%
Rate of compensation increase	3.51%	2.97%	3.00%	N/A	N/A	N/A
Medical trend	N/A	N/A	N/A	graded from 6.25% in 2021 to 5.00% in 2026+	graded from 6.50% in 2020 to 5.00% in 2026+	graded from 6.75% in 2019 to 5.00% in 2026+

NOTE "N/A" in the table above means assumption is not applicable.

The discount rate assumption was determined for the pension and postretirement benefit plans independently. The Company uses an approach that approximates the process of settlement of obligations tailored to the plans' expected cash flows by matching the plans' cash flows to the coupons and expected maturity values of individually selected bonds. Historically, for each plan, the discount rate was developed at the level equivalent rate that would produce the same present value as that using spot rates aligned with the projected benefit payments.

The expected long-term rate of return on plan assets is based on historical and projected rates of return, prior to administrative and investment management fees, for current and planned asset classes in the plans' investment portfolios. Assumed projected rates of return for each of the plans' projected asset classes were selected after analyzing historical experience and future expectations of the returns and volatility of the various asset classes. Based on the target asset allocation for each asset class, the overall expected rate of return for the portfolio was developed, adjusted for historical and expected experience of active portfolio management results compared to the benchmark returns. The Company's pension expense increases as the expected return on assets decreases. The Company used an expected return on plan assets of 6.50% to estimate its 2021 pension benefit costs, and an expected blended return based on weighted assets of 3.67% to estimate its 2021 other postretirement benefit costs.

The Company had previously adopted a mortality table based on the Society of Actuaries RP 2014 mortality table including a generational MP-2018 projection scale. In 2020, the Company adopted the Pri-2012 base mortality table and the new MP-2020 mortality improvement scale to replace the previous assumption. In 2021, the Company utilized the Pri-2012 base mortality table and the new MP-2021 mortality improvement scale to replace the previous assumption.

Presented in the table below are the components of net periodic benefit costs for the years ended December 31:

	2021	2020	2019
Components of net periodic pension benefit cost:			
Service cost	\$ 36	\$ 31	\$ 28
Interest cost	64	73	82
Expected return on plan assets	(126)	(111)	(91)
Amortization of prior service (credit) cost	(3)	(3)	(3)
Amortization of actuarial loss	27	30	32
Settlements (a)	—	1	—
Net periodic pension benefit cost	\$ (2)	\$ 21	\$ 48
Other changes in plan assets and benefit obligations recognized in other comprehensive income:			
Current year actuarial loss (gain)	\$ 1	\$ 12	\$ (8)
Amortization of actuarial loss	(4)	(3)	(4)
Total recognized in other comprehensive income	(3)	9	(12)
Total recognized in net periodic benefit cost and other comprehensive income	<u>\$ (5)</u>	<u>\$ 30</u>	<u>\$ 36</u>
Components of net periodic other postretirement benefit (credit) cost:			
Service cost	\$ 4	\$ 4	\$ 4
Interest cost	10	12	15
Expected return on plan assets	(21)	(19)	(18)
Amortization of prior service credit	(32)	(34)	(35)
Amortization of actuarial loss	—	2	3
Net periodic other postretirement benefit (credit) cost	<u>\$ (39)</u>	<u>\$ (35)</u>	<u>\$ (31)</u>

(a) Due to the amount of lump sum payment distributions from the Company's New York Water Service Corporation Pension Plan, settlement charges of less than \$1 million were recorded for both years ended December 31, 2021 and 2020. In accordance with existing regulatory accounting treatment, the Company has maintained the settlement charges in regulatory assets on the Consolidated Balance Sheets. The amount is being amortized in accordance with existing regulatory practice.

The Company's policy is to recognize curtailments when the total expected future service of plan participants is reduced by greater than 10% due to an event that results in terminations and/or retirements.

Cumulative gains and losses that are in excess of 10% of the greater of either the projected benefit obligation or the fair value of plan assets are amortized over the expected average remaining future service of the current active membership for the plans.

Savings Plans for Employees

The Company maintains 401(k) savings plans that allow employees to save for retirement on a tax-deferred basis. Employees can make contributions that are invested at their direction in one or more funds. The Company makes matching contributions based on a percentage of an employee’s contribution, subject to certain limitations. Due to the Company’s discontinuing new entrants into the defined benefit pension plan, on January 1, 2006, the Company began providing an additional 5.25% of base pay defined contribution benefit for union employees hired on or after January 1, 2001 and non-union employees hired on or after January 1, 2006. The Company’s 401(k) savings plan expenses totaled \$14 million, \$12 million and \$12 million for 2021, 2020 and 2019, respectively. Additionally, the Company’s 5.25% of base pay defined contribution benefit expenses totaled \$16 million, \$15 million and \$13 million for 2021, 2020 and 2019, respectively. All of the Company’s contributions are invested in one or more funds at the direction of the employees.

Note 17: Commitments and Contingencies

Commitments have been made in connection with certain construction programs. The estimated capital expenditures required under legal and binding contractual obligations amounted to \$626 million as of December 31, 2021.

In December 2021, the Company authorized the contribution of \$45 million to the American Water Charitable Foundation, which was subsequently paid in January 2022.

The Company’s regulated subsidiaries maintain agreements with other water purveyors for the purchase of water to supplement their water supply. Presented in the table below are the future annual commitments related to minimum quantities of purchased water having non-cancelable contracts:

	Amount
2022	\$ 71
2023	65
2024	51
2025	49
2026	49
Thereafter	507

The Company enters into agreements for the provision of services to water and wastewater facilities for the U.S. military, municipalities and other customers. See Note 5—Revenue Recognition for additional information regarding the Company’s performance obligations.

Contingencies

The Company is routinely involved in legal actions incident to the normal conduct of its business. As of December 31, 2021, the Company has accrued approximately \$7 million of probable loss contingencies and has estimated that the maximum amount of losses associated with reasonably possible loss contingencies that can be reasonably estimated is \$2 million. For certain matters, claims and actions, the Company is unable to estimate possible losses. The Company believes that damages or settlements, if any, recovered by plaintiffs in such matters, claims or actions, other than as described in this Note 17—Commitments and Contingencies, will not have a material adverse effect on the Company.

West Virginia Elk River Freedom Industries Chemical Spill

On June 8, 2018, the U.S. District Court for the Southern District of West Virginia granted final approval of a settlement class and global class action settlement (the “Settlement”) for all claims and potential claims by all class members (collectively, the “West Virginia Plaintiffs”) arising out of the January 2014 Freedom Industries, Inc. chemical spill in West Virginia. The effective date of the Settlement was July 16, 2018. Under the terms and conditions of the Settlement, the Company’s West Virginia subsidiary (“WVAWC”) and certain other Company affiliated entities did not admit, and will not admit, any fault or liability for any of the allegations made by the West Virginia Plaintiffs in any of the actions that were resolved.

The aggregate pre-tax amount contributed by WVAWC of the \$126 million portion of the Settlement with respect to the Company, net of insurance recoveries, is \$19 million. As of December 31, 2021, \$0.5 million of the aggregate Settlement amount of \$126 million has been reflected in accrued liabilities, and \$0.5 million in offsetting insurance receivables have been reflected in other current assets on the Consolidated Balance Sheets. The amount reflected in accrued liabilities as of December 31, 2021 reflects reductions in the liability and appropriate reductions to the offsetting insurance receivable reflected in other current assets, associated with payments made to the Settlement fund, the receipt of a determination by the Settlement fund's appeal adjudicator on all remaining medical claims and the calculation of remaining attorneys' fees and claims administration costs. The Company funded WVAWC's contributions to the Settlement through existing sources of liquidity.

Dunbar, West Virginia Water Main Break Class Action Litigation

On the evening of June 23, 2015, a 36-inch pre-stressed concrete transmission water main, installed in the early 1970s, failed. The water main is part of the West Relay pumping station located in the City of Dunbar, West Virginia and owned by WVAWC. The failure of the main caused water outages and low pressure for up to approximately 25,000 WVAWC customers. In the early morning hours of June 25, 2015, crews completed a repair, but that same day, the repair developed a leak. On June 26, 2015, a second repair was completed and service was restored that day to approximately 80% of the impacted customers, and to the remaining approximately 20% by the next morning. The second repair showed signs of leaking, but the water main was usable until June 29, 2015 to allow tanks to refill. The system was reconfigured to maintain service to all but approximately 3,000 customers while a final repair was being completed safely on June 30, 2015. Water service was fully restored by July 1, 2015 to all customers affected by this event.

On June 2, 2017, a complaint captioned *Jeffries, et al. v. West Virginia-American Water Company* was filed in West Virginia Circuit Court in Kanawha County on behalf of an alleged class of residents and business owners who lost water service or pressure as a result of the Dunbar main break. The complaint alleges breach of contract by WVAWC for failure to supply water, violation of West Virginia law regarding the sufficiency of WVAWC's facilities and negligence by WVAWC in the design, maintenance and operation of the water system. The *Jeffries* plaintiffs seek unspecified alleged damages on behalf of the class for lost profits, annoyance and inconvenience, and loss of use, as well as punitive damages for willful, reckless and wanton behavior in not addressing the risk of pipe failure and a large outage.

In February 2020, the *Jeffries* plaintiffs filed a motion seeking class certification on the issues of breach of contract and negligence, and to determine the applicability of punitive damages and a multiplier for those damages if imposed. In July 2020, the Circuit Court entered an order granting the *Jeffries* plaintiffs' motion for certification of a class regarding certain liability issues but denying certification of a class to determine a punitive damages multiplier. In August 2020, WVAWC filed a Petition for Writ of Prohibition in the Supreme Court of Appeals of West Virginia seeking to vacate or remand the Circuit Court's order certifying the issues class. On January 28, 2021, the Supreme Court of Appeals remanded the case back to the Circuit Court for further consideration in light of a decision issued in another case relating to the class certification issues raised on appeal. On July 16, 2021, oral argument was heard by the Circuit Court on the issue of addressing the Supreme Court of Appeals' remand. This matter remains pending.

The Company and WVAWC believe that WVAWC has valid, meritorious defenses to the claims raised in this class action complaint. WVAWC is vigorously defending itself against these allegations. The Company cannot currently determine the likelihood of a loss, if any, or estimate the amount of any loss or a range of such losses related to this proceeding.

Chattanooga, Tennessee Water Main Break Class Action Litigation

On September 12, 2019, the Company's Tennessee subsidiary ("TAWC"), experienced a leak in a 36-inch water transmission main, which caused service fluctuations or interruptions to TAWC customers and the issuance of a boil water notice. TAWC repaired the main by early morning on September 14, 2019, and restored full water service by the afternoon of September 15, 2019, with the boil water notice lifted for all customers on September 16, 2019.

On September 17, 2019, a complaint captioned *Bruce, et al. v. American Water Works Company, Inc., et al.* was filed in the Circuit Court of Hamilton County, Tennessee against TAWC, the Company and American Water Works Service Company, Inc. ("Service Company" and, together with TAWC and the Company, collectively, the "Tennessee-American Water Defendants"), on behalf of a proposed class of individuals or entities who lost water service or suffered monetary losses as a result of the Chattanooga incident (the "Tennessee Plaintiffs"). The complaint alleged breach of contract and negligence against the Tennessee-American Water Defendants, as well as an equitable remedy of piercing the corporate veil. In the complaint as originally filed, the Tennessee Plaintiffs were seeking an award of unspecified alleged damages for wage losses, business and economic losses, out-of-pocket expenses, loss of use and enjoyment of property and annoyance and inconvenience, as well as punitive damages, attorneys' fees and pre- and post-judgment interest. In September 2020, the court dismissed all of the Tennessee Plaintiffs' claims in their complaint, except for the breach of contract claims against TAWC, which remain pending. In October 2020, TAWC answered the complaint, and the parties have been engaging in discovery. The court has entered an agreed scheduling order, which sets a hearing in October 2022 to address the question of class certification.

TAWC and the Company believe that TAWC has meritorious defenses to the claims raised in this class action complaint, and TAWC is vigorously defending itself against these allegations. The Company cannot currently determine the likelihood of a loss, if any, or estimate the amount of any loss or a range of such losses related to this proceeding.

Alternative Water Supply in Lieu of Carmel River Diversions

Compliance with Orders to Reduce Carmel River Diversions—Monterey Peninsula Water Supply Project

Under a 2009 order (the “2009 Order”) of the State Water Resources Control Board (the “SWRCB”), the Company’s California subsidiary (“Cal Am”) is required to decrease significantly its yearly diversions of water from the Carmel River according to a set reduction schedule. In 2016, the SWRCB issued an order (the 2016 Order”) approving a deadline of December 31, 2021 for Cal Am’s compliance with these prior orders.

Cal Am is currently involved in developing the Monterey Peninsula Water Supply Project (the “Water Supply Project”), which includes the construction of a desalination plant, to be owned by Cal Am, and the construction of wells that would supply water to the desalination plant. In addition, the Water Supply Project also includes Cal Am’s purchase of water from a groundwater replenishment project (the “GWR Project”) between Monterey One Water and the Monterey Peninsula Water Management District (the “MPWMD”). The Water Supply Project is intended, among other things, to fulfill Cal Am’s obligations under the 2009 Order and the 2016 Order.

Cal Am’s ability to move forward on the Water Supply Project is subject to administrative review by the CPUC and other government agencies, obtaining necessary permits, and intervention from other parties. In September 2016, the CPUC unanimously approved a final decision to authorize Cal Am to enter into a water purchase agreement for the GWR Project and to construct a pipeline and pump station facilities and recover up to \$50 million in associated incurred costs plus AFUDC, subject to meeting certain criteria.

In September 2018, the CPUC unanimously approved another final decision finding that the Water Supply Project meets the CPUC’s requirements for a certificate of public convenience and necessity and an additional procedural phase was not necessary to consider alternative projects. The CPUC’s 2018 decision concludes that the Water Supply Project is the best project to address estimated future water demands in Monterey, and, in addition to the cost recovery approved in its 2016 decision, adopts Cal Am’s cost estimates for the Water Supply Project, which amounted to an aggregate of \$279 million plus AFUDC at a rate representative of Cal Am’s actual financing costs. The 2018 final decision specifies the procedures for recovery of all of Cal Am’s prudently incurred costs associated with the Water Supply Project upon its completion, subject to the frameworks included in the final decision related to cost caps, operation and maintenance costs, financing, ratemaking and contingency matters. The reasonableness of the Water Supply Project costs will be reviewed by the CPUC when Cal Am seeks cost recovery for the Water Supply Project. Cal Am has incurred \$186 million in aggregate costs as of December 31, 2021 related to the Water Supply Project, which includes \$47 million in AFUDC.

In September 2021, Cal Am, Monterey One Water and the MPWMD reached an agreement on Cal Am’s purchase of additional water from an expansion to the GWR Project, which is not expected to produce additional water until 2024 at the earliest. The amended and restated water purchase agreement for the GWR Project expansion is subject to review and approval of the CPUC, and on November 29, 2021, Cal Am filed an application with the CPUC seeking review and approval of the amended and restated water purchase agreement. Cal Am is also requesting rate base treatment of the additional capital investment for certain Cal Am facilities required to maximize the water supply from the expansion to the GWR Project and a related Aquifer Storage and Recovery Project, totaling approximately \$81 million. This amount is in addition to, and consistent in regulatory treatment with, the prior \$50 million of cost recovery for facilities associated with the original water purchase agreement, which was approved by the CPUC in its 2016 final decision.

While Cal Am believes that its expenditures to date have been prudent and necessary to comply with the 2009 Order and the 2016 Order, as well as the CPUC’s 2016 and 2018 final decisions, Cal Am cannot currently predict its ability to recover all of its costs and expenses associated with the Water Supply Project and there can be no assurance that Cal Am will be able to recover all of such costs and expenses in excess of the \$50 million in construction costs previously approved by the CPUC in its 2016 final decision.

Coastal Development Permit Application

In June 2018, Cal Am submitted a coastal development permit application to the City of Marina (the “City”) for those project components of the Water Supply Project located within the City’s coastal zone. Members of the City’s Planning Commission, as well as City councilpersons, have publicly expressed opposition to the Water Supply Project. In May 2019, the City issued a notice of final local action based upon the denial by the Planning Commission of Cal Am’s coastal development permit application. Thereafter, Cal Am appealed this decision to the California Coastal Commission (the “Coastal Commission”), as permitted under the City’s code and the California Coastal Act. At the same time, Cal Am submitted an application to the Coastal Commission for a coastal development permit for those project components located within the Coastal Commission’s original jurisdiction. In October 2019, staff of the Coastal Commission issued a report recommending a denial of Cal Am’s application for a coastal development permit with respect to the Water Supply Project, largely based on a memorandum prepared by the general manager of the MPWMD that contradicted findings made by the CPUC in its final decision approving the Water Supply Project. In November 2019, discussions between staffs of the Coastal Commission and the CPUC took place regarding the Coastal Commission staff recommendation, at which time the CPUC raised questions about the Coastal Commission staff’s findings on water supply and demand, groundwater impacts and the viability of a project that the Coastal Commission staff believes may be a possible alternative to the Water Supply Project.

In August 2020, the staff of the Coastal Commission released a report again recommending denial of Cal Am’s application for a coastal development permit. Although the report concluded that the Water Supply Project would have a negligible impact on groundwater resources, the report also concluded it would impact other coastal resources, such as environmentally sensitive habitat areas and wetlands, and that the Coastal Commission staff believes that a feasible alternative project exists that would avoid those impacts. The staff’s report also noted disproportionate impacts to communities of concern. In September 2020, Cal Am withdrew its original jurisdiction application to allow additional time to address the Coastal Commission staff’s environmental justice concerns. The withdrawal of the original jurisdiction application did not impact Cal Am’s appeal of the City’s denial, which remains pending before the Coastal Commission. Cal Am refiled the original jurisdiction application in November 2020. In December 2020, the Coastal Commission sent to Cal Am a notice of incomplete application, identifying certain additional information needed to consider the application complete. In March 2021, Cal Am provided responses to the Coastal Commission’s notice of incomplete application. On June 18, 2021, the Coastal Commission responded, acknowledging the responses and requesting certain additional information before the application could be considered complete. Cal Am responded with the requested additional information on January 11, 2022, and on February 8, 2022, the Coastal Commission requested additional information. The original jurisdiction application remains pending.

Cal Am continues to work constructively with all appropriate agencies to provide necessary information in connection with obtaining required approvals for the Water Supply Project. However, there can be no assurance that the Water Supply Project in its current configuration will be completed on a timely basis, if ever. Beginning in January 2022, Cal Am expects to be able to comply with the diversion reduction requirements contained in the 2016 Order, but continued compliance with the diversion reduction requirements for 2023 and future years will depend on successful development of alternate water supply sources sufficient to meet customer demand. The 2009 Order and the 2016 Order remain in effect until Cal Am certifies to the SWRCB, and the SWRCB concurs, that Cal Am has obtained a permanent supply of water to substitute for past unauthorized Carmel River diversions. While the Company cannot currently predict the likelihood or result of any adverse outcome associated with these matters, further attempts to comply with the 2009 Order and the 2016 Order may result in material additional costs and obligations to Cal Am, including fines and penalties against Cal Am in the event of noncompliance with the 2009 Order and the 2016 Order.

Note 18: Earnings per Common Share

Presented in the table below is a reconciliation of the numerator and denominator for the basic and diluted earnings per share (“EPS”) calculations for the years ended December 31:

	2021	2020	2019
Numerator:			
Net income attributable to common shareholders	\$ 1,263	\$ 709	\$ 621
Denominator:			
Weighted average common shares outstanding—Basic	182	181	181
Effect of dilutive common stock equivalents	—	1	—
Weighted average common shares outstanding—Diluted	182	182	181

The effect of dilutive common stock equivalents is related to outstanding stock options, RSUs and PSUs granted under the Company's 2007 Plan and outstanding RSUs and PSUs granted under the Company's 2017 Omnibus Plan, as well as estimated shares to be purchased under the ESPP. Less than one million share-based awards were excluded from the computation of diluted EPS for the years ended December 31, 2021, 2020 and 2019, because their effect would have been anti-dilutive under the treasury stock method.

Note 19: Fair Value of Financial Information

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

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

Seller promissory note from the sale of HOS — The carrying amount reported on the Consolidated Balance Sheets for the seller promissory note from the sale of HOS approximates fair value.

Preferred stock with mandatory redemption requirements and long-term debt—The fair values of preferred stock with mandatory redemption requirements and long-term debt are categorized within the fair value hierarchy based on the inputs that are used to value each instrument. The fair value of long-term debt classified as Level 1 is calculated using quoted prices in active markets. Level 2 instruments are valued using observable inputs and Level 3 instruments are valued using observable and unobservable inputs.

Presented in the tables below are the carrying amounts, including fair value adjustments previously recognized in acquisition purchase accounting, and the fair values of the Company's financial instruments:

	As of December 31, 2021				
	Carrying Amount	At Fair Value			Total
		Level 1	Level 2	Level 3	
Preferred stock with mandatory redemption requirements	\$ 4	\$ —	\$ —	\$ 6	\$ 6
Long-term debt (excluding finance lease obligations)	10,396	10,121	60	1,637	11,818

	As of December 31, 2020				
	Carrying Amount	At Fair Value			Total
		Level 1	Level 2	Level 3	
Preferred stock with mandatory redemption requirements	\$ 5	\$ —	\$ —	\$ 7	\$ 7
Long-term debt (excluding finance lease obligations)	9,656	9,639	415	1,753	11,807

Fair Value Measurements

To increase consistency and comparability in fair value measurements, GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels as follows:

Level 1—Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access as of the reporting date. Financial assets and liabilities utilizing Level 1 inputs include active exchange-traded equity securities, exchange-based derivatives, mutual funds and money market funds.

Level 2—Inputs other than quoted prices included within Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data. Financial assets and liabilities utilizing Level 2 inputs include fixed income securities, non-exchange-based derivatives, commingled investment funds not subject to purchase and sale restrictions and fair-value hedges.

Level 3—Unobservable inputs, such as internally-developed pricing models for the asset or liability due to little or no market activity for the asset or liability. Financial assets and liabilities utilizing Level 3 inputs include infrequently-traded non-exchange-based derivatives and commingled investment funds subject to purchase and sale restrictions.

Recurring Fair Value Measurements

Presented in the tables below are assets and liabilities measured and recorded at fair value on a recurring basis and their level within the fair value hierarchy:

	As of December 31, 2021			
	Level 1	Level 2	Level 3	Total
Assets:				
Restricted funds	\$ 21	\$ —	\$ —	\$ 21
Rabbi trust investments	23	—	—	23
Deposits	27	—	—	27
Other investments	17	—	—	17
Contingent cash payment from the sale of HOS	—	—	72	72
Total assets	88	—	72	160
Liabilities:				
Deferred compensation obligations	27	—	—	27
Total liabilities	27	—	—	27
Total assets	\$ 61	\$ —	\$ 72	\$ 133

	As of December 31, 2020			
	Level 1	Level 2	Level 3	Total
Assets:				
Restricted funds	\$ 29	\$ —	\$ —	\$ 29
Rabbi trust investments	19	—	—	19
Deposits	4	—	—	4
Other investments	11	—	—	11
Total assets	63	—	—	63
Liabilities:				
Deferred compensation obligations	24	—	—	24
Total liabilities	24	—	—	24
Total assets	\$ 39	\$ —	\$ —	\$ 39

Restricted funds—The Company's restricted funds primarily represent proceeds received from financings for the construction and capital improvement of facilities and from customers for future services under operation, maintenance and repair projects.

Rabbi trust investments—The Company's rabbi trust investments consist of equity and index funds from which supplemental executive retirement plan benefits and deferred compensation obligations can be paid. The Company includes these assets in other long-term assets on the Consolidated Balance Sheets.

Deposits—Deposits include escrow funds and certain other deposits held in trust. The Company includes cash deposits in other current assets on the Consolidated Balance Sheets.

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

Mark-to-market derivative assets and liabilities — The Company employs derivative financial instruments in the form of variable-to-fixed interest rate swaps and treasury lock agreements, classified as economic hedges and cash flow hedges, respectively, in order to fix the interest cost on existing or forecasted debt. The Company may use fixed-to-floating interest rate swaps, typically designated as fair-value hedges, to achieve a targeted level of variable-rate debt as a percentage of total debt. The Company uses a calculation of future cash inflows and estimated future outflows, which are discounted, to determine the current fair value. Additional inputs to the present value calculation include the contract terms, counterparty credit risk, interest rates and market volatility. The Company had no significant mark-to-market derivatives outstanding as of December 31, 2021.

Other investments—Other investments primarily represent money market funds used for active employee benefits. The Company includes other investments in other current assets on the Consolidated Balance Sheets.

Contingent cash payment from the sale of HOS — The Company’s contingent cash payment derivative included as part of the consideration from the sale of HOS is included in other long-term assets on the Consolidated Balance Sheets. The fair value of the contingent cash payment is estimated using the probability of the outcome of receipt of the \$75 million, a Level 3 input.

Note 20: Leases

The Company has operating and finance leases involving real property, including facilities, utility assets, vehicles, and equipment. Certain operating leases have renewal options ranging from one to 60 years. The exercise of lease renewal options is at the Company’s sole discretion. Renewal options that the Company was reasonably certain to exercise are included in the Company’s ROU assets. Certain operating leases contain the option to purchase the leased property. The operating leases for real property, vehicles and equipment will expire over the next 38 years, five years, and five years, respectively.

The Company participates in a number of arrangements with various public entities (“Partners”) in West Virginia. Under these arrangements, the Company transferred a portion of its utility plant to the Partners in exchange for an equal principal amount of Industrial Development Bonds (“IDBs”) issued by the Partners under the Industrial Development and Commercial Development Bond Act. The Company leased back the utility plant under agreements for a period of 30 to 40 years. The Company has recorded these agreements as finance leases in property, plant and equipment, as ownership of the assets will revert back to the Company at the end of the lease term. The carrying value of the finance lease assets was \$146 million and \$147 million as of December 31, 2021 and 2020, respectively. The Company determined that the finance lease obligations and the investments in IDBs meet the conditions for offsetting, and as such, are reported net on the Consolidated Balance Sheets and excluded from the finance lease disclosure presented below.

The Company also enters into O&M agreements with the Partners. The Company pays an annual fee for use of the Partners’ assets in performing under the O&M agreements. The O&M agreements are recorded as operating leases, and future annual use fees of \$4 million in 2022 through 2026, and \$48 million thereafter, are included in operating lease ROU assets and operating lease liabilities on the Consolidated Balance Sheets.

Rental expenses under operating and finance leases were \$13 million, \$14 million and \$16 million for the years ended December 31, 2021, 2020 and 2019, respectively.

For the year ended December 31, 2021, cash paid for amounts in lease liabilities, which includes operating and financing cash flows from operating and finance leases, was \$13 million. For the year ended December 31, 2021, ROU assets obtained in exchange for new operating lease liabilities was \$11 million.

As of December 31, 2021, the weighted-average remaining lease term of the finance lease and operating leases were four years and 18 years, respectively, and the weighted-average discount rate of the finance lease and operating leases were 12% and 4%, respectively.

The future maturities of lease liabilities at December 31, 2021 are \$12 million in 2022, \$9 million in 2023, \$9 million in 2024, \$8 million in 2025, \$7 million in 2026 and \$89 million thereafter. At December 31, 2021 imputed interest was \$45 million.

Note 21: Segment Information

The Company’s operating segments are comprised of the revenue-generating components of its businesses for which separate financial information is internally produced and regularly used by management to make operating decisions, assess performance and allocate resources. The Company operates its businesses primarily through one reportable segment, the Regulated Businesses segment. The Company also operates market-based businesses that, individually, do not meet the criteria of a reportable segment in accordance with GAAP, and are collectively presented as the Market-Based Businesses.

The Regulated Businesses segment is the largest component of the Company’s business and includes subsidiaries that provide water and wastewater services to customers in 14 states.

The Company’s primary Market-Based Businesses include MSG, which enters into long-term contracts with the U.S. government to provide water and wastewater services on various military installations, and the Company’s former HOS business, which was sold in the fourth quarter of 2021, and previously provided various warranty protection programs and other home services to residential customers.

The accounting policies of the segments are the same as those described in Note 2—Significant Accounting Policies. The Regulated Businesses segment and Market-Based Businesses include intercompany costs that are allocated by Service Company and intercompany interest that is charged by AWCC, both of which are eliminated to reconcile to the Consolidated Statements of Operations. Inter-segment revenues include the sale of water from a regulated subsidiary to market-based subsidiaries, leased office space, and furniture and equipment provided by the market-based subsidiaries to regulated subsidiaries. “Other” includes corporate costs that are not allocated to the Company’s operating segments, eliminations of inter-segment transactions, fair value adjustments, and associated income and deductions related to the acquisitions that have not been allocated to the operating segments for evaluation of performance and allocation of resource purposes. The adjustments related to the acquisitions are reported in Other as they are excluded from segment performance measures evaluated by management.

Presented in the tables below is summarized segment information as of and for the years ended December 31:

	2021			
	Regulated Businesses	Market-Based Businesses	Other	Consolidated
Operating revenues	\$ 3,384	\$ 563	\$ (17)	\$ 3,930
Depreciation and amortization	601	22	13	636
Total operating expenses, net	2,227	510	(3)	2,734
Interest expense	(290)	(7)	(106)	(403)
Interest income	1	3	—	4
Gain or (loss) on sale of businesses	(1)	748	—	747
Income before income taxes	962	798	(120)	1,640
Provision for income taxes	172	248	(43)	377
Net income attributable to common shareholders	789	550	(76)	1,263
Total assets	23,365	514	2,196	26,075
Cash paid for capital expenditures	1,747	8	9	1,764

2020				
	Regulated Businesses	Market-Based Businesses	Other	Consolidated
Operating revenues	\$ 3,255	\$ 540	\$ (18)	\$ 3,777
Depreciation and amortization	562	26	16	604
Total operating expenses, net	2,102	421	6	2,529
Interest expense	(293)	(7)	(97)	(397)
Interest income	2	8	(8)	2
Income before income taxes	932	120	(128)	924
Provision for income taxes	217	29	(31)	215
Net income attributable to common shareholders	715	91	(97)	709
Total assets	22,357	891	1,518	24,766
Cash paid for capital expenditures	1,804	10	8	1,822

2019				
	Regulated Businesses	Market-Based Businesses	Other	Consolidated
Operating revenues	\$ 3,094	\$ 539	\$ (23)	\$ 3,610
Depreciation and amortization	529	37	16	582
Total operating expenses, net	1,964	436	(4)	2,396
Interest expense	(299)	(8)	(79)	(386)
Interest income	4	13	(13)	4
Income before income taxes	869	66	(102)	833
Provision for income taxes	215	20	(23)	212
Net income attributable to common shareholders	654	46	(79)	621
Total assets	20,318	1,008	1,356	22,682
Cash paid for capital expenditures	1,627	13	14	1,654

Note 22: Unaudited Quarterly Data

Presented in the tables below are supplemental, unaudited, consolidated, quarterly financial data for each of the four quarters in the years ended December 31, 2021 and 2020, respectively. The operating results for any quarter are not indicative of results that may be expected for a full year or any future periods.

2021					
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	
Operating revenues	\$ 888	\$ 999	\$ 1,092	\$ 951	
Operating income	229	330	417	220	
Net income attributable to common shareholders	133	207	278	645	
Basic earnings per share: (a)					
Net income attributable to common shareholders	\$ 0.73	\$ 1.14	\$ 1.53	\$ 3.55	
Diluted earnings per share:					
Net income attributable to common shareholders	0.73	1.14	1.53	3.55	

(a) Amounts may not sum due to rounding.

	2020							
	First Quarter		Second Quarter		Third Quarter		Fourth Quarter	
Operating revenues	\$	844	\$	931	\$	1,079	\$	923
Operating income		239		313		433		263
Net income attributable to common shareholders		124		176		264		145
Basic earnings per share: (a)								
Net income attributable to common shareholders	\$	0.69	\$	0.97	\$	1.46	\$	0.80
Diluted earnings per share:								
Net income attributable to common shareholders		0.68		0.97		1.46		0.80

(a) Amounts may not sum due to rounding.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES**Disclosure Controls and Procedures**

The Company, under the supervision and with the participation of its management, including the Company's President, Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures as such term is defined in Rule 13a-15(e) and Rule 15d-15(e) under the Exchange Act as of the end of the period covered by this report.

Based on that evaluation, the Company's President, Chief Executive Officer and Chief Financial Officer has concluded that, as of December 31, 2021, the Company's disclosure controls and procedures were effective at a reasonable level of assurance. The Company's disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including the Company's President, Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Management's Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) of the Exchange Act. The Company's internal control over financial reporting is a process designed by or under the supervision of the Company's President, Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. The Company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect its transactions and dispositions of its assets, (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with GAAP, and that the Company's receipts and expenditures are being made only in accordance with authorizations of its management and its directors, and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of its assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's management, including the Company's President, Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of its internal control over financial reporting, as of December 31, 2021, using the criteria described in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based on the Company's evaluation under the framework in *Internal Control—Integrated Framework (2013)*, its management concluded that its internal control over financial reporting was effective as of December 31, 2021.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2021 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report appearing in Item 8—Financial Statements and Supplementary Data of this Annual Report on Form 10-K.

Changes in Internal Control over Financial Reporting

The Company concluded that there have been no changes in internal control over financial reporting that occurred during its last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

The information required by this item and not set forth below or in Item 1—Business—Executive Officers of this Annual Report on Form 10-K, is incorporated by reference from the Company’s Proxy Statement for the 2022 Annual Meeting of Shareholders, to be filed with the SEC within 120 days following the end of the fiscal year covered by this report, under the captions entitled “Board of Directors and Corporate Governance,” “Proposal 1—Election of Directors” and “Certain Beneficial Ownership Matters—Delinquent Section 16(a) Reports.”

The Company has adopted a Code of Ethics, which applies to directors, officers and employees. The full text of the Code of Ethics is publicly available on the Company’s website at <https://amwater.com>. The Company intends to post on its website any amendments to the Code of Ethics and any waivers of such provisions granted to certain principal officers.

ITEM 11. EXECUTIVE COMPENSATION

Information required by this item is incorporated by reference in the Company’s Proxy Statement for the 2022 Annual Meeting of Shareholders, under the captions entitled “Proposal 1—Election of Directors—Director Compensation Table,” “Compensation Discussion and Analysis,” “Executive Compensation,” “Compensation Committee Interlocks and Insider Participation” and “Compensation Committee Report.”

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required by this item setting forth the security ownership of certain beneficial owners and management is incorporated by reference in the Company’s Proxy Statement for the 2022 Annual Meeting of Shareholders, under the captions entitled “Certain Beneficial Ownership Matters—Security Ownership of Management,” “Certain Beneficial Ownership Matters—Security Ownership of Certain Beneficial Owners” and “Equity Compensation Plan Information.”

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information required by this item is incorporated by reference in the Company’s Proxy Statement for the 2022 Annual Meeting of Shareholders, under the caption entitled “Board of Directors and Corporate Governance—Board Review of Related Person Transactions” and “Proposal 1—Election of Directors—Director Independence.”

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information required by this item is incorporated by reference in the Company’s Proxy Statement for the 2022 Annual Meeting of Shareholders, under the caption entitled “Proposal 3—Ratification of Appointment of Independent Registered Public Accounting Firm—Fees Paid to Independent Registered Public Accounting Firm” and “Proposal 3—Ratification of Appointment of Independent Registered Public Accounting Firm—Pre-Approval of Services Provided by Independent Registered Public Accounting Firm.”

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

- (a) The following documents have been filed as a part of this Annual Report on Form 10-K:
1. The financial statements listed in the “Index to Consolidated Financial Statements” contained in Item 8—Financial Statements and Supplementary Data of this Form 10-K are hereby incorporated by reference in response to this Item 15(a).
 2. Financial statement schedules have been omitted since they are either not required or are not applicable as the information is otherwise included in the financial statements or notes thereto.
 3. Exhibits. The list of documents contained in “Exhibit Index” below is provided in response to this Item 15(a). The warranties, representations and covenants contained in any of the agreements included or incorporated by reference herein or which appear as exhibits hereto should not be relied upon by buyers, sellers or holders of the Company’s or its subsidiaries’ securities and are not intended as warranties, representations or covenants to any individual or entity except as specifically set forth in such agreement.

The responses to Items 15(b) and (c) of Form 10-K are included above in response to Item 15(a).

ITEM 16. FORM 10-K SUMMARY

None.

EXHIBIT INDEX

Exhibit Number	Exhibit Description
2.1.1#	Stock Purchase Agreement, dated November 20, 2019, by and among American Water Works Company, Inc., New York American Water Company, Inc. and Liberty Utilities Co. (incorporated by reference to Exhibit 2.1 to American Water Works Company, Inc.’s Current Report on Form 8-K, File No. 001-34028, filed November 20, 2019).
2.1.2	Letter Agreement, dated June 29, 2021, by and among American Water Works Company, Inc., Liberty Utilities (Eastern Water Holdings) Corp. and New York American Water Company, Inc., with respect to the Stock Purchase Agreement, dated November 20, 2019, by and among American Water Works Company, Inc., New York American Water Company, Inc. and Liberty Utilities Co. (incorporated by reference to Exhibit 2.1 to American Water Works Company, Inc.’s Current Report on Form 8-K, File No. 001-34028, filed June 29, 2021).
2.2#	Membership Interest Purchase Agreement, dated as of October 28, 2021, by and among American Water Enterprises, LLC, American (USA), LLC, American Water Resources, LLC, Pivotal Home Solutions, LLC, American Water Resources Holdings, LLC, American Water Works Company, Inc. and Lakehouse Buyer Inc. (incorporated by reference to Exhibit 2.1 to American Water Works Company, Inc.’s Current Report on Form 8-K, File No. 001-34028, filed October 29, 2021).
3.1	Restated Certificate of Incorporation of American Water Works Company, Inc. (incorporated by reference to Exhibit 3.1 to American Water Works Company, Inc.’s Quarterly Report on Form 10-Q, File No. 001-34028, filed November 6, 2008).
3.2	Amended and Restated Bylaws of American Water Works Company, Inc. (incorporated by reference to Exhibit 3.1 to American Water Works Company, Inc.’s Current Report on Form 8-K, File No. 001-34028, filed December 10, 2020).
4.1	Indenture, dated as of October 22, 2007, between American Water Capital Corp. and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.4 to American Water Capital Corp.’s Registration Statement on Form S-4, File No. 333-148284, and American Water Works Company, Inc.’s Registration Statement on Form S-4, File No. 333-148284-01, filed December 21, 2007).
4.2	Indenture, dated as of December 4, 2009, between American Water Capital Corp. and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.’s Current Report on Form 8-K, File No. 001-34028, filed December 3, 2010).
4.3	Officers’ Certificate, dated December 17, 2012, establishing the 4.300% Senior Notes due 2042 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.’s Current Report on Form 8-K, File No. 001-34028, filed December 17, 2012).
4.4	Officers’ Certificate, dated November 20, 2013, establishing the 3.850% Senior Notes due 2024 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.’s Current Report on Form 8-K, File No. 001-34028, filed November 20, 2013).
4.5	Officers’ Certificate, dated August 14, 2014, establishing the 3.400% Senior Notes due 2025 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.’s Current Report on Form 8-K, File No. 001-34028, filed August 14, 2014).
4.6	Officers’ Certificate, dated August 14, 2014, providing for a further issuance of the 4.300% Senior Notes due 2042 (incorporated by reference to Exhibit 4.3 to American Water Works Company, Inc.’s Current Report on Form 8-K, File No. 001-34028, filed August 14, 2014).
4.7	Officers’ Certificate, dated August 13, 2015, establishing the 4.300% Senior Notes due 2045 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.’s Current Report on Form 8-K, File No. 001-34028, filed August 13, 2015).
4.8	Officers’ Certificate, dated August 13, 2015, providing for a further issuance of the 3.400% Senior Notes due 2025 (incorporated by reference to Exhibit 4.3 to American Water Works Company, Inc.’s Current Report on Form 8-K, File No. 001-34028, filed August 13, 2015).
4.9	Officers’ Certificate, dated November 17, 2016, establishing the 3.000% Senior Notes due 2026 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.’s Current Report on Form 8-K, File No. 001-34028, filed November 17, 2016).
4.10	Officers’ Certificate, dated November 17, 2016, establishing the 4.000% Senior Notes due 2046 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.’s Current Report on Form 8-K, File No. 001-34028, filed November 17, 2016).
4.11	Officers’ Certificate, dated August 10, 2017, establishing the 2.950% Senior Notes due 2027 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.’s Current Report on Form 8-K, File No. 001-34028, filed August 10, 2017).
4.12	Officers’ Certificate, dated August 10, 2017, establishing the 3.750% Senior Notes due 2047 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.’s Current Report on Form 8-K, File No. 001-34028, filed August 10, 2017).

Exhibit Number	Exhibit Description
4.13	Officers' Certificate, dated August 9, 2018, establishing the 3.750% Senior Notes due 2028 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 9, 2018).
4.14	Officers' Certificate, dated August 9, 2018, establishing the 4.200% Senior Notes due 2048 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 9, 2018).
4.15	Officers' Certificate, dated May 13, 2019, establishing the 3.450% Senior Notes due 2029 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed on May 13, 2019).
4.16	Officers' Certificate, dated May 13, 2019, establishing 4.150% Senior Notes due 2049 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed on May 13, 2019).
4.17	Officers' Certificate of American Water Capital Corp., dated April 14, 2020, establishing the terms and authorizing the issuance of the 2.800% Senior Notes due 2030 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed April 14, 2020).
4.18	Officers' Certificate of American Water Capital Corp., dated April 14, 2020, establishing the terms and authorizing the issuance of the 3.450% Senior Notes due 2050 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed April 14, 2020).
4.19	Officers' Certificate of American Water Capital Corp., dated May 14, 2021, establishing the terms and authorizing the issuance of the 2.300% Senior Notes due 2031 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed on May 14, 2021).
4.20	Officers' Certificate of American Water Capital Corp., dated May 14, 2021, establishing the terms and authorizing the issuance of the 3.250% Senior Notes due 2051 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed on May 14, 2021).
4.21	Description of American Water Works Company, Inc.'s Equity Securities (filed herewith).
4.22	Note Purchase Agreement, dated May 15, 2008, between American Water Capital Corp. and the purchasers party thereto (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed May 19, 2008) with respect to the 6.55% Series H Senior Notes due May 15, 2023.
10.1.1	Second Amended and Restated Credit Agreement, dated as of March 21, 2018, by and among American Water Works Company, Inc., American Water Capital Corp., each of the Lenders party thereto, Wells Fargo Bank, National Association, as administrative agent, JPMorgan Chase Bank, N.A., as syndication agent, and Mizuho Bank, Ltd., PNC Bank, National Association, and U.S. Bank National Association, as co-documentation agents (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed on March 21, 2018).
10.1.2	Extension Agreement, dated as of April 9, 2019, among American Water Works Company, Inc., American Water Capital Corp., each of the Lenders party thereto, and Wells Fargo Bank, National Association, as administrative agent (incorporated by reference to Exhibit 10.17.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 1, 2019).
10.1.3	Extension Agreement, dated as of April 1, 2020, among American Water Works Company, Inc., American Water Capital Corp., each of the Lenders party thereto, and Wells Fargo Bank, National Association, as administrative agent (incorporated by reference to Exhibit 10.1.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed on May 6, 2020).
10.2	Support Agreement, dated June 22, 2000, together with First Amendment to Support Agreement, dated July 26, 2000, by and between American Water Works Company, Inc. and American Water Capital Corp. (incorporated by reference to Exhibit 10.3 to American Water Capital Corp.'s Registration Statement on Form S-1, File No. 333-145757-01, and American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-145757, filed October 11, 2007).
10.3*	Offer Letter for Employment, dated as of February 2, 2022, between American Water Works Company, Inc. and M. Susan Hardwick (filed herewith).
10.4*	Offer Letter for Employment, dated August 5, 2020, between American Water Works Company, Inc. and Adam Noble (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed November 4, 2020).
10.5*	Offer Letter for Employment, dated February 16, 2021, between American Water Works Company, Inc. and Cheryl Norton (incorporated by reference to Exhibit 10.13 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2021).
10.6*	Amended and Restated American Water Works Company, Inc. Deferred Compensation Plan, dated as of January 1, 2001 (incorporated by reference to Exhibit 10.9 to American Water Capital Corp.'s Registration Statement on Form S-1, File No. 333-145757-01, and American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-145757, filed October 11, 2007).
10.7*	Separation Agreement and General Release, dated as of February 2, 2022, between American Water Works Service Company, Inc. and Walter J. Lynch (filed herewith).
10.8*	Nonqualified Deferred Compensation Plan for Non-Employee Directors of American Water Works Company, Inc., as amended and restated, effective as of January 1, 2009 (incorporated by reference to Exhibit 10.38 to American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-155245, filed November 18, 2008).
10.9.1*	Nonqualified Savings and Deferred Compensation Plan for Employees of American Water Works Company, Inc. and Its Designated Subsidiaries, as amended and restated, effective as of June 1, 2018 (incorporated by reference to Exhibit 10.9.3 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 19, 2019).
10.9.2*	Amendment No. 2019-1 to the Nonqualified Savings and Deferred Compensation Plan for Employees of American Water Works Company, Inc. and its Designated Subsidiaries, as amended and restated, effective as of November 1, 2019 (incorporated by reference to Exhibit 4.1.2 to American Water Works Company, Inc.'s Registration Statement on Form S-8, File No. 333-235598, filed December 19, 2019).
10.10*	Amended and Restated American Water Works Company, Inc. Executive Retirement Plan, dated as of March 1, 2007 (incorporated by reference to Exhibit 10.8 to American Water Capital Corp.'s Registration Statement on Form S-1, File No. 333-145757-01, and American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-145757, filed October 11, 2007).
10.11.1*	American Water Works Company, Inc. Annual Incentive Plan (incorporated by reference to Appendix C to American Water Works Company, Inc.'s Definitive Proxy Statement, File No. 001-34028, filed March 27, 2015).
10.11.2*	Amendment 2016-1 to American Water Works Company, Inc. Annual Incentive Plan (now known as the Annual Performance Plan), effective January 1, 2016 (incorporated by reference to Exhibit 10.14.2 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 25, 2016).

Exhibit Number	Exhibit Description
10.12*	Second Amended and Restated American Water Works Company, Inc. and its Designated Subsidiaries 2017 Nonqualified Employee Stock Purchase Plan, adopted on July 27, 2018, effective as of February 5, 2019 (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed October 31, 2018).
10.13.1*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan, as amended (incorporated by reference to Appendix B to American Water Works Company, Inc.'s Definitive Proxy Statement, File No. 001-34028, filed March 27, 2015).
10.13.2*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2016 Nonqualified Stock Option Grant (incorporated by reference to Exhibit 10.1.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 4, 2016).
10.13.3*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2016 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.2.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 4, 2016).
10.13.4*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2017 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.1.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2017).
10.13.5*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2016 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.3.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 4, 2016).
10.13.6*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2016 Performance Stock Unit Grant Form B-1 (incorporated by reference to Exhibit 10.3.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 4, 2016).
10.13.7*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2017 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.2.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2017).
10.13.8*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2017 Performance Stock Unit Grant Form B-1 (incorporated by reference to Exhibit 10.2.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2017).
10.13.9*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2013 Stock Unit Grant Form for Non-Employee Directors (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 7, 2013).
10.13.10*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2014 Stock Unit Grant Form for Non-Employee Directors (incorporated by reference to Exhibit 10.5 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 6, 2014).
10.13.11*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2016 Stock Unit Grant Form for Non-Employee Directors (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 3, 2016).
10.14.1*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 2, 2017).
10.14.2*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2018 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 2, 2018).
10.14.3*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2019 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 1, 2019).
10.14.4*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 6, 2020).
10.14.5*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Restricted Stock Unit Grant (for Chief Executive Officer and Chief Operating Officer) (incorporated by reference to Exhibit 10.4 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 6, 2020).
10.14.6*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Restricted Stock Unit Grant dated February 11, 2020 (for M. Susan Hardwick) (incorporated by reference to Exhibit 10.5 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 6, 2020).
10.14.7*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Restricted Stock Unit Grant dated August 31, 2020 (for Adam Noble) (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed November 4, 2020).
10.14.8*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2021).
10.14.9*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Restricted Stock Unit Grant (for Chief Executive Officer and Chief Operating Officer) (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2021).
10.14.10*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Restricted Stock Unit Grant (for M. Susan Hardwick) (incorporated by reference to Exhibit 10.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2021).
10.14.11*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2017 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.5 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed May 12, 2017).
10.14.12*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2017 Performance Stock Unit Grant Form B-1 (incorporated by reference to Exhibit 10.7 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed May 12, 2017).
10.14.13*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2018 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.7 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 2, 2018).
10.14.14*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2018 Performance Stock Unit Grant Form B-1 (incorporated by reference to Exhibit 10.8 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 2, 2018).
10.14.15*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2019 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.6 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 1, 2019).
10.14.16*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2019 Performance Stock Unit Grant Form B-1 (corrected) (incorporated by reference to Exhibit 10.14.33 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed February 18, 2020).
10.14.17*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.8 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 6, 2020).

Exhibit Number	Exhibit Description
10.14.18*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Performance Stock Unit Grant Form A-2 (incorporated by reference to Exhibit 10.9 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 6, 2020).
10.14.19*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Performance Stock Unit Grant Form A-3 (for M. Susan Hardwick) (incorporated by reference to Exhibit 10.10 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 6, 2020).
10.14.20*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Performance Stock Unit Grant Form B-1 (incorporated by reference to Exhibit 10.13 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 6, 2020).
10.14.21*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Performance Stock Unit Grant Form B-2 (incorporated by reference to Exhibit 10.14 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 6, 2020).
10.14.22*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Performance Stock Unit Grant Form B-3 (for M. Susan Hardwick) (incorporated by reference to Exhibit 10.15 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 6, 2020).
10.14.23*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.5 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2021).
10.14.24*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Performance Stock Unit Grant Form A-2 (for Chief Executive Officer and Chief Operating Officer) (incorporated by reference to Exhibit 10.6 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2021).
10.14.25*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Performance Stock Unit Grant Form A-3 (for M. Susan Hardwick) (incorporated by reference to Exhibit 10.7 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2021).
10.14.26*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Performance Stock Unit Grant Form B-1 (incorporated by reference to Exhibit 10.9 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2021).
10.14.27*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Performance Stock Unit Grant Form B-2 (for Chief Executive Officer and Chief Operating Officer) (incorporated by reference to Exhibit 10.10 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2021).
10.14.28*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Performance Stock Unit Grant Form B-3 (for M. Susan Hardwick) (incorporated by reference to Exhibit 10.11 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2021).
10.14.29*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2017 Non-Employee Director Stock Unit Grant (incorporated by reference to Exhibit 10.9 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed May 12, 2017).
10.14.30*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2018 Non-Employee Director Stock Unit Grant (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 1, 2018).
10.14.31*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Non-Employee Director Stock Unit Grant (incorporated by reference to Exhibit 10.7 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 5, 2020).
10.14.32*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Stock Unit Grant Form for Non-Employee Directors (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 2, 2021).
10.15*	American Water Works Company, Inc. Executive Severance Policy, as amended and restated as of July 27, 2021 (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 2, 2021).
10.16*	American Water Works Company, Inc. Change of Control Severance Policy, dated as of July 27, 2021 (incorporated by reference to Exhibit 10.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 2, 2021).
10.17.1*	American Water Works Company, Inc. Pension Plan for Employees (as amended and restated effective January 1, 2016), dated January 24, 2017 (incorporated by reference to Exhibit 10.16.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-K, File No. 001-34028, filed February 18, 2020).
10.17.2*	American Water Works Company, Inc. Amendment Two to the Pension Plan for Employees (as amended and restated effective January 1, 2016), dated December 19, 2018 (incorporated by reference to Exhibit 10.16.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-K, File No. 001-34028, filed February 18, 2020).
10.17.3*	American Water Works Company, Inc. Amendment Three to the Pension Plan for Employees (as amended and restated effective January 1, 2016), dated August 2, 2021 (filed herewith).
10.17.4*	American Water Works Company, Inc. Amendment 2021-1 to the Pension Plan for Employees (as amended and restated effective January 1, 2016), dated January 20, 2022 (filed herewith).
10.18#	Secured Seller Note Agreement, dated December 9, 2021, by and among Lakehouse Bido Inc., Lakehouse Buyer Inc., American Water Resources, L.L.C. Pivotal Home Solutions, L.L.C. American Water Resources Holdings, L.L.C. American Water Resources of Texas, L.L.C. and American Water Enterprises, L.L.C. (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed December 9, 2021).
10.19	Revenue Share Agreement, dated December 9, 2021, by and among American Water Works Company, Inc., American Water Resources, L.L.C. Pivotal Home Solutions, L.L.C. and American Water Resources Holdings, L.L.C. (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed December 9, 2021).
21.1	Subsidiaries of American Water Works Company, Inc. (filed herewith).
22.1	Guaranteed Securities (filed herewith).
23.1	Consent of PricewaterhouseCoopers LLP (filed herewith).
31.1	Certification of M. Susan Hardwick, President, Chief Executive Officer and Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act (filed herewith).
32.1	Certification of M. Susan Hardwick, President, Chief Executive Officer and Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act (furnished herewith).

Exhibit Number	Exhibit Description
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101)

Certain schedules and exhibits to this agreement have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The Company will furnish the omitted schedules and exhibits to the SEC upon request.

* Denotes a management contract or compensatory plan or arrangement.

Instruments defining the rights of holders of certain issues of long-term debt of the Company and certain of its consolidated subsidiaries have not been filed as exhibits to this report because the authorized principal amount of any one of such issues does not exceed 10% of the Company's consolidated total assets. The Company agrees to furnish a copy of each such instrument to the SEC upon request.

The Stock Purchase Agreement filed as [Exhibit 2.1.1](#), the Membership Interest Purchase Agreement filed as [Exhibit 2.2](#), and the Secured Seller Note Agreement filed as [Exhibit 10.18](#) to this Annual Report on Form 10-K have been included to provide investors and security holders with information regarding the terms of the respective agreements. The filing of these agreements is not intended to provide any other factual information about the parties thereto, or any of their respective subsidiaries or affiliates. The representations, warranties and covenants contained in the respective agreements (i) were made by the parties thereto only for purposes of that respective agreement and as of specific dates; (ii) were made solely for the benefit of the parties to the respective agreement; (iii) may be subject to limitations agreed upon by the contracting parties, including being qualified by confidential disclosures exchanged between the parties in connection with the execution of the respective agreement (such disclosures include information that has been included in public disclosures, as well as additional non-public information); (iv) may have been made for the purposes of allocating contractual risk between the parties to the respective agreements instead of establishing these matters as facts; and (v) may be subject to standards of materiality applicable to the contracting parties to the respective agreements that differ from those applicable to investors.

Investors should not rely on the representations, warranties and covenants or any descriptions thereof as characterizations of the actual state of facts or condition of the parties to the respective agreements thereto, or any of their respective subsidiaries or affiliates. Additionally, the representations, warranties, covenants, conditions and other terms of the respective agreements may be subject to subsequent waiver or modification. Moreover, information concerning the subject matter of the representations, warranties and covenants may change after the date of the respective agreement, which subsequent information may or may not be fully reflected in the Company's public disclosures. The respective agreements should not be read alone, but should instead be read in conjunction with the other information regarding the Company that is or will be contained in, or incorporated by reference into, the reports and other documents that are filed by the Company with the SEC.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 16th day of February, 2022.

AMERICAN WATER WORKS COMPANY, INC.

BY: _____
 /s/ M. SUSAN HARDWICK
 M. Susan Hardwick
 President, Chief Executive Officer and Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed on the 16th day of February, 2022, by the following persons in the capacities indicated.

 /s/ M. SUSAN HARDWICK
 M. Susan Hardwick
 President, Chief Executive Officer and
 Chief Financial Officer
 (Principal Executive Officer, Principal Financial Officer
 and Director)

 /s/ MELISSA K. WIKLE
 Melissa K. Wikle
 Chief Accounting Officer
 (Principal Accounting Officer)

 /s/ VERONICA M. HAGEN
 Veronica M. Hagen
 (Director)

 /s/ JULIA L. JOHNSON
 Julia L. Johnson
 (Director)

 /s/ KARL F. KURZ
 Karl F. Kurz
 (Chairman of the Board)

 /s/ JAMES G. STAVRIDIS
 James G. Stavridis
 (Director)

 /s/ JEFFREY N. EDWARDS
 Jeffrey N. Edwards
 (Director)

 /s/ MARTHA CLARK GOSS
 Martha Clark Goss
 (Director)

 /s/ KIMBERLY J. HARRIS
 Kimberly J. Harris
 (Director)

 /s/ PATRICIA L. KAMPLING
 Patricia L. Kampling
 (Director)

 /s/ GEORGE MACKENZIE
 George MacKenzie
 (Director)

DESCRIPTION OF AMERICAN WATER WORKS COMPANY, INC.'S EQUITY SECURITIES

The following description of the common stock, par value \$0.01 per share (the "Common Stock"), of American Water Works Company, Inc., a Delaware corporation (the "Company"), is not intended to be complete. For more information regarding the Common Stock, please refer to the Company's Restated Certificate of Incorporation (the "Certificate of Incorporation"), and the Company's Amended and Restated Bylaws (the "Bylaws"), which have been filed as Exhibits 3.1 and 3.2, respectively, to the Company's Annual Report on Form 10-K for the year ended December 31, 2021. The following descriptions are based on the Certificate of Incorporation and Bylaws in effect as of February 16, 2022. The terms and provisions of the Certificate of Incorporation and Bylaws are hereby incorporated by reference herein. The terms of these securities also may be affected by the General Corporation Law of the State of Delaware (the "DGCL").

General

The Company's authorized capital stock consists of 500,000,000 shares of Common Stock and 50,000,000 shares of preferred stock. As of February 10, 2022, there were 181,724,991 shares of Common Stock outstanding and no shares of preferred stock outstanding.

Common Stock

Voting Rights

Other than with respect to director elections, except as otherwise required by law, all matters to be voted on by the Company's shareholders must be approved by a majority of the shares present in person or proxy at such meeting and entitled to vote on the subject matter. With respect to uncontested director elections, the Bylaws require that in order to be elected, a director nominee must receive a majority of the votes cast (for this purpose, a majority of the votes cast means that the number of shares voted "for" a director nominee must exceed the number of votes cast "against" that nominee). For contested director elections where the number of nominees exceeds the number of directors to be elected, the Bylaws require that the directors shall be elected by the vote of a plurality of the shares represented in person or by proxy at any such meeting and entitled to vote on the election of directors.

Dividends

Holders of Common Stock will share equally in any dividend declared by the Company's board of directors (the "Board"), subject to the rights of the holders of any outstanding preferred stock.

Liquidation Rights

In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company's affairs, holders of Common Stock would be entitled, after payment of the liquidation preference to all holders of any outstanding preferred stock, to share ratably in the Company's assets that are legally available for distribution to shareholders after payment of liabilities. The Company must pay the applicable distribution to any holders of its preferred stock before it may pay distributions to the holders of Common Stock.

Other Rights

The Company's shareholders have no preemptive or other rights to subscribe for additional shares.

Preferred Stock

The Board may authorize the issuance of preferred stock from time to time in one or more series, without shareholder approval. Subject to the limits imposed by the DGCL, the Board is authorized to fix for any series of preferred stock the number of shares of such series and the voting powers (if any), designation, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions of such series. The Board is also authorized to increase or decrease the number of shares of any series, but not below the number of shares of that series then outstanding, without any further vote or action by the Company's shareholders.

The Board may authorize the issuance of preferred stock with voting or conversion rights that affect adversely the voting power or other rights of holders of Common Stock. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could have the effect of delaying, deferring or preventing a change in control, causing the market price of a share of Common Stock to decline, or impairing the voting and other rights of the holders of Common Stock.

Certain Anti-Takeover Provisions of the Certificate of Incorporation and Bylaws, and the DGCL

The following provisions of the Certificate of Incorporation and Bylaws could deter, delay or prevent a third party from acquiring the Company, even if doing so would benefit the Company's shareholders.

Undesignated Preferred Stock

The ability to authorize undesignated preferred stock makes it possible for the Board to authorize the issuance of preferred stock with super voting, special approval, dividend or other rights or preferences on a discriminatory basis that could impede the success of any attempt to acquire the Company. These and other provisions may have the effect of deferring, delaying or discouraging hostile takeovers, or changes in control or management of the Company.

Requirements for Advance Notification of Shareholder Meetings, Nominations and Proposals

The Bylaws provide that special meetings of shareholders may be called only upon the request of the majority of the members of the Board, upon request of the Chairman of the Board, or by the Secretary of the Company upon request of shareholders holding at least 15% of the outstanding Common Stock. The Bylaws prohibit the conduct of any business at a special meeting other than as specified in the notice for such meeting.

The Bylaws establish advance notice procedures with respect to shareholder proposals for annual meetings and the nomination of candidates for election as directors, other than nominations made by or at the direction of the Board or a committee thereof. A shareholder who wishes to bring a matter before a meeting must comply with the Company's advance notice requirements and provide the Company with certain information. Additionally, vacancies and newly created directorships may be filled only by a vote of a majority of the members of the Board then in office, even though less than a quorum, or by shareholders. These provisions may defer, delay or discourage a potential acquiror from conducting a solicitation of proxies to elect the acquiror's own slate of directors or otherwise attempting to obtain control of the Company.

Shareholder Action by Written Consent

As permitted by Section 228 of the DGCL, the Certificate of Incorporation states that any action required or permitted to be taken by the Company's shareholders must be effected at a duly called annual or special meeting and may not be effected by consent in writing by such shareholders.

Certain Anti-Takeover Matters

A significant number of the Company's regulated subsidiaries are subject to economic regulation by state public utility commissions. Some of these states have enacted laws that require regulatory approval for the acquisition of "control" of any regulated utility. In those states, obtaining "control" of the parent or any other company that controls a regulated utility also requires prior regulatory approval. The threshold for a change in control is a fact-specific inquiry that varies by state. For example, in some states, a presumption of control will arise when an acquiring party acquires more than 9.9% of the voting securities of the regulated utility or the controlling entity. In addition to ownership, other states may analyze the degree of influence or control an acquiror may exert over the company. Any person acquiring Common Stock in an offering or in any other purchase of Common Stock in an amount sufficient to trigger a change in control under state law would need the prior approval of the applicable state public utility commission.

Certain Other Provisions of the Certificate of Incorporation and Bylaws and the DGCL

Board of Directors

The Certificate of Incorporation provides that the number of directors is fixed in the manner provided in the Bylaws. The Bylaws provide that the number of directors will be fixed from time to time by the Board.

Business Combinations under Delaware Law

The Company is subject to Section 203 of the DGCL, which prohibits a publicly held Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years after the time the shareholder became an "interested stockholder," subject to certain exceptions, including if, prior to such time, the board of directors approved the business combination or the transaction which resulted in the shareholder becoming an "interested stockholder." "Business combinations" include mergers, asset sales and other transactions resulting in a financial benefit to the "interested stockholder." Subject to various exceptions, an "interested stockholder" is a person who, together with his or her affiliates and associates, owns, or within the prior three years did own, 15% or more of the corporation's outstanding voting stock. These restrictions generally prohibit or delay the accomplishment of mergers or other takeover or change-in-control attempts that are not approved by a company's board of directors.

Limitations of Liability and Indemnification of Directors and Officers

The DGCL authorizes corporations to limit or eliminate the personal liability of directors to corporations and their shareholders for monetary damages for breaches of directors' fiduciary duties. The Certificate of Incorporation includes a provision that eliminates the personal liability of directors for monetary damages for actions taken as a director to the fullest extent authorized by the DGCL. The DGCL does not permit exculpation for liability:

- for breach of the duty of loyalty;

- for acts or omissions not in good faith or involving intentional misconduct or knowing violation of law;
- under Section 174 of the DGCL (relating to unlawful dividends or stock repurchases); or
- for transactions from which the director derived an improper personal benefit.

The Certificate of Incorporation and Bylaws provide that the Company will indemnify its directors and officers to the fullest extent permitted by law. The Bylaws also expressly authorize the Company to carry directors' and officers' insurance providing indemnification for its directors, officers and certain employees and agents for certain liabilities.

The limitation of liability and indemnification provisions in the Certificate of Incorporation and Bylaws may discourage shareholders from bringing a lawsuit against the Company's directors for breach of their fiduciary duty. These provisions may also have the effect of reducing the likelihood of derivative litigation against the Company's directors and officers, even though such an action, if successful, might otherwise benefit the Company and its shareholders. In addition, an investment in the Common Stock may be adversely affected to the extent the Company pays the costs of settlement and damage awards against directors and officers in accordance with these indemnification provisions.

Proxy Access

The Bylaws permit an eligible shareholder or group of shareholders to include up to a specified number of director nominees in the Company's proxy materials for an annual meeting of shareholders. To qualify, the shareholders (or group of up to 20 shareholders) must have continuously owned for at least three years 3% or more of the Company's outstanding common stock. The maximum number of shareholder nominees permitted under this proxy access provision is the greater of (i) two or (ii) 20% of the total number of directors on the Company's board of directors as of the last day on which a proxy access notice may be submitted, rounded down to the nearest whole number.

Transfer Agent and Registrar

American Stock Transfer & Trust Company, LLC serves as the registrar and transfer agent for the Common Stock.

New York Stock Exchange Listing

The Common Stock is listed on the New York Stock Exchange under the trading symbol "AWK."



February 2, 2022

Ms. M. Susan Hardwick
14141 S. Penn Square Unit 37D
Philadelphia, PA 19102

Dear Susan:

On behalf of American Water Works Company, Inc. (the "Company") and its Board of Directors, we are pleased to offer you the position of Chief Executive Officer and President, effective February 2, 2022. As Chief Executive Officer and President of the Company, you shall have the authority to control the day-to-day operations of the Company and its corporate strategy subject to the Company's Bylaws and Delegation of Authority and to the directors and decisions of the Company's Board of Directors. You will also be elected to serve as a member of the Board of Directors, without additional compensation for such service. The following are the terms and conditions of your employment as the Company's Chief Executive Officer and President.

Base Salary: You will receive a bi-weekly salary of \$38,461.54, which when annualized, would be approximately \$1,000,000, subject to applicable withholdings. The salary grade for your position will be 100. Your compensation will be reviewed annually based on your performance as assessed by the independent members of the Board of Directors.

APP: You will continue to participate in the Company's Annual Performance Plan (APP). Your target award under the APP is 110% of your annual base salary, and for 2022 will not be prorated and will be based on your new salary and target levels. Under the terms of the APP, your actual award payout may be up to 200% of your target award and will be dependent on both (i) your individual performance which may result in an individual performance factor range of 0 to 200% of your target award and (ii) the application of the Company's Corporate Multiplier (which may range from 0 to 150%) to your individual award. The independent members of the Board of Directors will establish each performance year a set of mutually agreed upon APP goals and objectives for you as CEO and President. Your APP award for 2022 will be based on the level of progress towards achieving the goals and objectives that were agreed upon and approved by the independent members of the Board of Directors, as reflected in the minutes of the meeting of the Board of Directors at which they were approved. Your APP award target must be approved by the Executive Development and Compensation Committee, as well as the independent members of the Board.

LTPP: You will continue to participate in American Water's Long Term Performance Plan (LTPP). Your target payout under the LTPP is 400% of your annual base salary. Your grant for 2022 will be based on your new target. For reference purposes, awards are currently granted in the following forms of equity in the Company: 30% in restricted stock units, 35% in performance stock units based on relative total shareholder return (TSR) ranking and 35% percent in performance stock units based on compounded adjusted EPS growth. LTPP awards are granted under the terms and conditions of the Company's 2017 Omnibus Equity Compensation Plan, as it may be amended from time to time (the Plan), the LTPP program then in effect, and a grant document. Your LTPP awards must be approved by the Executive Development and Compensation Committee of the Board, as well as the independent members of the Board. In the event of any conflict between the terms of your offer letter and the terms of the Plan, the LTPP program then in effect and the grant document, the terms of those other documents will govern.



Ms. Hardwick
February 2, 2022
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In addition, as CEO and President, your equity awards will include specific post-retirement continued vesting provisions applicable to that position. Under these provisions, equity awards granted to you in this role will continue to vest over the normal vesting schedule of the award following your separation of service based upon either normal retirement, as follows:

- in the event of a normal retirement, defined as having attained age 60 and five years of service, an award will continue to vest in full; and
- in the event of an early retirement, defined as having attained age 55 and five years of service, 75 percent of each award will continue to vest.

Interim CEO compensation: In recognition and appreciation of your role as interim CEO from December 3, 2021 to January 31, 2022, you will receive a one time lump sum cash payment of \$100,000, subject to applicable withholdings, which will be paid to you in the next pay period.

Executive Severance Policy and Change of Control Severance Policy: You will be entitled to the benefits and subject to the terms of the Company's executive severance policy and Change of Control Severance Policy, which provide severance benefits to executives whose employment is terminated under specified circumstances by American Water for reasons other than cause.

Benefits: You will continue to be eligible to participate in American Water's comprehensive benefits program for you and your eligible dependents.

401(k) Savings Plan: You will continue to be eligible to participate in the 401(k) Savings Plan.

Non-Qualified Deferred Compensation: You will continue to be eligible to participate in our Non-Qualified Deferred Compensation Plan. The Company may make Employer Matching and Defined Contribution Account contributions as soon as administratively practicable after the end of the applicable plan year.

Vacation/Holidays: You are entitled to five (5) weeks of vacation, six (6) floating holidays and eight (8) fixed holidays per calendar year which must be used in accordance with the Company's vacation policy.



Ms. Hardwick
February 2, 2022
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Susan, we look forward to working with you as CEO and President as you continue to execute on our strategy and grow the Company.

Please signify your agreement with the foregoing terms of your continued employment by returning to my attention the original of this Agreement.

Sincerely,
/s/ KARL F. KURZ
Chairman of the Board
cc: Melanie Kennedy, EVP and Chief Human Resources Officer

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

/s/ M. SUSAN HARDWICK
Signature

February 2, 2022
Date

SEPARATION AGREEMENT AND GENERAL RELEASE

This Separation Agreement and General Release (“Agreement”) is between American Water Works Service Company, Inc. (“American Water” or the “Company”) and Walter Lynch (“Executive”).

WHEREAS, Executive is a full-time executive employee of American Water;

WHEREAS, Executive is voluntarily retiring from his employment with American Water, which will end on February 2, 2022 (the “Separation Date”);

WHEREAS, Executive and American Water have agreed to resolve all claims and potential claims which have been, or could have been, brought by Executive against American Water arising out of Executive’s employment with American Water to date;

WHEREAS, Executive and American Water desire to enter into this Agreement to document the terms of the separation of Executive’s employment with American Water, with the parties agreeing that neither party admits wrongdoing, fault, or liability whatsoever, and that nothing herein shall be construed or interpreted as an admission of any wrongdoing, fault or liability of either party; and

NOW THEREFORE, in consideration of the mutual promises and releases contained herein and for other good and valuable consideration, the sufficiency of which is hereby acknowledged, the parties agree as follows:

1. **Consideration.**

- a. **Severance.** American Water shall pay Executive’s current base salary from February 2022 through January 2023 (the “Severance Period”), which will be paid on American Water’s regular pay schedule beginning the first regular pay day in February 2022 (the “Severance Payment”), provided that Executive (i) is not in breach of his obligations under Section 4 of this Agreement and (ii) has not otherwise revoked his waiver of any potential claims under the Age Discrimination in Employment Act of 1967 (“ADEA”) or the Older Workers Benefit Protection Act (“OWBPA”) in accordance with Section 9 of this Agreement. This amount will be subject to regular lawful withholdings and deductions.
 - b. **Group Health Insurance.** Executive, at his option, may continue to participate in American Water’s group health insurance plan pursuant to the federal Consolidated Omnibus Budget Reconciliation Act, as amended (“COBRA”). American Water will reimburse all COBRA premiums and related costs for Executive during the Severance Period. Thereafter, Executive and any eligible dependents will be entitled to continue health care coverage at Executive’s sole expense for the remaining balance of the coverage period pursuant to COBRA. Executive’s right to COBRA health care continuation will be set forth in a
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separate letter. If Executive elects not to participate in the Company's group health insurance plan or if Executive fails to make timely monthly contributions (as this term is defined in the COBRA documentation that shall be provided Executive), Executive shall lose all eligibility for continued participation in the Company's group health insurance plan.

2. **Valid Consideration.** Executive acknowledges and agrees that the consideration set forth in Section 1, in addition to any other salary, benefits, and terms and conditions of employment that he is receiving by way of this Agreement to which he is not otherwise entitled: (i) is not required by the Company's policies or procedures or by any pre-existing contractual obligation of American Water, (ii) constitutes valid consideration for the Executive's promises and obligations under this Agreement, and (iii) is in complete satisfaction of any and all compensation and benefits due to Executive from the Company (other than any of Executive's accrued benefits that vested prior to the Separation Date or as otherwise provided in Section 8).
3. **Confidentiality; Non-Disclosure; Return of Property, Disparaging Statements, References.**
 - a. **Confidentiality.** Executive understands and agrees that the terms and contents of this Agreement shall remain confidential and shall not be disclosed by Executive or Executive's agents and representatives, with the exception of: (1) disclosure to members of Executive's immediate family, Executive's attorneys, accountants, tax or financial advisors, each of who shall be informed of this confidentiality obligation and shall agree to be bound by its terms; (2) disclosure to the Internal Revenue Service or state or local taxing authority; (3) disclosure as is expressly required or protected by law; (4) disclosure by American Water or its parent company, American Water Works Company, Inc., through a press release or in a filing with the Securities and Exchange Commission, or to a national stock exchange; (5) any disclosures made by the Executive to pursuant to the whistleblower provisions in the Exchange Act (15 U.S.C. § 78u-6) and the Sarbanes Oxley Act of 2002 (18 U.S.C. § 1514A); or (6) in any action to challenge or enforce the terms of this Agreement provided that such disclosure is covered by an appropriate confidentiality order to the maximum extent permitted by the applicable authority. Nothing contained in this Agreement shall preclude Executive from initiating and/or cooperating fully with any governmental investigation.
 - b. **Non-Disclosure of Confidential Information and Trade Secrets.** Executive acknowledges that as an employee of American Water, Executive had access to and was entrusted with the Company's confidential and proprietary business information and trade secrets defined in this Section 3(b)(i). At all times prior to, during, and following Executive's separation from employment with American Water, Executive represents that he has maintained and agrees that Executive will continue to maintain such information in strict confidence and has not disclosed, used, transferred or sold and will not disclose, use, transfer or sell (directly or

indirectly) such information to any third party (except as may be required by law or legal process) so long as such information or proprietary data remains confidential and has not been properly and lawfully disclosed or is not otherwise in the public domain. Executive further agrees that, at the Company's request, Executive will deliver and/or provide access to any personal computing device, telephone, hard disk, backup tapes, cloud systems, disks or thumb or flash drives for the Company's review and permit the Company to delete all confidential and proprietary business information and trade secrets contained on such devices.

- i. Definition of "Confidential and Proprietary Business Information and Trade Secrets. For purposes of this Agreement, "confidential and proprietary business information and trade secrets" includes, but is not limited to, all information about markets, key personnel, operational methods, proprietary intellectual property, real property, plans for future developments, projects in the pipeline, bid information, manuals, books, training materials, forms and procedures, policies, customer or prospective customer lists, customer related data, marketing plans and strategies, financial information, documents relating to any of the foregoing, and other written and oral materials (whether computerized or on hard copy) which are related to the business of the Company and the confidentiality of which the Company attempts to maintain with reasonable efforts and which the Company has not released to the general public.
- c. Notice of Immunity for Confidential Disclosure of a Trade Secret to an Attorney, the Government or in a Court Filing. Federal law provides certain protections to individuals who disclose a trade secret to their attorney, a court, or a government official in certain, confidential circumstances. Specifically, federal law provides that an individual shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret under either of the following conditions:
 - Where the disclosure is made (i) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or
 - Where the disclosure is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. 18 U.S.C. § 1833(b)(1).

Federal law also provides that an individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual (A) files any document containing the trade secret under seal; and (B) does not disclose the trade secret, except pursuant to court order. 18 U.S.C. § 1833(b)(2).

- d. **Return of Property.** Executive shall, on or prior to the Separation Date, return to American Water (and shall not retain any copies of) any and all property of the Company in Executive's possession, including (without limitation) all papers, documents, business plans, project or pipeline information, correspondence, office access badge, Company-issued cell phone, garage ID hang-tag, keys, credit cards, electronic or digitally stored information, and computer equipment.
- e. **Disparaging Statements.** Executive agrees not to make written (to include online or other written statements) or oral statements about American Water, its affiliates, or any of the other Releasees (as defined in Section 5(a) below) that are negative or disparaging. Nothing in this Agreement shall preclude Executive from communicating or testifying truthfully (i) to the extent required or protected by law, (ii) to any federal, state, or local governmental agency, (iii) in response to a subpoena to testify issued by a court of competent jurisdiction, or (iv) in any action to challenge or enforce the terms of this Agreement. Executive understands that this is a material provision of this Agreement.
- f. **References.** Executive agrees that all requests for references will be directed solely to the attention of Melanie Kennedy, Executive Vice President, Chief Human Resources Officer, American Water Works Service Company, Inc., 1 Water Street, Camden, NJ 08102, Melanie.Kennedy@amwater.com.

Upon any request for a reference, Ms. Kennedy will solely confirm Executive's dates of employment with American Water, positions Executive held with American Water, and Executive's last salary earned with American Water.

- g. **Taxes.** As required by law, the Company will issue the appropriate IRS Form(s) at the appropriate time. Any payments provided for herein shall be reduced by any amounts required to be withheld by the Company from time to time under applicable federal, state or local income or employment tax laws or similar statutes or other provisions of law then in effect. Executive agrees that (i) Executive shall be solely responsible for all taxes, including, but not limited to, income and excise taxes, imposed on Executive in respect of amounts paid to Executive by the Company under this Agreement; (ii) Executive shall not seek reimbursement from the Company for such taxes; and (iii) Executive agrees to and does hereby indemnify and hold the Company harmless against any and all tax liability, interest, and/or penalties.

4. **Non-Competition and Non-Solicitation.**

a. **Non-Competition.**

- i. Executive agrees that, during the Severance Period, Executive will not either alone or in association with others engage in any duties for a Competitive Business (as defined below) with respect to any business development opportunity, in either the Company's regulated or market-

based business anywhere in the United States, that is in the Company's pipeline, as of the date Executive executes the Agreement, of which Executive is aware or has been made aware through information received in any business planning session, business performance reviews, growth calls, commercial development committees, or any other manner. Executive agrees that he will not perform such duties either for Executive or any other person or any other business entity or organization that is engaged in any business or enterprise that is competitive with the Company's business ("Competitive Businesses"). The Company has identified the following companies as Competitive Businesses: Algonquin/Liberty, Essential Utilities, NextEra, and Corix.

"Engaging in" on Executive's part shall include the following activities: engaging in, working with, having an interest or concern in, advising, or permitting one's name to be used in connection with, an enterprise or endeavor, either individually, in partnership or in conjunction with any person or persons, firms, associations, companies or corporations, whether as a principal, agent, shareholder, employee, officer, director, partner, consultant or in any manner whatsoever (it is being understood that Executive will retain the right to invest in or have an interest in entities traded on any public market or offered by any national brokerage house, provided that such interest does not exceed 1% of the voting control of that entity).

b. Non-Solicitation.

- i. Executive agrees that, during the Severance Period, Executive will not either alone or in association with others call on, solicit, or permit any organization directly or indirectly controlled by Executive or which may employ Executive to call on or solicit, in any manner, any Client of the Company.

"Client" shall mean any corporation, partnership, association, United States military base, or United States (to include federal, state, county or local government) or foreign governmental entity that has or had an account or contract with the Company or any of its subsidiaries or parent during Executive's employment or on the Separation Date regardless of whether Executive has directly worked with such client.

- ii. Executive further agrees that, during the Severance Period, Executive will not directly or indirectly, either alone or in association with others solicit, or permit any organization directly or indirectly controlled by Executive or which may employ Executive to solicit, any employee or executive of the Company to leave the employ of the Company, or solicit for employment, hire or engage as an independent contractor, or permit any organization directly or indirectly controlled by Executive or which may employ

Executive to solicit for employment, hire or engage as an independent contractor, any person who was employed by the Company at the time of the termination or cessation of Executive's employment with the Company; provided that this clause shall not apply to the solicitation, hiring or engagement of any individual whose employment with the Company has been terminated for a period of six (6) months or longer at the time of such solicitation, hiring or employment.

- c. Extension of Restrictions. If Executive violates any of the provisions of this Section 4, the duration of the provisions shall automatically be extended, and Executive shall continue to be bound by the restrictions set forth in Section 4 until a period of twelve (12) months has expired without any violation of such provisions.
- d. Interpretation. If any restriction set forth in Section 4 is found by any court of competent jurisdiction to be overbroad, such restriction shall be enforceable to the maximum extent permissible by law.
- e. Equitable Remedies. The restrictions contained in this Section 4 are necessary for the protection of the business and good will of the Company and are considered by Executive to be reasonable for such purpose. Executive agrees that any breach of this Section 4 is likely to cause the Company substantial and irrevocable damage which is difficult to measure. Therefore, in the event of any such breach or threatened breach, Executive agrees that the Company shall be entitled to preliminary and permanent injunctive relief, without the necessity of a bond or other security and without proving actual damages, as well as to an equitable accounting of all earnings, profits and other benefits arising from any violations of this Agreement, which rights shall be cumulative and in addition to any other rights or remedies to which the Company may be entitled, including but not limited to liquidated and punitive damages. Executive further agrees that the Company shall be entitled to its reasonable fees and costs if a court of competent jurisdiction issues a preliminary or permanent injunction against the Executive or a court of competent jurisdiction finds that Executive breached the terms of the Agreement.

5. **General Release of Legal Claims**

- a. Executive, on behalf of Executive, and his heirs, executors, administrators, and/or assigns, does hereby releases and forever discharges American Water, together with its parents, subsidiaries, affiliates, predecessors, and successor corporations and business entities, past, present and future, and its and their agents, directors, officers, partners, employees, shareholders, insurers and reinsurers, and employee benefit plans (and the trustees, administrators, fiduciaries, insurers, and reinsurers of such plans) past, present and future, and their heirs, executors, administrators, predecessors, successors, and assigns (collectively, "Releasees"), of and from any and all legally waivable claims, causes of actions, suits, lawsuits, debts, and

demands whatsoever in law or in equity, known or unknown, suspected or unsuspected, which Executive ever had, now has or which Executive's executors administrators, or assigns hereafter may have from the beginning of time to the date Executive executes this Agreement, and including, without limitation, any claims arising from or relating to Executive's employment relationship with American Water, and the termination of such relationship, including, without limitation, any claims arising under Title VII of the Civil Rights Act of 1964 ("Title VII"), the Americans with Disabilities Act ("ADA"), the Employee Retirement Income Security Act ("ERISA"), the Family and Medical Leave Act ("FMLA"), the ADEA, the OWBPA, the New Jersey Law Against Discrimination ("NJLAD"), the Conscientious Employee Protection Act ("CEPA"), the New Jersey Family Leave Act, the New Jersey Millville Dallas Airmotive Plant Job Loss Notification Act, the New Jersey Equal Pay Act, the New Jersey Wage and Hour Law, the New Jersey Wage Payment Act, the New Jersey Constitution, the common law of the State of New Jersey, the Pennsylvania Human Relations Act, the Pennsylvania Equal Pay Law, the Pennsylvania Whistleblower Law, the Pennsylvania Public Employee Relations Act (if applicable), the Pennsylvania Pregnancy Guidelines of the Human Relations Commission, the common law of the State of Pennsylvania, and any and all other federal, state, or local constitutional, statutory, regulatory, or common law causes of action now or hereafter recognized, and any claims for attorneys' fees and costs. Nothing in this Agreement shall waive rights or claims that arise after the date that Executive executes this Agreement.

- b. Notwithstanding the broad scope of Section 5(a), this Agreement is not intended to bar any claims that, as a matter of applicable law, whether by statute or otherwise, cannot be waived, such as claims for workers' compensation benefits, unemployment insurance benefits, and any claims that arise after the date that the Executive executes this Agreement. Nothing in this Agreement is intended to interfere with, prevent or prohibit Executive from filing a claim with a federal, state or local government agency that is responsible for enforcing a law on behalf of the government, such as the Equal Employment Opportunity Commission ("EEOC") (including a challenge to the validity of this Agreement), Department of Labor ("DOL"), Securities and Exchange Commission ("SEC") or National Labor Relations Board ("NLRB"). Nor should anything in this Agreement be read to deter or prevent Executive from cooperating with or providing information to such a governmental agency during the course of its investigation or during litigation. However, Executive understands and agrees that, that except for claims brought pursuant to the SEC's Whistleblower Program (15 U.S.C. § 78u-6 and 18 U.S.C. § 1514A), Executive may not recover any monetary benefit or individualized relief as a result of any such claim brought on Executive's behalf.

6. **Cooperation.** Executive agrees that Executive shall cooperate with the Company in the prosecution or defense of any claim currently pending or hereinafter pursued by or against the Company without the payment of any additional compensation other than as set forth in this Agreement. Upon receipt of appropriate supporting documentation,

American Water shall reimburse Executive for all of Executive's approved and reasonable costs and expenses incurred in connection with such cooperation. In the case of legal proceedings involving American Water, to the extent permissible by law, Executive will notify, in writing, the individual then holding the office of General Counsel, American Water Works Service Company, Inc., 1 Water Street, Camden, NJ 08102-1658, of any subpoena or other similar notice to give testimony or provide documentation within two (2) business days of receipt of the same and prior to providing any response thereto. Nothing in this Agreement shall preclude Executive from participating in and fully cooperating with any governmental investigation.

7. **Business Expenses and Compensation.** Executive acknowledges and agrees that (i) should Executive execute this Agreement, the consideration set forth in this Agreement is in complete satisfaction of any and all compensation and benefits due to Executive from the Company, and that no further payments, compensation, benefits or other amounts are owed or will be paid to Executive by the Company, unless specifically described in this Agreement; (ii) Executive has been reimbursed by American Water for all business expenses incurred in conjunction with the performance of Executive's employment and that no other reimbursements are owed to Executive; and (iii) Executive has not suffered any on-the-job injury for which Executive has not already filed a claim.
8. **Accrued Benefits.** In addition to the consideration provided under this Agreement, following the Separation Date, Executive will be entitled to receive (i) any accrued, but unused, vacation as of the Separation Date, which will be paid to Executive on the first Company payroll date that follows the Separation Date and (ii) any accrued or owing, but not yet paid, vested benefits under the Company's 401(k) plan, pension plan, nonqualified deferred compensation plan, and post-employment retirement plan and any other plan in which Executive may have participated, will be paid to Executive at the times provided under such plans. Any restricted stock units and performance stock unit grants that were granted to Executive under the Company's Long Term Performance Plan ("LTTP") that are outstanding as of the Separation Date will be subject to the terms and conditions of the respective grant agreements covering such grants to include the letter agreement between Executive and the Company dated February 12, 2020 (the "Offer Letter").
9. **Acknowledgements.** Executive hereby certifies and acknowledges that:
 - a. Executive has read the terms of this Agreement and that Executive understands its terms and effects, including the fact that Executive has agreed to **REMISE, RELEASE, AND FOREVER DISCHARGE** Releasees from all claims set forth in Section 5(a);
 - b. Executive is receiving consideration which is in addition to anything of value to which Executive otherwise would have been entitled had Executive not executed this Agreement;

- c. Executive enters into this Agreement knowingly and voluntarily without any coercion on the part of any person or entity;
- d. Executive was given adequate time to consider all implications and to freely and fully consult with and seek the advice of whomever Executive deemed appropriate;
- e. Executive was advised in writing, by way of this Agreement, to consult an attorney before signing this Agreement, and has in fact consulted with attorney Michael O'Connor, Esq.;
- f. Executive has been given twenty-one (21) calendar days within which to consider his choice to waive any potential ADEA or OWBPA claims as set forth in Section 5(a) (the "Consideration Period") and, in the event that Executive signs this Agreement and returns it back to the Company in accordance with the Notice provision below during this Consideration Period, said signing constitutes a knowing and voluntary waiver of this Consideration Period. Executive further understands that any non-material changes to this Agreement do not restart the Consideration Period;
- g. Executive shall have the right to revoke his waiver of any potential ADEA or OWBPA claims as set forth in Section 5(a) within seven (7) calendar days after signing the Agreement (the "Revocation Period"). If the seventh day is a weekend or national holiday, Executive has until the next business day to revoke. If Executive elects to revoke, Executive shall notify Melanie Kennedy, Executive Vice President, Chief Human Resources Officer, American Water Works Service Company, Inc., 1 Water Street, Camden, NJ 08102, Melanie.Kennedy@amwater.com in writing of Executive's revocation. Unless revoked within this period, Executive's waiver of potential ADEA or OWBPA claims will become irrevocable on the eighth (8th) day after the Agreement is signed;
- h. Executive understands that the Consideration Period and Revocation Period set forth in Sections 9(f) and 9(g) above pertain only to Section 5(a)'s waiver of potential ADEA or OWBPA claims, and if he revokes his waiver of any potential ADEA or OWBPA claims, the remaining Sections of this Agreement shall remain fully valid and enforceable to the maximum extent consistent with applicable law, except that the Company will be under no obligation to provide the Severance Payment provided in Section 1;
- i. Executive understands that he will not be entitled to receive the Severance Payment provided in Section 1 unless and until (i) Executive executes this Agreement within the Consideration Period, but no earlier than the Separation Date; (ii) the seven (7) day Revocation Period expires without Executive having exercised Executive's right of revocation; and (iii) Executive returns all Company property in accordance with Section 3(d); and

- j. Executive does not waive rights or claims that may arise after the date this Agreement is executed.
10. **Indemnification and Similar Rights.** Nothing contained in this Agreement shall be construed to alter, limit, or release any right to indemnification, advanced payment of expenses, or similar rights that the Executive may have pursuant to the Company's bylaws, other governance instruments, insurance coverage, or applicable law relating to actions by the Executive on behalf of the Company within the scope of and during the course of his employment with the Company.
11. **Section 409A.** To the extent applicable, this Agreement is intended to comply with the applicable provisions of section 409(A) of the Internal Revenue Code. Accordingly, all provisions herein are intended to be construed and interpreted to comply with section 409A of the Code or an exemption therefrom. Further, for purposes of section 409A of the Code, it is intended that each payment provided for hereunder, including each payment under a right to receive installment payments, be treated as a separate payment. Executive agrees and understands that neither the Company nor any of the other Releasees (i) have any obligation to indemnify or otherwise protect Executive from the obligation to pay any taxes pursuant to section 409A of the Code and (ii) makes or has made any representation, warranty or guarantee to Executive of compliance under section 409A of the Code.
12. **General Terms.**
- a. **Notices.** All notices, demands or other communications to be given or delivered under or by reason of the provisions of this Agreement shall be in writing and shall be deemed to have been given when delivered personally to the recipient, two (2) business days after the date when sent to the recipient by reputable express courier service (charges prepaid) or four (4) business days after the date when mailed to the recipient by certified or registered mail, return receipt requested and postage prepaid. Such notices, demands and other communications shall be sent to Executive and to the Company at the addresses set forth below:
- If to Executive:
Walter Lynch
11 John James Audubon Way
Marlton, NJ 08053
- If to Company:
Melanie Kennedy
Executive Vice President, Chief Human Resources Officer
American Water Works Service Company, Inc.
1 Water Street
Camden, NJ 08102

or to such other address or to the attention of such other person as the recipient party has specified by prior written notice to the sending party.

- b. Entire Agreement. This Agreement constitutes and contains the entire agreement and understanding concerning Executive's employment and termination thereof, and the other subject matters addressed herein between the parties, and supersedes and replaces all prior negotiations and all prior agreements proposed or otherwise, whether written or oral, concerning the subject matter hereof. Notwithstanding the foregoing, given Executive's expressed intent to retire, the terms of this Agreement supplement and do not replace any restrictive covenants (including but not limited to non-competition, non-solicitation, and non-disclosure obligations) contained in any other agreements to which Executive is a party, as well as any retirement or benefit plans in which Executive is or becomes a participant, that place greater restrictions on Executive.
- c. Modification. This Agreement can be modified only by a writing signed by both Executive and a duly authorized agent of the Company.
- d. Assignment. All of the terms and provisions of this Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective heirs, executors, administrators, legal representatives, successors and assigns of the Company and Executive.
- e. Interpretation of Agreement. If any provision of this Agreement or application thereof to anyone under any circumstances is adjudicated to be invalid or unenforceable in any jurisdiction, such invalidity or unenforceability shall not affect any other provision or application of this Agreement which can be given effect without the invalid or unenforceable provision or application and shall not invalidate or render unenforceable such provision or application in any other jurisdiction.
- f. Choice of Law and Forum. This Agreement shall be governed by the substantive law of the state of New Jersey without regard to its conflict of law rules.
- g. Arbitration. Any controversy, dispute, or claim arising out of or relating to this Agreement or an alleged breach thereof, as well as Executive's employment or the termination thereof, shall be settled by confidential and binding arbitration before JAMS. If such controversy, dispute or claim between the parties cannot first be resolved by informal meetings and discussions, the dispute shall be settled by the Employment Arbitration Rules and Procedures of JAMS then in effect, and a corresponding award and judgment may be entered in a court of competent jurisdiction. The arbitration may be initiated by one party by sending a demand for arbitration to the other party, which demand will preclude any party hereto from initiating an action in any court, except as otherwise provided by law. Executive and the Company will equally share the JAMS administrative fees and the arbitrator's fees and expenses, and Executive and the Company will pay their

own attorneys' fees, except as otherwise provided by law. Any such arbitration proceedings shall be confidential and closed to the public. Neither party shall disclose the existence, content, testimony, evidence, or results of the arbitration (the "Confidential Arbitration Information"), except as necessary to comply with legal, statutory, or regulatory requirements. Executive and the Company likewise agree to take all steps necessary to protect the confidentiality of the arbitration proceeding in connection with any related court proceeding, including taking all necessary steps to facilitate the entry of an appropriate protective order that requires all Confidential Arbitration Information to be filed under seal in any such proceeding, to the extent permissible by law.

The Company and Executive have carefully read and understand all of the provisions of this Agreement. They enter into this Agreement freely, knowingly, and voluntarily. In entering into this Agreement, neither the Company nor Executive is relying upon any representations or promises not expressly set forth in this Agreement. Intending to be legally bound to this Agreement, the Company's representative and Executive sign their names below.

Executive is not permitted to sign this Agreement until February 2, 2022. If Executive signs this Agreement on or before February 2, 2022, it will be disregarded and will need to be re-signed. None of the consideration described in this Agreement will be provided to the Executive unless the Agreement is properly executed.

/s/ MELANIE KENNEDY

Melanie Kennedy
Executive Vice President
Chief Human Resources Officer
American Water Works Service Company, Inc.

Dated: February 2, 2022

/s/ WALTER LYNCH

Walter Lynch

Dated: February 2, 2022

[Separation Agreement and General Release – Signature Page]

**AMENDMENT THREE
TO THE
PENSION PLAN FOR EMPLOYEES OF
AMERICAN WATER WORKS COMPANY, INC.
AND ITS DESIGNATED SUBSIDIARIES
(As Amended and Restated Effective January 1, 2016)**

WHEREAS, American Water Works Company, Inc. (the "Company") sponsors the Pension Plan For Employees of American Water Works Company, Inc. And Its Designated Subsidiaries (the "Plan") and its corresponding trust for the benefit of its eligible employees; and

WHEREAS, Section 16.1 of the Plan authorizes the Benefits Administration Committee of American Water Works Company, Inc. and Its Designated Beneficiaries (the "Committee") to amend the Plan for amendments that do not have a material cost; and

WHEREAS, the Committee desires to amend the Plan, to change the age for the required beginning date from age 70-1/2 to age 72, effective as of January 1, 2020.

WHEREAS, this "Amendment" shall supersede the provisions of the Plan to the extent those provisions are inconsistent with the provisions of this Amendment.

NOW THEREFORE, BE IT RESOLVED, that by virtue of the authority reserved to the Committee under Section 16.1 of the Plan, the Plan is hereby amended as follows:

1. Section 6.6(e)(iv) of the Plan is amended to read as follows:

"(iv) Required Beginning Date. April 1 of the calendar year following the year in which a Participant reaches age 70½ (age 72 for distributions required to be made after December 31, 2019 with respect to a Participant who attains age 70-1/2 after such date). The monthly pension of a Participant whose Required Beginning Date is April 1 of the calendar year in which he or she incurs a separation from service shall include an Actuarial Equivalent adjustment to reflect the commencement of payments after April 1 following the calendar year in which he or she attained age 70-1/2. The Actuarial Equivalent adjustment described in the preceding sentence for any year shall reduce (but not below zero) any increase in the Participant's Accrued Benefit for the year attributable to additional Years of Service for benefit accrual and Final Average Earnings."

(Signature Page Follows)

IN WITNESS WHEREOF, this Amendment has been executed this 2nd day of August, 2021.

BENEFITS ADMINISTRATION COMMITTEE OF
AMERICAN WATER WORKS COMPANY,
INC. AND ITS DESIGNATED
SUBSIDIARIES

By: /s/ NICHOLL SALAMONE
Nicholl Salamone

Title: VP, Compensation & Benefits

**AMENDMENT 2021-1
TO THE
PENSION PLAN FOR EMPLOYEES OF
AMERICAN WATER WORKS COMPANY, INC.
AND ITS DESIGNATED SUBSIDIARIES**

WHEREAS, American Water Works Company, Inc. (the "Company") sponsors the Pension Plan For Employees of American Water Works Company, Inc. and its Designated Subsidiaries (the "Plan") and its corresponding trust for the benefit of eligible employees;

WHEREAS, Section 16.1 of the Plan authorizes the Benefits Administration Committee of American Water Works Company, Inc. and Its Designated Beneficiaries (the "Committee") to amend the Plan for amendments that do not have a material cost;

WHEREAS, pursuant to the Stock Purchase Agreement by and among the Company, New York American Water Company, Inc., and Liberty Utilities Co. (the "Purchaser") dated as of November 20, 2019 (the "Agreement"), the Company agreed to sell New York American Water Company, Inc. and its sole subsidiary, Mt. Ebo Sewage Works, Inc. to Purchaser (the "Transaction");

WHEREAS, the Transaction closed on January 1, 2022 (the "Closing Date");

WHEREAS, the Company desires to (a) freeze benefit accrual effective as of 11:59 pm of the date immediately prior to the Closing Date with respect to Transferring NYAWC Participants (as defined below); (b) transfer the assets and liabilities for the portion of the Plan attributable to these Transferring NYAWC Participants into the defined benefit plan designated by Purchaser as of the Closing Date (the "Pension Transfer"); and (c) remove New York American Water Company, Inc. and its sole subsidiary, Mt. Ebo Sewage Works, Inc. from eligibility to participate under the Plan effective as of the Closing Date; and

WHEREAS, "Transferring NYAWC Participants" shall consist of:

- (a) all participants and former participants in the Plan who, as of the date immediately prior to the Closing Date (1) are actively employed by New York American Water Company, Inc., (2) have terminated employment with, the Company and all members of its controlled group and, immediately before their terminations, were employed by New York American Water Company, Inc., or (3) are other former employees of New York American Water Company, Inc. designated by the Company and the Purchaser to be subject to the Pension Transfer,
- (b) Frank Curtis, but solely with respect to the portion of his benefit under the Plan covered under the John Hancock Group Annuity Contract No. 334, and
- (c) beneficiaries or alternate payees of the foregoing participants and former participants.

NOW THEREFORE, BE IT RESOLVED, the Plan is hereby amended as follows as of 11:59 pm of the date immediately prior to the Closing Date:

1. Article I of the Plan is amended by adding after the third paragraph therein the following new paragraph:

In connection with that certain Stock Purchase Agreement by and among the Company, New York American Water Company, Inc., and Liberty Utilities Co., dated as of November 20, 2019, pursuant to which the Company agreed to sell all of the issued and outstanding stock of New York American Water Company, Inc. to Liberty Utilities Co., the Company transferred all Plan assets and liabilities attributable to the Transferring NYAWC Participants (as defined in Appendix 8) to the defined benefit plan designated by Liberty Utilities Co. and the related trust. This transfer is effective as of January 1, 2022. Special provisions governing Transferring NYAWC Participants are set forth in Appendix 8.

2. The definition of "Accrued Benefit" under Section 2.1(a) of the Plan is amended by adding at the end thereof the following new sentence:

With respect to Transferring NYAWC Participants (as defined in Appendix 8), Accrued Benefits shall be determined with regard to the provisions under Appendix 8.

3. A new Section 3.5 is added to the Plan to read as follows:

Notwithstanding any other provision to the contrary, with respect to Transferring NYAWC Participants (as defined in Appendix 8), eligibility to participate shall be determined with regard to the provisions under Appendix 8.

4. The bullet point in Exhibit A (List of Designated Subsidiaries) that states "New York American Water Company, Inc. (participating only with respect to the component of the company formerly known as Long Island Water Corporation)" shall be deleted.

5. The Plan is amended by adding a new Appendix 8 to read as follows:

**APPENDIX 8
TRANSFERRING NYAWC PARTICIPANTS**

1.1 Application.

The provisions of this Appendix shall apply to Transferring NYAWC Participants. "Transferring NYAWC Participants" include all of following individuals:

- (a) all participants and former participants in the Plan who, as of December 31, 2021, (1) are actively employed by New York American Water Company, Inc., (2) have terminated employment with the Company and all members of its controlled group and, immediately before their terminations, were employed by New York American Water Company, Inc., or (3) are other former employees of New York American Water Company, Inc. designated by the Company and Liberty Utilities Co. to be

subject to the pension transfer described in Section 1.3 of this Appendix 8; and

- (b) Frank Curtis, but solely with respect to the portion of his benefit under the Plan that was covered under the John Hancock Group Annuity Contract No. 334.

For purposes of clarification, the term “Transferring NYAWC Participant” shall also include beneficiaries or alternate payees of the foregoing Participants and former Participants.

1.2 Transferring NYAWC Participant Benefit Freeze.

Effective as of December 31, 2021 at 11:59 pm, with respect to each Transferring NYAWC Participant, Accrued Benefit shall be frozen. For purposes of benefit accrual, Earnings and Continuous Service shall be determined without regard to any period on or after January 1, 2022.

1.3 Transferring NYAWC Participant Post-Freeze Transfer.

Effective as of January 1, 2022, all of the Plan assets and benefit liabilities with respect to Transferring NYAWC Participants shall be transferred to the defined benefit pension plan designated by Liberty Utilities and its related trust. Following the transfer of assets and liabilities taking effect, a Transferring NYAWC Participant shall not be eligible to accrue additional benefits and shall not remain a Participant under the Plan with respect to benefits accrued prior to January 1, 2022, and New York American Water Company, Inc. shall not be a Designated Subsidiary under the Plan.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, this Amendment has been executed the date set forth below.

BENEFITS ADMINISTRATION COMMITTEE
OF AMERICAN WATER WORKS
COMPANY, INC.

By: /s/ PAMELA RICHARDSON
Pamela Richardson

Title: VP, Chief Labor, Employment, & Commercial Counsel

Date: January 20, 2022

American Water Works Company, Inc.'s Subsidiaries
As of February 16, 2022

Entity Name	Entity Type	Jurisdiction of Organization
American Industrial Water LLC	Limited Liability Company	Ohio
American Lake Water Company	Corporation	Illinois
American Water – Acciona Agua LLC	Limited Liability Company	Delaware
American Water (USA), LLC	Limited Liability Company	Delaware
American Water Canada Corp.	Corporation	Ontario
American Water Capital Corp.	Corporation	Delaware
American Water Carbon Services Corp.	Corporation	Ontario
American Water Enterprises Holding, LLC	Limited Liability Company	Delaware
American Water Enterprises, LLC	Limited Liability Company	Delaware
American Water Defense Services, LLC	Limited Liability Company	Delaware
American Water Federal Services, LLC	Limited Liability Company	Delaware
American Water Military Services, LLC	Limited Liability Company	Delaware
American Water Operations and Maintenance, LLC	Limited Liability Company	Texas
American Water Real Property Holdings LLC	Limited Liability Company	Delaware
American Water Services CDM, Inc.	Corporation	Washington
American Water Works Service Company, Inc.	Corporation	Delaware
AW Insurance LLC	Series Limited Liability Company	Delaware
AWIP Holdings LLC	Limited Liability Company	Delaware
AW Technologies, LLC	Limited Liability Company	Delaware
Bluefield Valley Water Works Company	Corporation	Virginia
California-American Water Company	Corporation	California
Edison Water Company	Corporation	New Jersey
EMC American Water Canada Inc.	Corporation	Canada
Environmental Disposal Corporation	Corporation	New Jersey
Environmental Management, LLC	Limited Liability Company	Missouri
E'town Properties, Inc.	Corporation	Delaware
E'town Services L.L.C.	Limited Liability Company	New Jersey
Georgia-American Water Company LLC	Limited Liability Company	Delaware
Hawaii-American Water Company	Corporation	Nevada
Illinois-American Water Company	Corporation	Illinois
Indiana-American Water Company, Inc.	Corporation	Indiana
Iowa-American Water Company	Corporation	Delaware
Kentucky-American Water Company	Corporation	Kentucky
Laurel Oak Properties Corporation	Corporation	Delaware
Liberty Water Company	Corporation	New Jersey
Maryland-American Water Company	Corporation	Maryland
Missouri-American Water Company	Corporation	Missouri
New Jersey-American Water Company, Inc.	Corporation	New Jersey
One Water Street LLC	Limited Liability Company	New Jersey
Pennsylvania-American Water Company	Corporation	Pennsylvania
Prism-Berlie (Windsor) Limited	Corporation	Ontario
Tennessee-American Water Company	Corporation	Tennessee
TWH LLC	Limited Liability Company	Delaware
TWNA, Inc.	Corporation	Delaware
Virginia-American Water Company	Corporation	Virginia
West Virginia-American Water Company	Corporation	West Virginia

AMERICAN WATER WORKS COMPANY, INC.

List of Securities Registered Under the Securities Act of 1933 (the "Securities Act") and Entitled to the Benefit of the Support Agreement between American Water Capital Corp. ("AWCC") and American Water Works Company, Inc. ("parent company")

The following securities have been issued by AWCC and registered under the Securities Act, and have the benefit of that certain Support Agreement, as amended, by and between AWCC and parent company, which serves as the functional equivalent of a full and unconditional guarantee by parent company of the payment obligations of AWCC thereunder:

3.850% Senior Notes due 2024
3.400% Senior Notes due 2025
3.000% Senior Notes due 2026
2.950% Senior Notes due 2027
3.750% Senior Notes due 2028
3.450% Senior Notes due 2029
2.800% Senior Notes due 2030
6.593% Senior Notes due 2037
4.300% Senior Notes due 2042
4.300% Senior Notes due 2045
4.000% Senior Notes due 2046
3.750% Senior Notes due 2047
4.200% Senior Notes due 2048
4.150% Senior Notes due 2049
3.450% Senior Notes due 2050

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (Nos. 333-253484 and 333-229994) and Form S-8 (Nos. 333-235598, 333-219682, 333-217975, 333-168543 and 333-150381) of American Water Works Company, Inc. of our report dated February 16, 2022 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
February 16, 2022

CERTIFICATION OF PRINCIPAL EXECUTIVE AND PRINCIPAL FINANCIAL OFFICER

I, M. Susan Hardwick certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: February 16, 2022

By: /s/ M. SUSAN HARDWICK
M. Susan Hardwick
President, Chief Executive Officer and Chief Financial Officer
(Principal Executive Officer and Principal Financial Officer)

AMERICAN WATER WORKS COMPANY, INC.
CERTIFICATION PURSUANT TO
RULE 13a-14(b) UNDER THE SECURITIES EXCHANGE ACT OF 1934 AND
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, M. Susan Hardwick, President, Chief Executive Officer and Chief Financial Officer of American Water Works Company, Inc. (the "Company"), hereby certify that, based on my knowledge:

- (1) The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2021 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ M. SUSAN HARDWICK
M. Susan Hardwick
President, Chief Executive Officer and Chief Financial Officer
(Principal Executive Officer and Principal Financial Officer)
February 16, 2022

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

Form 8-K

**Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): May 10, 2023

American Water Works Company, Inc.

(Exact name of registrant as specified in its charter)

Commission File Number: 001-34028

Delaware
(State or other jurisdiction
of incorporation)

51-0063696
(IRS Employer
Identification No.)

1 Water Street
Camden, NJ 08102-1658
(Address of principal executive offices, including zip code)
(856) 955-4001
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Trading Symbol</u>	<u>Name of Each Exchange on Which Registered</u>
Common stock, par value \$0.01 per share	AWK	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 5.07. Submission of Matters to a Vote of Security Holders.

The 2023 Annual Meeting of Shareholders (the “2023 Annual Meeting”) of American Water Works Company, Inc., a Delaware corporation (the “Company”), was held on May 10, 2023. An aggregate of 170,112,461 shares, or 87.4% of the Company’s issued and outstanding common stock as of March 17, 2023, the record date for the 2023 Annual Meeting, was represented in person or by proxy at the 2023 Annual Meeting, constituting a quorum. The results of voting at the 2023 Annual Meeting on each of the matters submitted to a vote of the Company’s shareholders thereat is as set forth below.

1. The following ten nominees were elected as directors of the Company for a term expiring at the 2024 Annual Meeting of Shareholders, and until their successors are duly elected and qualified, and received the votes set forth adjacent to their names below:

<u>Director Nominee</u>	<u>For</u>	<u>Against</u>	<u>Abstain</u>	<u>Broker Non-Votes</u>
Jeffrey N. Edwards	148,700,633	5,916,921	117,888	15,377,019
Martha Clark Goss	146,785,266	7,834,084	116,092	15,377,019
M. Susan Hardwick	153,559,117	918,131	258,194	15,377,019
Kimberly J. Harris	148,560,052	6,070,618	104,772	15,377,019
Laurie P. Havanec	153,845,505	635,411	254,526	15,377,019
Julia L. Johnson	147,292,073	7,316,314	127,055	15,377,019
Patricia L. Kampling	149,455,024	5,176,774	103,644	15,377,019
Karl F. Kurz	151,269,097	3,346,778	119,567	15,377,019
Michael L. Marberry	153,415,544	1,056,242	263,656	15,377,019
Admiral James G. Stavridis	143,177,261	11,436,720	121,461	15,377,019

2. The shareholders approved, on an advisory basis, the compensation of the Company’s named executive officers by the following vote:

<u>For</u>	<u>Against</u>	<u>Abstain</u>	<u>Broker Non-Votes</u>
144,753,012	9,575,720	406,710	15,377,019

3. The shareholders approved, on an advisory basis, the frequency of the approval, on an advisory basis, of the compensation of the Company’s named executive officers, by the following vote:

<u>Every Year</u>	<u>Every Two Years</u>	<u>Every Three Years</u>	<u>Abstain</u>	<u>Broker Non-Votes</u>
152,220,671	209,153	2,111,290	194,328	15,377,019

Consistent with the results of this vote, the Company will continue to implement an annual vote, on an advisory basis, of the compensation of the Company’s named executive officers, until the next required vote, on an advisory basis, on the frequency of such votes, which, pursuant to Section 14A(a)(2) of the Securities Exchange Act of 1934, as amended, will occur no later than the Company’s 2029 Annual Meeting of Shareholders.

4. The ratification of the appointment, by the Audit, Finance and Risk Committee of the Board of Directors (the “Board”), of PricewaterhouseCoopers LLP as the Company’s independent registered public accounting firm for 2023, was approved by the following vote:

<u>For</u>	<u>Against</u>	<u>Abstain</u>
155,886,910	14,064,872	160,679

5. The following non-binding shareholder proposal was not approved by the following vote:

<u>Shareholder Proposal</u>	<u>For</u>	<u>Against</u>	<u>Abstain</u>	<u>Broker Non-Votes</u>
Racial Equity Audit	60,550,365	90,744,739	3,440,338	15,377,019

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

Dated: May 12, 2023

By: /s/ JOHN C. GRIFFITH

John C. Griffith

Executive Vice President and Chief Financial Officer

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

Form 8-K

**Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): May 4, 2023

American Water Works Company, Inc.

(Exact name of registrant as specified in its charter)

Commission File Number: 001-34028

Delaware
(State or other jurisdiction
of incorporation)

51-0063696
(IRS Employer
Identification No.)

1 Water Street
Camden, NJ 08102-1658
(Address of principal executive offices, including zip code)
(856) 955-4001
(Registrant's telephone number, including area code)

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- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Trading Symbol</u>	<u>Name of Each Exchange on Which Registered</u>
Common stock, par value \$0.01 per share	AWK	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 7.01. Regulation FD Disclosure.

Oral Comments to U.S. Environmental Protection Agency (“EPA”) on Proposed PFAS National Primary Drinking Water Regulation Rulemaking

On May 4, 2023, Lynda B. DiMenna, Chief Environmental and Safety Officer of American Water Works Company, Inc. (the “Company”), provided at a public hearing oral comments to the EPA on its proposed PFAS National Primary Drinking Water Regulation Rulemaking. A copy of the prepared remarks from which Ms. DiMenna provided her oral comments has been included as [Exhibit 99.1](#) hereto and is incorporated by reference herein.

The information furnished in response to this Item 7.01, including [Exhibit 99.1](#), shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), nor shall such information be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

The following exhibits to this Current Report have been provided herewith as noted below:

Exhibit No.	Description
99.1*	Prepared Remarks to EPA on Proposed PFAS National Primary Drinking Water Regulation Rulemaking, by Lynda B. DiMenna, Chief Environmental and Safety Officer, American Water Works Company, Inc.
104	Cover Page Interactive Data File (the cover page XBRL tags are included and formatted as Inline XBRL).

* Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

Dated: May 8, 2023

By: /s/ JOHN C. GRIFFITH

John C. Griffith

Executive Vice President and Chief Financial Officer

Prepared Remarks to EPA on Proposed PFAS National Primary Drinking Water Regulation Rulemaking, by Lynda B. DiMenna, Chief Environmental and Safety Officer, American Water Works Company, Inc.

My name is Lynda DiMenna, and I am the Chief Environmental and Safety Officer for American Water, the largest publicly traded drinking water and wastewater provider in the U.S.

American Water supports the United States Environmental Protection Agency's (U.S. EPA) efforts to protect public health by proposing national drinking water standards for PFAS. These contaminants are among the multiple challenges the water industry faces regarding water quality, quantity, and reliability. That is why American Water remains committed to being a leader in the U.S. water and wastewater industry and a provider of solutions to these challenges.

While American Water has been anticipating and preparing for the rulemaking, our initial analyses were based on a federal PFAS standard more in line with the limits set by several states. We are now carefully reviewing the U.S. EPA's proposed drinking water regulation to assess the four (4) parts per trillion (ppt) requirements for PFOA and PFOS and the application of the Hazard Index approach for PFNA, PFBS, PFHxS, and GenX chemicals. Our review will inform the written comments that we will submit to the U.S. EPA by May 30.

This review includes the projected costs associated with PFAS treatment at the proposed limits and the impact it could have on customers' bills. Using the data and approach as presented in a recent study conducted by Black & Veatch on behalf of American Water Works Associations, the estimated national cost to install treatment facilities and processes to remove PFOA and PFOS to levels required by EPA's proposal exceeds \$47 billion, which is approximately \$35 billion above what would be required to meet current state established PFAS limits. Further, it will require, on a national basis, more than \$700 million annually for operations and maintenance costs to test and monitor for compliance, which is approximately \$500 million more than what would be required to meet current state-established PFAS limits. These dollar values are significantly higher than EPA's cost estimates.

Based on initial estimates, American Water will likely have more than 100 of our existing drinking water treatment facilities that will need to be upgraded to provide PFAS removal capability, a 3 to 4-fold increase in the number of treatment plants had the most stringent previously established state standards been adopted nationwide. Currently, we estimate an investment in excess of \$1 billion of capital to install additional treatment facilities over a 3 to 5-year period. Additionally, we estimate annual operating expenses related to testing and treatment could be nearly \$50 million in today's dollars. Again, these are preliminary estimates dependent upon multiple factors including the final rule and effective date, as well as our system-by-system engineering analyses.

The implementation timing should also consider the available capacity of engineers, contractors, and suppliers to build the required treatment and the available capacity of vendors to supply ion exchange resin, granular activated carbon, and media reactivation/waste disposal services on an ongoing basis.

American Water calls for sound policies that will ensure compliance by all water utilities – whether privately or municipally owned - while protecting customers and communities from the high cost of monitoring and mitigating PFAS. This includes advocating for policies that hold polluters accountable. American Water's operating utilities in most of our states are currently plaintiffs in the Multi-District Litigation against multiple PFAS manufacturers because we firmly believe that the ultimate responsibility for the cleanup of these contaminants should fall to those who created the problem.

American Water joins other water organizations urging the U.S. EPA, Congress, and other decision-makers to implement policies that will:

- keep harmful PFAS out of our drinking water supplies and our communities;
 - exempt all water and wastewater systems from financial liability for PFAS under CERCLA;
 - ensure all water and wastewater utility providers, regardless of ownership, have equal access to any and all Federal and/or state funding related to treating PFAS; and
 - establish a permanent federally funded water and wastewater low-income customer assistance program.
-

Treating or removing contaminants in the water comes at a cost. To realize the health benefits of such, water utilities must have the financial resources to assure they can sustain the ongoing costs that will arise from constructing, operating, maintaining, and monitoring PFAS treatment systems for the safety and benefit of customers. States should treat these expenditures for regulated utilities as federally mandated requirements that are recoverable in customer rates through expedited means.

In conclusion, providing safe, reliable, and affordable water is American Water's business, and we look forward to working cooperatively and collaboratively with the U.S. EPA, Congress, regulators, and policymakers so that the implementation of these proposed water standards protects customers, communities, and the general public.

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

Form 8-K

**Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): May 3, 2023

American Water Works Company, Inc.

(Exact name of registrant as specified in its charter)

Commission File Number: 001-34028

Delaware
(State or other jurisdiction
of incorporation)

51-0063696
(IRS Employer
Identification No.)

1 Water Street
Camden, NJ 08102-1658
(Address of principal executive offices, including zip code)
(856) 955-4001
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Trading Symbol</u>	<u>Name of Each Exchange on Which Registered</u>
Common stock, par value \$0.01 per share	AWK	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 8.01. Other Events.

Missouri Public Service Commission (the “MoPSC”) Approval of “Black Box” Settlement in Missouri-American Water Company, Inc. (“Missouri American Water”) General Rate Case

On May 3, 2023, the MoPSC issued an order (the “Order”) approving the March 3, 2023 joint “black box” settlement of the general rate case filed by Missouri American Water, a wholly owned subsidiary of American Water Works Company, Inc. (the “Company”). The Order approves a \$44.3 million annualized increase in water and wastewater revenues, excluding \$50.7 million in previously approved infrastructure surcharges. The new water and wastewater rates are expected to be effective by May 31, 2023. The original filing, made on July 1, 2022, requested a \$105.1 million increase in annualized water and wastewater revenues, excluding \$40.2 million in previously approved infrastructure surcharges. Subsequent to the original filing, Missouri American Water filed an additional request for recovery of defined infrastructure investments, which adjusted the infrastructure surcharges to \$50.7 million, and, in turn, the amount of the incremental annualized revenue in the general rate case decreased to \$94.6 million.

The requested annualized revenue increase was driven primarily by \$770 million of incremental capital investments since the 2021 general rate case. For purposes of the general rate case, Missouri American Water’s view of its rate base is \$2.3 billion, and its view as to its return on equity (“ROE”) and long-term debt ratio (each of which is based on the Order but was not disclosed therein) is 9.75% and 50.0%, respectively, compared to an ROE of 9.55% and long-term debt ratio of 50.0%, each of which was based on Missouri American Water’s view of its 2021 general rate case.

A copy of the press release issued by Missouri American Water on May 3, 2023 to announce the issuance of the MoPSC’s order has been filed as [Exhibit 99.1](#) hereto and is incorporated herein by reference. References and links to websites and other information contained in this press release are not provided as active hyperlinks, and the information contained in or accessed through these hyperlinks shall not be incorporated into, or form a part of, this Current Report on Form 8-K.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

The following exhibits to this Current Report have been provided herewith as noted below:

Exhibit No.	Description
99.1*	Press Release, dated May 3, 2023, issued by Missouri American Water.
104	Cover Page Interactive Data File (the cover page XBRL tags are included and formatted as Inline XBRL).

* Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

Dated: May 3, 2023

By: /s/ JOHN C. GRIFFITH

John C. Griffith

Executive Vice President and Chief Financial Officer

Press Release



Missouri Public Service Commission Issues Rate Order Approving Settlement

Rate Review driven by \$770 million in system improvements; settlement includes funding for customer assistance programs

ST. LOUIS, Mo. (May 3, 2023) – On May 3, 2023, the Missouri Public Service Commission (MoPSC) issued an order approving the rate settlement reached by parties in Missouri American Water’s rate review for its water and wastewater operations. The company, the MoPSC Staff, the Office of the Public Counsel, the Midwest Energy Consumers Group, the City of St. Joseph, and Consumer’s Council of Missouri signed on to the settlement. No parties involved in the rate review objected to the settlement.

“We are pleased the Missouri Public Service Commission approved the settlement, which was reached after working diligently with the parties to balance affordability with system investments,” said Rich Svindland, president of Missouri American Water. “The settlement allows us to recover prudent investments in our treatment plants and pipelines that benefit customers by enhancing service, reliability, resiliency and water quality.”

The rate review, which was filed in July 2022, included a request for recovery of nearly \$770 million in water and wastewater system improvements from January 2021 to May 2023.

New rates are expected to take effect by the end of May 2023. Most residential water customers will see an increase of about \$5 to \$7 in their total monthly bill, while most wastewater customers will see an increase ranging from less than \$1 to about \$7 on their monthly bill, depending on the customer’s service area.

The MoPSC also approved customer assistance funding.

“While a water bill is typically one of the lowest utility bills, we understand it’s not the only bill that customers pay,” said Svindland. “We are proud to continue our support for our H2O Help to Others customer assistance program and offer flexible options like installment plans and budget billing, and to help customers facing especially difficult circumstances like rehousing or a critical event.”

Information on customer assistance programs can be found at missouriamwater.com > Customer Service and Billing > Payment Assistance Options. Customers in need are also encouraged to apply for the Low-Income Household Water Assistance Program, which is a temporary federal program that offers grants up to \$750 to help with water and/or wastewater bills.

For more details on the company’s rate review, visit missouriamwater.com > Customer Service and Billing > Water and Wastewater Rates.

Press Release



Missouri American Water

Missouri American Water, a subsidiary of American Water (NYSE: AWK), is the largest investor-owned water utility in the state, providing high-quality and reliable water and/or wastewater services to approximately 1.5 million people. For more, visit missouriamwater.com and follow Missouri American Water on Twitter, Facebook and LinkedIn.

About American Water

With a history dating back to 1886, American Water is the largest and most geographically diverse U.S. publicly traded water and wastewater utility company. The company employs approximately 6,500 dedicated professionals who provide regulated and regulated-like drinking water and wastewater services to more than 14 million people in 24 states. American Water provides safe, clean, affordable and reliable water services to our customers to help keep their lives flowing. For more information, visit amwater.com and diversityataw.com. Follow American Water on Twitter, Facebook and LinkedIn.

AWK-IR

Media Contact:

Christie Barnhart
Senior Manager, External Communications
Cell: 417-529-9781
Christie.barnhart@amwater.com

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

Form 8-K

**Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): May 1, 2023

American Water Works Company, Inc.

(Exact name of registrant as specified in its charter)

Commission File Number: 001-34028

Delaware
(State or other jurisdiction
of incorporation)

51-0063696
(IRS Employer
Identification No.)

1 Water Street
Camden, NJ 08102-1658
(Address of principal executive offices, including zip code)
(856) 955-4001
(Registrant's telephone number, including area code)

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Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Trading Symbol</u>	<u>Name of Each Exchange on Which Registered</u>
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Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 8.01. Other Events.

Filing of Rate Adjustment Request by West Virginia-American Water Company

On May 1, 2023, West Virginia-American Water Company (“West Virginia American Water”), a subsidiary of American Water Works Company, Inc. (the “Company”), announced that on May 1, 2023, it filed a request with the Public Service Commission of West Virginia (the “WVPSC”) to adjust water and wastewater rates. The request seeks aggregate annualized incremental revenue of \$44.9 million, excluding infrastructure surcharges of \$6.9 million. The request is based on a proposed return on equity of 10.5% and a capital structure with an equity component of 52.8%. If approved by the WVPSC, the new rates would be expected to take effect on February 25, 2024, unless otherwise provided by the WVPSC.

A copy of the press release issued by West Virginia American Water on May 1, 2023, has been filed as [Exhibit 99.1](#) hereto and is incorporated herein by reference. References and links to websites and other information contained in this press release are not provided as active hyperlinks, and the information contained in or accessed through these hyperlinks shall not be incorporated into, or form a part of, this Current Report on Form 8-K.

Cautionary Statement Concerning Forward-Looking Statements

Certain statements included in this Current Report on Form 8-K (or the exhibits thereto) are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, Section 21E of the Securities Exchange Act of 1934, and the Private Securities Litigation Reform Act of 1995. In some cases, these forward-looking statements can be identified by words with prospective meanings such as “intend,” “plan,” “estimate,” “believe,” “anticipate,” “expect,” “predict,” “project,” “propose,” “assume,” “forecast,” “outlook,” “future,” “pending,” “goal,” “objective,” “potential,” “continue,” “seek to,” “may,” “can,” “will,” “should” and “could,” or the negative of such terms or other variations or similar expressions. These forward-looking statements are predictions based on the Company’s current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, performance or achievements, and readers are cautioned not to place undue reliance upon them. The forward-looking statements are subject to a number of estimates and assumptions, and known and unknown risks, uncertainties and other factors. Actual results may differ materially from those discussed in the forward-looking statements included in this Current Report on Form 8-K as a result of the factors discussed in the Company’s Annual Report on Form 10-K for the year ended December 31, 2022, as filed with the Securities and Exchange Commission (the “SEC”) on February 15, 2023, and other filings with the SEC, and additional risks and uncertainties, including with respect to (1) the terms of any settlement agreement or stipulation, and/or final order of the WVPSC with respect to the above-referenced request; (2) the timing of the implementation of new rates thereunder; (3) regulatory, legislative, local or municipal actions affecting the water and wastewater industries, which could adversely affect the Company or West Virginia American Water; and (4) other economic, financial, political, business and other factors that may impact or affect the water and wastewater industries generally or the Company or West Virginia American Water specifically.

These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above and the risk factors included in the Company’s annual and quarterly reports as filed with the SEC, and readers should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements speak only as of the date of this Current Report on Form 8-K. The Company does not have any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise, except as otherwise required by the federal securities laws. New factors emerge from time to time, and it is not possible for us to predict all such factors. Furthermore, it may not be possible to assess the impact of any such factor on the Company’s or West Virginia American Water’s business, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

The following exhibits to this Current Report have been provided herewith as noted below:

Exhibit No.	Description
99.1*	Press Release, dated May 1, 2023, issued by West Virginia American Water.
104	Cover Page Interactive Data File (the cover page XBRL tags are included and formatted as Inline XBRL).

* Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

Dated: May 1, 2023

By: /s/ JOHN C. GRIFFITH

John C. Griffith

Executive Vice President and Chief Financial Officer

Press Release



West Virginia American Water Submits Rate Request Driven by \$340 Million in Investment; Proposes New Low-Income Tariff for Customers in Need

Charleston, W.Va. (May 1, 2023) – West Virginia American Water filed a rate adjustment request today with the Public Service Commission of West Virginia (PSC) reflecting approximately \$340 million in water and wastewater system investments made from 2020 through February 2025 to continue providing safe and reliable service. The company continues to make needed investments to replace aging infrastructure, comply with water quality and environmental regulations and meet customers' water and wastewater service needs. If approved, new rates reflecting these investments would not go into effect until February 2024.

"This rate request provides for recovery of our investment from 2020 to present and seeks to facilitate future system investments into 2025," said Robert Burton, president of West Virginia American Water. "The rates established in our last request did not recognize more than \$48 million in system investments we had made by the time those rates took effect. Today's filing seeks to remedy this investment recovery delay and to create long-term rate stability for our customers by accounting for the investment occurring throughout our water and wastewater systems."

Recognizing the needs of our most vulnerable customers, the company is proposing a new Low-Income Tariff as part of this filing. This expanded, four-tiered proposal will better tailor rates to different levels of household income. Under this expanded tariff, eligible households would receive monthly bill discounts of between 15 and 65 percent for water and wastewater service. In addition to the proposed tariff, the current Department of Health and Human Resources 20 percent discount program and other customer assistance programs would continue.

"As a company, we believe that the service we provide must be safe, complying with all Environmental Protection Agency regulations and Safe Drinking Water Act standards; reliable, demonstrating resiliency in the face of adverse conditions; and affordable," continued Burton. "With this in mind, we are pleased to expand our low-income options with our proposed tariff that will reduce rates for qualifying customers."

If West Virginia American Water's proposed rates are approved as requested in today's filing, the monthly water bill for the average residential customer using 3,000 gallons per month would increase approximately \$15 per month after factoring in the current Distribution System Improvement Charge (DSIC) currently appearing on customer bills. The average residential wastewater bill of 3,000 gallons would increase approximately \$19 per month. New rates will not take effect until February 2024, following a 300-day statutory review by the PSC.

Press Release



The PSC's rate review process offers multiple opportunities for customer involvement. Customers can participate through written comments, attendance at public hearings, and consumer advocacy organizations that participate in the proceedings. For more information on the company's rate proposal and to find out what actions customers may take, visit westvirginiaamwater.com and select "Your Water and Wastewater Rates" under the Customer Service menu.

About West Virginia American Water:

West Virginia American Water, a subsidiary of American Water (NYSE: AWK), is the largest investor-owned water utility in the state, providing high-quality and reliable water services to approximately 587,000 people.

About American Water:

With a history dating back to 1886, American Water is the largest and most geographically diverse U.S. publicly traded water and wastewater utility company. The company employs more than 6,500 dedicated professionals who provide regulated and regulated-like drinking water and wastewater services to more than 14 million people in 24 states. American Water provides safe, clean, affordable and reliable water services to our customers to help keep their lives flowing.

For more information, visit amwater.com and diversityataw.com. Follow American Water on Twitter, Facebook and LinkedIn.

AWK-IR

Media Contact:

Megan Hannah
Sr. Manager, Government and External Affairs
West Virginia American Water
Megan.Hannah@amwater.com
304-380-8455

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

Form 8-K

**Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): April 26, 2023

American Water Works Company, Inc.
(Exact name of registrant as specified in its charter)

Commission File Number: 001-34028

Delaware
(State or other jurisdiction
of incorporation)

51-0063696
(IRS Employer
Identification No.)

**1 Water Street
Camden, NJ 08102-1658**
(Address of principal executive offices, including zip code)
(856) 955-4001
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Trading Symbol</u>	<u>Name of Each Exchange on Which Registered</u>
Common stock, par value \$0.01 per share	AWK	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02. Results of Operations and Financial Condition.

On April 26, 2023, the Company issued a press release announcing its financial results for the first quarter ended March 31, 2023. A copy of the press release has been included as [Exhibit 99.1](#) and is incorporated by reference herein.

The information furnished in this Current Report, including [Exhibit 99.1](#), shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), nor shall it be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended (the “Securities Act”), or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

The following exhibits to this Current Report have been provided herewith (as noted below):

<u>Exhibit</u>	<u>Description</u>
99.1*	Press Release, dated April 26, 2023, issued by American Water Works Company, Inc.
104	Cover Page Interactive Data File (the cover page XBRL tags are included and formatted as Inline XBRL)

* Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

Dated: April 26, 2023

By: /s/ JOHN C. GRIFFITH

John C. Griffith

Executive Vice President and Chief Financial Officer

Press Release



April 26, 2023

Investor Contact:

Aaron Musgrave
Vice President, Investor Relations
856-955-4029
aaron.musgrave@amwater.com

Media Contact:

Maureen Duffy
Senior Vice President, Communications and External Affairs
856-955-4163
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AMERICAN WATER REPORTS STRONG FIRST QUARTER 2023 RESULTS AFFIRMS 2023 GUIDANCE AND LONG-TERM TARGETS

- First quarter 2023 earnings of \$0.91 per share, compared to \$0.87 per share in 2022
- 2023 earnings per share guidance range of \$4.72 to \$4.82 affirmed, long-term targets also affirmed
- Invested \$538 million in the first three months of the year; total capital plan on track to invest approximately \$2.9 billion in 2023
- Sold 12,650,000 shares of common stock on March 3, 2023, for net proceeds of approximately \$1.7 billion
- Announced agreements to purchase the assets related to the wastewater system of Towamencin Municipal Authority in Pennsylvania for a purchase price of \$104 million and the wastewater treatment plant from Granite City in Illinois for a purchase price of \$83 million
- Published the 2022 Environmental, Social and Governance Data Summary and the Inclusion, Diversity & Equity Summary, part of the Company's commitment to data transparency and sharing timely information on key ESG and diversity metrics

CAMDEN, N.J., April 26, 2023 - American Water Works Company, Inc. (NYSE: AWK) today reported results for the quarter ended March 31, 2023, of \$0.91 per share, compared to \$0.87 per share in 2022.

"We're off to a great start to the year," said M. Susan Hardwick, president and CEO of American Water. "Our investments in infrastructure and our success signing new purchase agreements for regulated acquisitions has set the stage well for achieving our expected growth in 2023 and beyond."

"We also successfully executed the 2023 planned equity issuance in March. In total \$1.7 billion was issued, reflecting an upsized offering made possible by very strong demand for our securities. We are very pleased with the interest by investors in the company, both existing and new shareholders. Having the issue completed allows us to be very focused on executing on our plan. With this action and solid first quarter results, we are on track to meet our 2023 objectives," said Hardwick.

2023 EPS Guidance and Long-Term Financial Targets Affirmed

The Company affirms its 2023 earnings per share guidance range of \$4.72 to \$4.82. The Company also affirms its long-term financial targets for the 2023-2027 period announced in Nov. 2022, including its long-term EPS and dividend growth rate targets of 7-9%. The Company's earnings forecasts are subject to numerous risks and uncertainties, including, without limitation, those described under "Cautionary Statement Concerning Forward-Looking Statements" below and under "Risk Factors" in its annual, quarterly, and current reports filed with the Securities and Exchange Commission ("SEC"). All statements related to earnings and earnings per share refer to diluted earnings and earnings per share.

Consolidated Results

For the three months ended March 31, 2023, earnings per share were \$0.91, compared to \$0.87 per share in the same period in 2022. These increases were primarily driven by the implementation of new rates in the Regulated Businesses for the recovery of capital and acquisition investments, offset somewhat by impacts from inflationary pressures on production costs and higher interest costs since mid-2022. Approximately 75% of the estimated impact of inflation on chemicals, power and other fuel, and from higher pension costs and interest rates, are reflected in higher revenues in 2023 from rate cases recently completed.

The Company is on track to meet its capital investment plan for the year with investments of \$538 million in the first three months of 2023, including \$532 million for infrastructure improvements and replacements in the Regulated Businesses. The Company plans to invest a total of approximately \$2.9 billion across its footprint in 2023, including approximately \$0.4 billion for acquisitions. As of March 31, 2023, the Company had \$481 million of acquisitions under agreement, including Pennsylvania American Water's agreement announced in March 2023 to purchase the wastewater system assets of Towamencin Township for \$104 million. In addition, in April 2023, Illinois American Water announced an agreement to purchase the assets of the wastewater treatment plant from Granite City for \$83 million, adding further to the Company's acquisitions under agreement.

Regulated Businesses

In the first quarter of 2023, Regulated Businesses' net income was \$174 million, compared to \$160 million for the same period in 2022.

Operating revenues increased \$82 million for the three months ended March 31, 2023, as compared to 2022. The increase in operating revenues was primarily a result of authorized revenue increases from completed general rate cases and infrastructure proceedings for the recovery of incremental capital and acquisition investments.

To date, the Company has been authorized additional annualized revenues of approximately \$229 million from general rate cases in 2023. Further, approximately \$50 million of additional annualized revenues from infrastructure surcharges have been authorized and are effective in 2023. The Company has general rate cases in progress in three jurisdictions, and has filed for infrastructure surcharges in two jurisdictions, reflecting a total annualized revenue request of approximately \$144 million.

Operation and maintenance ("O&M") expenses were higher by \$15 million for the three months ended March 31, 2023, as compared to 2022, primarily due to increases in production costs from inflationary pressures that began to accelerate in mid-2022. Depreciation expense was higher by \$14 million in the same period due to the growing capital investment. Also, interest expense was higher by \$17 million due to additional long-term debt and higher rates on short-term debt.

For the 12-month period ended March 31, 2023, the Company's adjusted regulated O&M efficiency ratio (a non-GAAP financial measure) was 33.6%, compared to 33.9% for the 12-month period ended March 31, 2022. The ratio reflects an increase in operating revenues for the Regulated Businesses, after considering the adjustment for the amortization of the excess accumulated deferred income taxes ("EADIT") shown in the table below, as well as the continued focus on operating costs.

Dividends

On March 1, 2023, the Company paid a quarterly cash dividend of \$0.6550 per share to shareholders of record as of February 7, 2023.

On April 26, 2023, the Company's Board of Directors declared a quarterly cash dividend payment of \$0.7075 per share of common stock, an 8.0% increase over the prior quarterly dividend, payable on June 1, 2023, to shareholders of record as of May 9, 2023.

2023 First Quarter Earnings Conference Call

The conference call to discuss first quarter 2023 earnings will take place on Thursday, April 27, 2023, at 9 a.m. Eastern Daylight Time. Interested parties may listen to an audio webcast through a link on the Company's Investor Relations website at ir.amwater.com. Presentation slides that will be used in conjunction with the earnings conference call will also be made available online in advance at ir.amwater.com. The Company recognizes its website as a key channel of distribution to reach public investors and as a means of disclosing material non-public information to comply with its obligations under SEC Regulation FD.

Following the earnings conference call, a replay of the audio webcast will be available for one year on American Water's investor relations website at ir.amwater.com/events.

Non-GAAP Financial Measures

This press release includes a presentation of adjusted regulated O&M efficiency ratio, a “non-GAAP financial measure” under SEC rules, which excludes from its calculation estimated purchased water revenues and purchased water expenses, reductions for the amortization of EADIT, and the allocable portion of non-O&M support services costs, mainly depreciation and general taxes. These items were excluded from the O&M efficiency ratio calculation as they do not reflect management’s ability to increase the efficiency of the Regulated Businesses. This item is derived from American Water’s consolidated financial information but is not presented in its financial statements prepared in accordance with GAAP. This non-GAAP financial measure supplements and should be read in conjunction with the Company’s GAAP disclosures and should be considered as an addition to, and not a substitute for, any GAAP measure.

Management evaluates its operating performance using this ratio and believes that this non-GAAP financial measure is useful to the Company’s investors because it directly measures improvement in the operating performance and efficiency of the Company’s Regulated Businesses. The Company’s adjusted regulated O&M efficiency ratio (i) is not an accounting measure that is based on GAAP; (ii) is not based on a standard, objective industry definition or method of calculation; (iii) may not be comparable to other companies’ operating measures; and (iv) should not be used in place of the GAAP information provided elsewhere in this press release.

Set forth in this release is a table that calculates the Company’s adjusted regulated O&M efficiency ratio and reconciles each of the components used to calculate this ratio to the most directly comparable GAAP financial measure.

About American Water

With a history dating back to 1886, American Water is the largest and most geographically diverse U.S. publicly-traded water and wastewater utility company. The Company employs approximately 6,500 dedicated professionals who provide regulated and market-based drinking water, wastewater and other related services to over 14 million people in 24 states. More information can be found by visiting amwater.com and follow American Water on Twitter, Facebook and LinkedIn.

Throughout this press release, unless the context otherwise requires, references to the “Company” and “American Water” mean American Water Works Company, Inc. and all of its subsidiaries, taken together as a whole.

Cautionary Statement Concerning Forward-Looking Statements

Certain statements in this press release including, without limitation, 2023 earnings guidance, the Company’s long-term financial, growth and dividend targets, future capital needs, the ability to achieve the Company’s strategies and goals, including with respect to its ESG focus, the outcome of the Company’s pending acquisition activity, the amount and allocation of projected capital expenditures, and estimated revenues from rate cases and other government agency authorizations, are forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and the Federal securities laws. In some cases, these forward-looking statements can be identified by words with prospective meanings such as “intend,” “plan,” “estimate,” “believe,” “anticipate,” “expect,” “predict,” “project,” “propose,” “assume,” “forecast,” “outlook,” “likely,” “uncertain,” “future,” “pending,” “goal,” “objective,” “potential,” “continue,” “seek to,” “may,” “can,” “will,” “should” and “could” and or the negative of such terms or other variations or similar expressions. These forward-looking statements are predictions based on American Water’s current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, financial results, levels of activity, performance or achievements, and readers are cautioned not to place undue reliance upon them. The forward-looking statements are subject to a number of estimates and assumptions, and known and unknown risks, uncertainties and other factors. Actual results may differ materially from those discussed in the forward-looking statements included in this press release as a result of the factors discussed in the Company’s Annual Report on Form 10-K for the year ended December 31, 2022, and subsequent filings with the SEC, and because of factors such as: the decisions of governmental and regulatory bodies, including decisions to raise or lower customer rates; the timeliness and outcome of regulatory commissions’ and other authorities’ actions concerning rates, capital structure, authorized return on equity, capital investment, system acquisitions and dispositions, taxes, permitting, water supply and management, and other decisions; changes in customer demand for, and patterns of use of, water and energy, such as may result from conservation efforts, or otherwise; a loss of one or more large industrial or commercial customers due to adverse economic conditions, or other factors; limitations on the availability of the Company’s water supplies or sources of water, or restrictions on its use thereof, resulting from allocation rights, governmental or regulatory requirements and restrictions, drought, overuse or other factors; changes in laws, governmental regulations and policies, including with respect to the environment, health and safety, data and consumer privacy, security and protection, water quality and water quality accountability, contaminants of emerging concern, public utility and tax regulations and policies, and impacts resulting from U.S., state and local elections and changes in federal, state and local executive administrations; the Company’s ability to collect, distribute, use, secure and store consumer data in compliance with current or future governmental laws, regulation and policies with respect to data and consumer privacy, security and protection; weather conditions and events, climate variability patterns,

and natural disasters, including drought or abnormally high rainfall, prolonged and abnormal ice or freezing conditions, strong winds, coastal and intercoastal flooding, pandemics (including COVID-19) and epidemics, earthquakes, landslides, hurricanes, tornadoes, wildfires, electrical storms, sinkholes and solar flares; the outcome of litigation and similar governmental and regulatory proceedings, investigations or actions; the risks associated with the Company's aging infrastructure, and its ability to appropriately improve the resiliency of, or maintain and replace, current or future infrastructure and systems, including its technology and other assets, and manage the expansion of its businesses; exposure or infiltration of the Company's technology and critical infrastructure systems, including the disclosure of sensitive, personal or confidential information contained therein, through physical or cyber attacks or other means; the Company's ability to obtain permits and other approvals for projects and construction of various water and wastewater facilities; changes in the Company's capital requirements; the Company's ability to control operating expenses and to achieve operating efficiencies; the intentional or unintentional actions of a third party, including contamination of the Company's water supplies or the water provided to its customers; the Company's ability to obtain and have delivered adequate and cost-effective supplies of pipe, equipment (including personal protective equipment), chemicals, power and other fuel, water and other raw materials and to address or mitigate supply chain constraints that may result in delays or shortages in, as well as increased costs of, supplies, products and materials that are critical to or used in the Company's business operations; the Company's ability to successfully meet its operational growth projections, either individually or in the aggregate, and capitalize on growth opportunities, including, among other things, with respect to acquiring, closing and successfully integrating regulated operations, the Company's Military Services Group entering into new military installation contracts, price redeterminations and other agreements and contracts with the U.S. government, and realizing anticipated benefits and synergies from new acquisitions; risks and uncertainties following the completion of the sale of the Company's former Homeowner Services Group ("HOS"), including the Company's ability to receive contingent consideration provided for in the HOS sale as well as amounts due, payable and owing to the Company under the seller note when due, and the ability of the Company to redeploy successfully and timely the net proceeds of this transaction into the Company's Regulated Businesses; risks and uncertainties associated with contracting with the U.S. government, including ongoing compliance with applicable government procurement and security regulations; cost overruns relating to improvements in or the expansion of the Company's operations; the Company's ability to successfully develop and implement new technologies and to protect related intellectual property; the Company's ability to maintain safe work sites; the Company's exposure to liabilities related to environmental laws and similar matters resulting from, among other things, water and wastewater service provided to customers; the ability of energy providers, state governments and other third parties to achieve or fulfill their greenhouse gas emission reduction goals, including without limitation through state renewable portfolio standards and carbon transition plans; changes in general economic, political, business and financial market conditions; access to sufficient debt and/or equity capital on satisfactory terms and as needed to support operations and capital expenditures; fluctuations in inflation or interest rates and the Company's ability to address or mitigate the impacts thereof; the ability to comply with affirmative or negative covenants in the current or future indebtedness of the Company or any of its subsidiaries, or the issuance of new or modified credit ratings or outlooks or other communications by credit rating agencies with respect to the Company or any of its subsidiaries (or any current or future indebtedness thereof), which could increase financing costs or funding requirements and affect the Company's or its subsidiaries' ability to issue, repay or redeem debt, pay dividends or make distributions; fluctuations in the value of, or assumptions and estimates related to, its benefit plan assets and liabilities, including with respect to its pension and other post-retirement benefit plans, that could increase expenses and plan funding requirements; changes in federal or state general, income and other tax laws, including (i) future significant tax legislation or regulations; and (ii) the availability of, or the Company's compliance with, the terms of applicable tax credits and tax abatement programs; migration of customers into or out of the Company's service territories and changes in water and energy consumption resulting therefrom; the use by municipalities of the power of eminent domain or other authority to condemn the systems of one or more of the Company's utility subsidiaries, or the assertion by private landowners of similar rights against such utility subsidiaries; any difficulty or inability to obtain insurance for the Company, its inability to obtain insurance at acceptable rates and on acceptable terms and conditions, or its inability to obtain reimbursement under existing or future insurance programs and coverages for any losses sustained; the incurrence of impairment charges, changes in fair value and other adjustments related to the Company's goodwill or the value of its other assets; labor actions, including work stoppages and strikes; the Company's ability to retain and attract highly qualified and skilled employees and/or diverse talent; civil disturbances or unrest, or terrorist threats or acts, or public apprehension about future disturbances, unrest, or terrorist threats or acts; and the impact of new, and changes to existing, accounting standards.

These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above and the risk factors included in American Water's annual, quarterly and other SEC filings, and readers should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements American Water makes speak only as of the date of this press release. American Water does not have or undertake any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise, except as otherwise required by the federal securities laws. New factors emerge from time to time, and it is not possible for the Company to predict all such factors. Furthermore, it may not be possible to assess the impact of any such factor on the Company's businesses, either viewed independently or together, or the extent to which any factor, or

combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.

AWK-IR

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

	For the Three Months Ended March 31,	
	2023	2022
Operating revenues	\$ 938	\$ 842
Operating expenses:		
Operation and maintenance	393	364
Depreciation and amortization	172	158
General taxes	78	74
Total operating expenses, net	643	596
Operating income	295	246
Other income (expense):		
Interest expense	(115)	(100)
Interest income	14	13
Non-operating benefit costs, net	9	19
Other, net	11	15
Total other (expense) income	(81)	(53)
Income before income taxes	214	193
Provision for income taxes	44	35
Net income attributable to common shareholders	\$ 170	\$ 158
Basic earnings per share:		
Net income attributable to common shareholders	\$ 0.91	\$ 0.87
Diluted earnings per share:		
Net income attributable to common shareholders	\$ 0.91	\$ 0.87
Weighted-average common shares outstanding:		
Basic	186	182
Diluted	186	182

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

	March 31, 2023	December 31, 2022
ASSETS		
Property, plant and equipment	\$ 30,214	\$ 29,736
Accumulated depreciation	(6,582)	(6,513)
Property, plant and equipment, net	<u>23,632</u>	<u>23,223</u>
Current assets:		
Cash and cash equivalents	213	85
Restricted funds	29	32
Accounts receivable, net of allowance for uncollectible accounts of \$55 and \$60, respectively	318	334
Income tax receivable	96	114
Unbilled revenues	289	275
Materials and supplies	103	98
Other	290	312
Total current assets	<u>1,338</u>	<u>1,250</u>
Regulatory and other long-term assets:		
Regulatory assets	1,004	990
Seller promissory note from the sale of the Homeowner Services Group	720	720
Operating lease right-of-use assets	83	82
Goodwill	1,143	1,143
Other	366	379
Total regulatory and other long-term assets	<u>3,316</u>	<u>3,314</u>
Total assets	<u>\$ 28,286</u>	<u>\$ 27,787</u>

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

	March 31, 2023	December 31, 2022
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock (\$0.01 par value; 500,000,000 shares authorized; 200,058,247 and 187,200,539 shares issued, respectively)	\$ 2	\$ 2
Paid-in-capital	8,519	6,824
Retained earnings	1,437	1,267
Accumulated other comprehensive loss	(23)	(23)
Treasury stock, at cost (5,414,795 and 5,342,477 shares, respectively)	(388)	(377)
Total common shareholders' equity	9,547	7,693
Long-term debt	10,485	10,926
Redeemable preferred stock at redemption value	2	3
Total long-term debt	10,487	10,929
Total capitalization	20,034	18,622
Current liabilities:		
Short-term debt	—	1,175
Current portion of long-term debt	727	281
Accounts payable	193	254
Accrued liabilities	561	706
Accrued taxes	74	49
Accrued interest	114	91
Other	223	255
Total current liabilities	1,892	2,811
Regulatory and other long-term liabilities:		
Advances for construction	321	316
Deferred income taxes and investment tax credits	2,483	2,437
Regulatory liabilities	1,568	1,590
Operating lease liabilities	70	70
Accrued pension expense	215	235
Other	192	202
Total regulatory and other long-term liabilities	4,849	4,850
Contributions in aid of construction	1,511	1,504
Commitments and contingencies		
Total capitalization and liabilities	\$ 28,286	\$ 27,787

American Water Works Company, Inc. and Subsidiary Companies
Adjusted Regulated Operation and Maintenance Efficiency Ratio (A Non-GAAP, unaudited measure)

(Dollars in millions)	For the Twelve Months Ended March 31,	
	2023	2022
Total operation and maintenance expenses	\$ 1,619	\$ 1,723
Less:		
Operation and maintenance expenses—Other	258	403
Total operation and maintenance expenses—Regulated Businesses	1,361	1,320
Less:		
Regulated purchased water expenses	153	155
Allocation of non-operation and maintenance expenses	26	29
Adjusted operation and maintenance expenses—Regulated Businesses (i)	\$ 1,182	\$ 1,136
Total operating revenues	\$ 3,889	\$ 3,881
Less:		
Operating revenues—Other	302	474
Total operating revenues—Regulated Businesses	3,587	3,407
Less:		
Regulated purchased water revenues (a)	153	155
Revenue reductions from the amortization of EADIT	(85)	(102)
Adjusted operating revenues—Regulated Businesses (ii)	\$ 3,519	\$ 3,354
Adjusted O&M efficiency ratio—Regulated Businesses (i) / (ii)	33.6 %	33.9 %

(a) The calculation assumes regulated purchased water revenues approximate regulated purchased water expenses.

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

Form 8-K

**Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): March 31, 2023

American Water Works Company, Inc.

(Exact name of registrant as specified in its charter)

Commission File Number: 001-34028

Delaware
(State or other jurisdiction
of incorporation)

51-0063696
(IRS Employer
Identification No.)

1 Water Street
Camden, NJ 08102-1658
(Address of principal executive offices, including zip code)
(856) 955-4001
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Trading Symbol</u>	<u>Name of Each Exchange on Which Registered</u>
Common stock, par value \$0.01 per share	AWK	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 8.01. Other Events.

Filing of General Rate Case by Indiana-American Water Company

On March 31, 2023, Indiana-American Water Company (“Indiana American Water”), a wholly owned subsidiary of American Water Works Company, Inc. (the “Company”), announced that on March 31, 2023, it filed a petition with the Indiana Utility Regulatory Commission (the “IURC”) requesting an adjustment to its water and wastewater rates. The petition seeks aggregate annualized incremental revenue of \$86.7 million, which would include three step increases, with \$43.2 million of the increase to be included in rates in January 2024, \$18.1 million in May 2024, and \$25.4 million in May 2025. The requested adjustment is based on a proposed return on equity of 10.6% and a capital structure with an equity component of 56.2%. For purposes of determining proposed rates, the requested adjustment is based on an equity component of 48.2% due to the regulatory practice in Indiana of including certain zero cost items or tax credit balances in the capital structure calculation. The petition is subject to approval by the IURC, and the general rate case is expected to be completed by the end of January 2024.

A copy of the press release issued by Indiana American Water on March 31, 2023, has been filed as [Exhibit 99.1](#) hereto and is incorporated herein by reference. References and links to websites and other information contained in this press release are not provided as active hyperlinks, and the information contained in or accessed through these hyperlinks shall not be incorporated into, or form a part of, this Current Report on Form 8-K.

Cautionary Statement Concerning Forward-Looking Statements

Certain statements included in this Current Report on Form 8-K (or the exhibits thereto) are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, Section 21E of the Securities Exchange Act of 1934, and the Private Securities Litigation Reform Act of 1995. In some cases, these forward-looking statements can be identified by words with prospective meanings such as “intend,” “plan,” “estimate,” “believe,” “anticipate,” “expect,” “predict,” “project,” “propose,” “assume,” “forecast,” “outlook,” “future,” “pending,” “goal,” “objective,” “potential,” “continue,” “seek to,” “may,” “can,” “will,” “should” and “could,” or the negative of such terms or other variations or similar expressions. These forward-looking statements are predictions based on the Company’s current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, performance or achievements, and readers are cautioned not to place undue reliance upon them. The forward-looking statements are subject to a number of estimates and assumptions, and known and unknown risks, uncertainties and other factors. Actual results may differ materially from those discussed in the forward-looking statements included in this Current Report on Form 8-K as a result of the factors discussed in the Company’s Annual Report on Form 10-K for the year ended December 31, 2022, as filed with the Securities and Exchange Commission (the “SEC”) on February 15, 2023, and other filings with the SEC, and additional risks and uncertainties, including with respect to (1) the terms of any settlement agreement or stipulation, and/or final order of the IURC, with respect to the above-referenced general rate case; (2) the timing of the implementation of new rates under the general rate case; (3) regulatory, legislative, local or municipal actions affecting the water and wastewater industries, which could adversely affect the Company and/or Indiana American Water; and (4) other economic, financial, political, business and other factors that may impact or affect the water and wastewater industries generally, or the Company or Indiana American Water specifically.

These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above and the risk factors included in the Company’s annual and quarterly reports as filed with the SEC, and readers should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements speak only as of the date of this Current Report on Form 8-K. The Company does not have any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise, except as otherwise required by the federal securities laws. New factors emerge from time to time, and it is not possible for us to predict all such factors. Furthermore, it may not be possible to assess the impact of any such factor on the Company’s or Indiana American Water’s business, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

The following exhibits to this Current Report have been provided herewith as noted below:

Exhibit No.	Description
99.1*	Press Release, dated March 31, 2023, issued by Indiana American Water.
104	Cover Page Interactive Data File (the cover page XBRL tags are included and formatted as Inline XBRL).

* Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

Dated: March 31, 2023

By: /s/ JOHN C. GRIFFITH

John C. Griffith

Executive Vice President and Chief Financial Officer

News Release



For Immediate Release

Indiana American Water Files Rate Request Driven by \$875 Million in Investment

Request reinforces company's commitment to providing safe,
reliable and affordable water and wastewater service

GREENWOOD, Ind. (March 31, 2023) – Indiana American Water filed a rate adjustment request today with the Indiana Utility Regulatory Commission (IURC) reflecting \$875 million in water and wastewater system investments to be made through 2025 to continue providing safe and reliable service as well as a significant increase in the cost of procuring chemicals, goods and services.

“Indiana American Water has made significant investments in aging infrastructure and its treatment and distribution facilities to ensure service reliability, water quality, and fire protection capabilities that help protect customers and the communities we serve,” said Indiana American Water President Matt Prine. “We also remain steadfastly committed to addressing the needs of our most vulnerable customers and have included components in our request to keep their rates affordable.”

In today's filing, Indiana American Water is seeking to increase revenues over a phased, three step process through May 2025 that would result in \$86.7 million of additional annual revenue when fully implemented. If the company's proposed rates are approved as requested, the bill for a typical residential customer using 4,000 gallons per month would increase approximately \$14 per month when rates are fully implemented in 2025. The company last filed for new rates through a general rate filing in September 2018 and last implemented new rates in 2019.

The increases for residential wastewater customers will vary depending on the community served. Additional information on current rates is available on the company's website at <https://www.amwater.com/inaw/customer-service-billing/your-water-rates>.

News Release

The logo for Indiana American Water features a blue star above the text "INDIANA AMERICAN WATER" in a serif font. The word "INDIANA" is in blue, and "AMERICAN WATER" is in red.

Results of a customer affordability study conducted as part of the filing demonstrate that the affordability of the company's water and wastewater services as a comparison of monthly bills to monthly household income has steadily improved over the past decade and will remain affordable under the company's proposed rates.

Recognizing that affordability may still be an issue for some customers, the company is proposing a new rate design that provides 1,500 gallons of water usage at no additional cost above the fixed monthly customer charge for all water customers. The proposed change would provide relatively low-cost basic water service for customers on fixed incomes that use a lower volume of water than the typical residential customer.

The filing also includes a proposed Universal Affordability Tariff to provide multiple tiers of discounts to address the affordability needs of different levels of household income. Under the new rate structure, eligible households would receive monthly bill discounts of between 30 and 80 percent for water service.

The IURC's rate review process offers multiple opportunities for customer involvement. Customers can participate through written comments, attendance at public input hearings, and consumer advocacy organizations that participate in the proceedings. For more information on the company's rate proposal and to find out what actions customers may take, visit us online at <https://www.amwater.com/inaw/customer-service-billing/your-water-rates>.

For customers facing a financial hardship, Indiana American Water offers payment plans and budget billing. Indiana American Water also provides information to customers about the Low-Income Household Water Assistance Plan (LIHWAP). More information can be found by clicking on the Low Income Program link under the Customer Service & Billing heading on the company's website or by clicking [here](#). For tips on how to reduce your water bill by conserving water, visit our [Wise Water Use](#) page at <https://www.amwater.com/inaw/Water-Wastewater-Information/wise-water-use>.



News Release

About Indiana American Water

Indiana American Water, a subsidiary of American Water (NYSE: AWK), is the largest investor-owned water utility in the state, providing high-quality and reliable water and wastewater services to approximately 1.4 million people.

About American Water

With a history dating back to 1886, American Water is the largest and most geographically diverse U.S. publicly traded water and wastewater utility company. The company employs approximately 6,500 dedicated professionals who provide regulated and regulated-like drinking water and wastewater services to an estimated 14 million people in 24 states. American Water provides safe, clean, affordable, and reliable water services to our customers to help keep their lives flowing. For more information, visit amwater.com and diversityataw.com. Follow American Water on Twitter, Facebook and LinkedIn.

AWK-IR

Media Contact:

Joe Loughmiller
External Affairs Manager
Indiana American Water
317-885-2434
joe.loughmiller@amwater.com

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

Form 8-K

**Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): March 23, 2023

American Water Works Company, Inc.

(Exact name of registrant as specified in its charter)

Commission File Number: 001-34028

Delaware
(State or other jurisdiction
of incorporation)

51-0063696
(IRS Employer
Identification No.)

1 Water Street
Camden, NJ 08102-1658
(Address of principal executive offices, including zip code)
(856) 955-4001
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Trading Symbol</u>	<u>Name of Each Exchange on Which Registered</u>
Common stock, par value \$0.01 per share	AWK	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 7.01. Regulation FD Disclosure.

On March 24, 2023, Pennsylvania-American Water Company (“Pennsylvania American Water”), a subsidiary of American Water Works Company, Inc. (the “Company”), issued a press release announcing that Pennsylvania American Water has agreed to assume all of the obligations of NextEra Water Pennsylvania, LLC (“NEWPA”), an indirect, wholly owned subsidiary of NextEra Energy, Inc., under that certain Asset Purchase Agreement, dated June 14, 2022, as amended on March 23, 2023 (the “Asset Purchase Agreement”), by and among NEWPA, the Towamencin Municipal Authority (the “Authority”) and the Township of Towamencin (the “Township”), to acquire all of the assets related to the Township’s wastewater system (the “System”).

A copy of the press release has been included as [Exhibit 99.1](#) to this Current Report on Form 8-K and is incorporated by reference in response to this Item 7.01. The information furnished in response to this Item 7.01, including [Exhibit 99.1](#), shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), nor shall such information be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended (the “Securities Act”), or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 8.01. Other Events.

On March 23, 2023, NEWPA has agreed to irrevocably sell and assign to Pennsylvania American Water, and Pennsylvania American Water has agreed to assume from NEWPA, all of NEWPA’s right, title and interest in and to the Asset Purchase Agreement. The sale, assignment and assumption will take effect upon the return to NEWPA of its \$10 million escrowed cash deposit, which return is expected to be completed on March 24, 2023. Once the sale, assignment and assumption are effective, and pursuant to the terms of the Asset Purchase Agreement, Pennsylvania American Water will be required to purchase substantially all of the System’s wastewater assets owned by the Authority for an aggregate purchase price of \$104 million, subject to adjustment as provided in the Asset Purchase Agreement. The Authority currently provides wastewater services to approximately 6,300 customer connections in seven townships, including the Township, located in Montgomery County, Pennsylvania.

Pennsylvania American Water is seeking to close its purchase of the System by mid-year 2024, subject to obtaining the required prior approval of the Pennsylvania Public Utility Commission (the “PaPUC”). The Asset Purchase Agreement provides for customary representations, warranties, covenants and conditions. Either the seller or Pennsylvania American Water may terminate the Asset Purchase Agreement if the closing of the System purchase does not occur by the “outside date” of 365 days after the later of (i) the date that an application with the PaPUC to approve the System purchase is filed and accepted as complete by the PaPUC and (ii) the date that the statutory six-month period for PaPUC final action has been initiated. The outside date may be extended (i) by Pennsylvania American Water in its sole discretion once by up to 90 days to obtain a required governmental approval, or (ii) to a date that is 60 days following the non-appealable resolution of any pending or threatened litigation (including without limitation proceedings before the PaPUC) seeking to (a) prevent the consummation of the System purchase or (b) frustrate a material term in the Asset Purchase Agreement. In addition, either the seller or Pennsylvania American Water may terminate the Asset Purchase Agreement without penalty to either party if a governmental authority with jurisdiction and authority over the System purchase has issued an order or decree or taken any other action, which order, decree or other action has become final and non-appealable, permanently enjoining, restraining or otherwise prohibiting the purchase of the System by Pennsylvania American Water.

Cautionary Statement Concerning Forward-Looking Statements

Certain statements included in this Current Report on Form 8-K are forward-looking statements within the meaning of Section 27A of the Securities Act, Section 21E of the Exchange Act and the Private Securities Litigation Reform Act of 1995. In some cases, these forward-looking statements can be identified by words with prospective meanings such as “intend,” “plan,” “estimate,” “believe,” “anticipate,” “expect,” “predict,” “project,” “propose,” “assume,” “forecast,” “likely,” “uncertain,” “outlook,” “future,” “pending,” “goal,” “objective,” “potential,” “continue,” “seek to,” “may,” “can,” “should,” “will” and “could,” or the negative of such terms or other variations or similar expressions. Forward-looking statements relate to, among other things, the ability to complete the closing of the System purchase and the anticipated closing date; the ability of the parties to satisfy closing and other conditions related to the System purchase; the filing, existence or result of any litigation or other legal challenges or actions that may seek to delay, prevent or prohibit the consummation of the transactions contemplated by the Asset Purchase Agreement or to frustrate a material term therein; and the ability of the parties to obtain required regulatory and other approvals and consents. These forward-looking statements are predictions based on the Company’s current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, performance or achievements, and readers are cautioned not to place undue reliance upon them. The forward-looking statements are subject to a number of estimates and assumptions, and known and unknown risks, uncertainties and other factors. Actual results may differ materially from those discussed in the forward-looking statements included in this Current Report on

Form 8-K as a result of the factors discussed in the Company's Annual Report on Form 10-K for the year ended December 31, 2021, as filed with the Securities and Exchange Commission (the "SEC") on February 15, 2023, and other filings with the SEC, and additional risks and uncertainties, including with respect to (1) obtaining the regulatory and other approvals and consents required to complete the System purchase by Pennsylvania American Water, including without limitation the prior approval of the PaPUC; (2) satisfying other conditions to the closing of the System purchase by Pennsylvania American Water; (3) the outcome of any litigation or other challenges or actions that may be filed, threatened, asserted or taken seeking to delay, prevent or prohibit the closing of the transactions contemplated by the Asset Purchase Agreement or to frustrate a material term therein; (4) the occurrence of benefits and synergies expected or predicted to occur as a result of the completion of the System purchase by Pennsylvania American Water; (5) unexpected costs, liabilities or delays associated with the System purchase or the integration of the System within Pennsylvania American Water's operations; (6) regulatory, legislative, local or municipal actions affecting the water and wastewater industries, which could adversely affect the Company and Pennsylvania American Water; and (7) other economic, business and other factors.

These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above and the risk factors included in the Company's annual and quarterly reports as filed with the SEC, and readers should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements speak only as of the date of this Current Report on Form 8-K. The Company does not have any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise, except as otherwise required by the federal securities laws. New factors emerge from time to time, and it is not possible for us to predict all such factors. Furthermore, it may not be possible to assess the impact of any such factor on the Company's or Pennsylvania American Water's business, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

The following exhibits to this Current Report have been provided herewith as noted below:

Exhibit No.	Description
99.1*	Press Release, dated March 24, 2023, issued by Pennsylvania-American Water Company.
104	Cover Page Interactive Data File (the cover page XBRL tags are included and formatted as Inline XBRL).

* Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

Dated: March 24, 2023

By: /s/ JOHN C. GRIFFITH

John C. Griffith

Executive Vice President and Chief Financial Officer

Press Release



Pennsylvania American Water Announces Agreement to Assume Towamencin Acquisition Agreement

Mechanicsburg, Pa., (March 24, 2023) – Pennsylvania American Water announced today its agreement to assume the obligations with respect to an agreement to purchase all the assets related to the wastewater system of the Towamencin Municipal Authority.

Pennsylvania American Water already provides reliable water and wastewater services to approximately 2.4 million people in the Commonwealth.

“As the Commonwealth’s largest water and wastewater provider, we have a proven history of working collaboratively with local partners to deliver the best long-term solution for their water and wastewater utility services,” said Pennsylvania American Water President Justin Ladner. “We are well positioned to leverage our resources and expertise to address the needs of this community and look forward to welcoming new customers into a region we have long served.”

The Towamencin Municipal Authority serves more than 6,300 wastewater customers.

Chuck Wilson, chairman of the Towamencin Township board of supervisors, voiced support for the agreement: “We are very pleased that Pennsylvania American Water will be our new wastewater partner. They are widely regarded for their operation of wastewater systems, customer service, and environmental stewardship.”

Pennsylvania American Water will seek all necessary approvals from its regulators and expects to close the transaction by mid-year 2024. The company’s rates are set by the Pennsylvania Public Utility Commission (PUC), and any future rate changes would have to be reviewed and approved by the PUC.

About Pennsylvania American Water

Pennsylvania American Water, a subsidiary of American Water (NYSE: AWK), is the largest investor-owned water utility in the state, providing high-quality and reliable water and wastewater services to approximately 2.4 million people.

About American Water

With a history dating back to 1886, American Water is the largest and most geographically diverse U.S. publicly traded water and wastewater utility company. The company employs more than 6,500 dedicated professionals who provide regulated and regulated-like drinking water and wastewater services to an estimated 14 million people in 24 states. American Water provides safe, clean, affordable, and reliable water services to our customers to help keep their lives flowing. For more information, visit amwater.com and diversityataw.com. Follow American Water on Twitter, Facebook and LinkedIn.

Press Release



AWK-IR

Media Contact:

Laura Martin
Senior Director, Government & External Affairs
Pennsylvania American Water
(304) 932-7158
laura.martin@amwater.com

###

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

Form 8-K

**Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): March 3, 2023

American Water Works Company, Inc.
(Exact name of registrant as specified in its charter)

Commission File Number: 001-34028

Delaware
(State or other jurisdiction
of incorporation)

51-0063696
(IRS Employer
Identification No.)

**1 Water Street
Camden, NJ 08102-1658**
(Address of principal executive offices, including zip code)

(856) 955-4001
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Common stock, par value \$0.01 per share	AWK	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 8.01. Other Events.

On March 3, 2023, American Water Works Company, Inc. (“American Water”) sold 12,650,000 shares (the “Shares”) of American Water’s common stock, par value \$0.01 per share pursuant to an Underwriting Agreement, dated February 28, 2023 (the “Underwriting Agreement”), by and among American Water, and BofA Securities, Inc., Wells Fargo Securities, LLC and RBC Capital Markets, LLC, as representatives of the several underwriters named therein (the “Underwriters”), which includes 1,650,000 shares of common stock purchased by the Underwriters from American Water pursuant to the exercise in full under the Underwriting Agreement of a 30-day option to purchase such shares.

The Shares were registered under the Securities Act of 1933, as amended, pursuant to a Registration Statement on Form S-3 (File No. 333-253484). At the closing of this offering on March 3, 2023, American Water received, after deduction of the underwriting discount and before deduction of offering expenses, net proceeds of approximately \$1,688.4 million. American Water intends to use the net proceeds of the offering to repay short-term commercial paper obligations of American Water Capital Corp., the wholly owned finance subsidiary of American Water, and for general corporate purposes.

This Current Report on Form 8-K is being filed to report the closing of the offering summarized herein and to include, as exhibits, certain documents executed in connection with the sale of the Shares.

Item 9.01. Financial Statements and Exhibits

(d) Exhibits

The following exhibits to this Current Report have been provided herewith as noted below:

<u>Exhibit No.</u>	<u>Description</u>
1.1*	Underwriting Agreement, dated February 28, 2023, by and among American Water, BofA Securities, Inc., Wells Fargo Securities, LLC, and RBC Capital Markets, LLC, as representatives of the several underwriters named therein.
5.1*	Opinion of Morgan, Lewis & Bockius LLP.
23.1*	Consent of Morgan, Lewis & Bockius LLP (included in Exhibit 5.1).
104	Cover Page Interactive Data File (the cover page XBRL tags are included and formatted as Inline XBRL).

* Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

Dated: March 3, 2023

By: /s/ JOHN C. GRIFFITH

John C. Griffith

Executive Vice President and Chief Financial Officer

American Water Works Company, Inc.
1 Water Street
Camden, New Jersey 08102

11,000,000 Shares of Common Stock

Underwriting Agreement

February 28, 2023

BofA Securities, Inc.
One Bryant Park
New York, New York 10036

Wells Fargo Securities, LLC
500 West 33rd Street
New York, New York 10001

RBC Capital Markets, LLC
Brookfield Place, 200 Vesey Street, 8th Floor
New York, New York 10281

As representatives of the several Underwriters named on Schedule I hereto

Ladies and Gentlemen:

1. American Water Works Company, Inc., a Delaware corporation (the “**Company**”), proposes, subject to the terms and conditions stated in this agreement (this “**Agreement**”), to issue and sell to the underwriters named in Schedule I hereto (the “**Underwriters**”), for whom you (the “**Representatives**”) are acting as representatives, an aggregate of 11,000,000 shares (the “**Firm Shares**”) and, at the election of the Underwriters, up to 1,650,000 additional shares (the “**Optional Shares**”) and, together with the Firm Shares, the “**Shares**”) of common stock, par value \$0.01 per share (the “**Common Stock**”), of the Company.

2. The Company represents and warrants to, and agrees with, each of the Underwriters that:

(a) An “automatic shelf registration statement” as defined under Rule 405 under the Securities Act of 1933, as amended (the “**Act**”), on Form S-3 (File No. 333-253484) in respect of the Shares has been filed with the Securities and Exchange Commission (the “**Commission**”) not earlier than three years prior to the date hereof; such registration statement, and any post-effective amendment thereto, each in a form heretofore delivered to the Representatives, became effective on filing; and no stop

order suspending the effectiveness of such registration statement or any part thereof has been issued and, to the Commission, no proceeding for that purpose has been initiated or threatened by the Commission, and no notice of objection of the Commission to the use of such registration statement or any post-effective amendment thereto pursuant to Rule 401(g)(2) under the Act has been received by the Company (the base prospectus filed as part of such registration statement, in the form in which it has most recently been filed with the Commission on or prior to the date of this Agreement, is hereinafter called the “**Basic Prospectus**”; any preliminary prospectus (including any preliminary prospectus supplement) relating to the Shares filed with the Commission pursuant to Rule 424(b) under the Act is hereinafter called a “**Preliminary Prospectus**”; the various parts of such registration statement, including all exhibits thereto but excluding the Form T-1 and including any prospectus supplement relating to the Shares that is filed with the Commission and deemed by virtue of Rule 430B to be part of such registration statement, each as amended at the time such part of the registration statement became effective, are hereinafter collectively called the “**Registration Statement**”; the Basic Prospectus, as amended and supplemented immediately prior to the Applicable Time (as defined in Section 2(c) hereof), is hereinafter called the “**Pricing Prospectus**”; the final prospectus relating to the Shares filed with the Commission pursuant to Rule 424(b) under the Act in accordance with Section 6(a) hereof is hereinafter called the “**Prospectus**”; any reference herein to the Basic Prospectus, the Pricing Prospectus, any Preliminary Prospectus or the Prospectus shall be deemed to refer to and include the documents incorporated by reference therein pursuant to Item 12 of Form S-3 under the Act as of the date of such prospectus; any reference to any amendment or supplement to the Basic Prospectus, any Preliminary Prospectus or the Prospectus shall be deemed to refer to and include any post-effective amendment to the Registration Statement, any prospectus supplement relating to the Shares filed with the Commission pursuant to Rule 424(b) under the Act and any documents filed under the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), and incorporated therein, in each case after the date of the Basic Prospectus, such Preliminary Prospectus, or the Prospectus, as the case may be; any reference to any amendment to the Registration Statement shall be deemed to refer to and include any annual report of the Company filed pursuant to Section 13(a) or 15(d) of the Exchange Act after the effective date of the Registration Statement that is incorporated by reference in the Registration Statement; and any “issuer free writing prospectus” as defined in Rule 433 under the Act relating to the Shares is hereinafter called an “**Issuer Free Writing Prospectus**”;

(b) No order preventing or suspending the use of any Preliminary Prospectus or any Issuer Free Writing Prospectus has been issued by the Commission. Each Preliminary Prospectus, at the time of filing thereof, conformed in all material respects to the requirements of the Act, and the rules and regulations of the Commission thereunder, and did not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; *provided, however*, that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with information furnished in writing to the Company by the Representatives expressly for use therein (the “**Underwriter Information**”);

(c) For the purposes of this Agreement, the “**Applicable Time**” is 7:45 p.m., New York City time, on the date of the Agreement. The Pricing Prospectus, when considered together with the information on Schedule IV hereto (collectively, the “**Pricing Disclosure Package**”), as of the Applicable Time, did not include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; and each Issuer Free Writing Prospectus listed on Schedule II hereto does not conflict with the information contained in the Registration Statement, the Pricing Prospectus or the Prospectus and each such Issuer Free Writing Prospectus, taken together with the Pricing Disclosure Package as of the Applicable Time, did not include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; *provided, however*, that the representations and warranties in this clause (c) shall not apply to statements or omissions made in an Issuer Free Writing Prospectus in reliance upon and in conformity with the Underwriter Information;

(d) The documents incorporated by reference in the Pricing Prospectus and the Prospectus, when they became effective or were filed with the Commission, as the case may be, conformed in all material respects to the requirements of the Act or the Exchange Act, as applicable, and the rules and regulations of the Commission thereunder, and none of such documents contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading; any further documents so filed and incorporated by reference in the Prospectus or any further amendment or supplement thereto, when such documents become effective or are filed with the Commission, as the case may be, will conform in all material respects to the requirements of the Act or the Exchange Act, as applicable, and the rules and regulations of the Commission thereunder and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; *provided, however*, that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with the Underwriter Information;

(e) The interactive data in eXtensible Business Reporting Language filed as exhibits to the reports included or incorporated by reference in the Registration Statement, the Pricing Disclosure Package and the Prospectus fairly presents the information called for in all material respects and has been prepared in accordance with the Commission’s rules and guidelines applicable thereto;

(f) (i) The Registration Statement conforms, and the Prospectus and any further amendments or supplements to the Registration Statement and the Prospectus will conform, in all material respects to the requirements of the Act and the rules and regulations of the Commission thereunder and (ii) the Registration Statement and the Prospectus and any further amendments or supplements to the Registration Statement and the Prospectus do not and will not, as of the applicable effective date as to each part of the Registration Statement and as of the applicable filing date as to the Prospectus and any amendment or supplement thereto, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; *provided, however*, that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with the Underwriter Information;

(g) The financial statements (including the related notes thereto) of the Company and its consolidated subsidiaries included or incorporated by reference in the Registration Statement, the Pricing Disclosure Package and the Prospectus comply in all material respects with the applicable requirements of the Act and the Exchange Act, as applicable, and present fairly the financial condition of the Company and its consolidated subsidiaries as of the dates indicated and the results of their operations and the changes in their cash flows for the periods specified; such financial statements have been prepared in conformity with generally accepted accounting principles (“GAAP”) in the United States applied on a consistent basis throughout the periods covered thereby, and any supporting schedules included or incorporated by reference in the Registration Statement present fairly the information required to be stated therein; the other financial information included or incorporated by reference in the Registration Statement, the Pricing Disclosure Package and the Prospectus has been derived from the accounting records of the Company and its consolidated subsidiaries and presents fairly the information shown thereby; and all disclosures included or incorporated by reference in the Registration Statement, the Pricing Disclosure Package and the Prospectus regarding “non-GAAP financial measures” (as such term is defined by the rules and regulations of Commission) comply in all material respects with Item 10(e) of Regulation S-K under the Act and the Exchange Act, to the extent applicable;

(h) (i) Since the date of the latest audited financial statements included or incorporated by reference in the Pricing Prospectus, (A) none of the Company or any of its subsidiaries has sustained any loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any court or governmental action, order or decree, otherwise than as set forth or contemplated in the Pricing Prospectus, and which could reasonably be expected to, in each case, individually or in the aggregate, have a material adverse effect on the financial condition, stockholders’ equity, properties or results of operations of the Company and its subsidiaries, taken as a whole (a “**Material Adverse Effect**”); and (B) no labor dispute with the employees of the Company or any its subsidiaries exists or, to the knowledge of the Company, is imminent, which could reasonably be expected to result in a Material Adverse Effect; and (ii) since the respective dates as of which information is given in the Registration Statement and the Pricing Prospectus, otherwise than as set forth or contemplated in the Pricing Prospectus, there has not been (A) any material decrease in the number of shares of outstanding capital stock of the Company or increase in consolidated long-term debt of the Company and its consolidated subsidiaries, or (B) any change, or any development involving a prospective change, in or affecting the general affairs, management, financial condition, stockholders’ equity or results of operations of the Company and its subsidiaries, otherwise than as set forth or contemplated in the Pricing Prospectus, that could reasonably be expected to have a Material Adverse Effect;

(i) The Company and each of its subsidiaries has good and sufficient title to all real property and personal property owned by them sufficient for the conduct of their respective businesses, in each case free and clear of all liens, encumbrances and defects except such as are described in the Pricing Prospectus or such as do not affect the value of such property and do not interfere with the use made and proposed to be made of such property by the Company and each of its subsidiaries except, in each case, as would not, individually or in the aggregate, have a Material Adverse Effect; and any real property and buildings held under lease by the Company and each of its subsidiaries are held by them under valid, subsisting and enforceable leases with such exceptions as are not material and do not interfere with the use made and proposed to be made of such property and buildings by the Company and each of its subsidiaries, otherwise than as set forth or contemplated in the Pricing Prospectus or as would not, individually or in the aggregate, have a Material Adverse Effect;

(j) The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of Delaware, with power and authority (corporate and other) to own its properties and conduct its business as described in the Pricing Prospectus, and has been duly qualified as a foreign corporation for the transaction of business and is in good standing under the laws of each other jurisdiction in which it owns or leases properties or conducts any business so as to require such qualification, except where the failure to be so qualified or in good standing would not, individually or in the aggregate, have a Material Adverse Effect; and each subsidiary of the Company listed on Schedule III hereto (each a “**Significant Subsidiary**”) has been duly incorporated and is validly existing as an entity in good standing under the laws of its jurisdiction of incorporation, except where the failure to be in good standing would not, individually or in the aggregate, have a Material Adverse Effect;

(k) All of the issued shares of capital stock of the Company have been duly and validly authorized and issued and are fully paid and non-assessable; and all of the issued shares of capital stock of each Significant Subsidiary have been duly and validly authorized and issued, are fully paid and non-assessable and (except (i) for directors’ qualifying shares, (ii) for 4,515 shares of redeemable preferred stock of Pennsylvania-American Water Company, and (iii) as otherwise set forth in the Pricing Prospectus) are owned directly or indirectly by the Company, free and clear of all liens, encumbrances, equities or claims, except for liens, encumbrances, equities or claims that would not, individually or in the aggregate, have a Material Adverse Effect;

(l) The Company has the corporate power and authority to execute and deliver this Agreement and to perform its obligations hereunder; and all action required to be taken for the due and proper authorization, execution and delivery by it of this Agreement and the consummation by it of the transactions contemplated thereby has been duly and validly taken;

(m) This Agreement has been duly authorized, executed and delivered by the Company; the Shares to be issued and sold by the Company hereunder have been duly authorized and, when issued and delivered and paid for as provided herein, will be duly and validly issued, will be fully paid and nonassessable and will conform to the descriptions thereof in the Registration Statement, the Pricing Disclosure Package and the Prospectus; and the issuance of the Shares is not subject to any preemptive or similar rights;

(n) None of the transactions contemplated by this Agreement (including, without limitation, the use of the proceeds from the sale of the Shares) will violate or result in a violation of Section 7 of the Exchange Act, or any regulation promulgated thereunder, including, without limitation, Regulations T, U, and X of the Board of Governors of the Federal Reserve System;

(o) The issuance, sale and delivery of the Shares and the compliance by the Company with the provisions of this Agreement and the consummation of the transactions herein contemplated (i) will not conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Company or any of its subsidiaries is a party or by which the Company or any of its subsidiaries is bound or to which any of the property or assets of the Company or any of its subsidiaries is subject, and (ii) will not result in any violation of (A) the provisions of the Restated Certificate of Incorporation or the Amended and Restated Bylaws of the Company or (B) any statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Company or any of its subsidiaries or any of their properties, except in the case of clauses (i) and (ii)(B) for any conflict, breach, violation or default that would not, individually or in the aggregate, have a Material Adverse Effect or impair the ability of the Company to consummate the transactions contemplated by this Agreement; and no consent, approval, authorization, order, registration or qualification of or with any such court or governmental agency or body is required for the issue and sale of the Shares or the consummation by the Company of the transactions contemplated by this Agreement, except (i) the registration under the Act of the Shares, (ii) such consents, approvals, authorizations, orders, registrations or qualifications as may be required under state securities or Blue Sky laws in connection with the purchase and distribution of the Shares by the Underwriters and (iii) such consents, approvals, authorizations, orders, registrations or qualifications that have already been obtained or the failure of which to obtain would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect or impair the ability of the Company to consummate the transactions contemplated by this Agreement;

(p) None of the Company or any of its subsidiaries is (A) in violation of the Restated Certificate of Incorporation of the Company and Restated Bylaws, in the case of the Company, or similar organizational documents, in the case of the Company's subsidiaries, or (B) in default in the performance or observance of any material obligation, agreement, covenant or condition contained in any indenture, mortgage, deed of trust, loan agreement, lease or other agreement or instrument to which it is a party or to which it or any of its properties is subject, except, in the case of clause (A) (with respect to subsidiaries of the Company other than the Significant Subsidiaries) and clause (B), for violations or defaults that would not, individually or in the aggregate, have a Material Adverse Effect;

(q) The statements set forth in the Pricing Prospectus and Prospectus under the caption "Description of American Water's Capital Stock", insofar as they purport to constitute a summary of the terms of the Shares, under the caption "Underwriting", insofar as they purport to describe the provisions of the documents described therein, and under the caption "Certain United States Federal Income Tax Considerations for Non-U.S. Holders", insofar as they purport to describe the provisions of the laws and documents referred to therein, are accurate, complete and fair in all material respects;

(r) Other than as set forth in the Pricing Prospectus, there are no legal or governmental proceedings pending to which the Company or any of its subsidiaries is a party or of which any property of the Company or any of its subsidiaries is the subject which would reasonably be expected to, individually or in the aggregate, have a Material Adverse Effect; and, to the best of the Company's knowledge, no such proceedings are threatened or contemplated by governmental authorities or threatened by others;

(s) The Company is not and, as a result of and after giving effect to the offering and sale of the Shares and the application of the proceeds thereof, will not be, required to register as an "investment company", as such term is defined in the Investment Company Act of 1940, as amended (the "**Investment Company Act**");

(t) (A) (i) At the time of filing the Registration Statement, (ii) at the time of the most recent amendment thereto for the purposes of complying with Section 10(a)(3) of the Act (whether such amendment was by post-effective amendment, incorporated report filed pursuant to Section 13 or 15(d) of the Exchange Act or form of prospectus), and (iii) at the time the Company or any person acting on the Company's behalf (within the meaning, for this clause only, of Rule 163(c) under the Act) made any offer relating to the Shares in reliance on the exemption of Rule 163 under the Act, the Company was a "well-known seasoned issuer" as defined in Rule 405 under the Act; and (B) at the earliest time after the filing of the Registration Statement that the Company or another offering participant made a bona fide offer (within the meaning of Rule 164(h)(2) under the Act) of the Shares, the Company was not an "ineligible issuer" as defined in Rule 405 under the Act;

(u) PricewaterhouseCoopers LLP, which has certified certain financial statements of the Company and its subsidiaries, is an independent registered public accounting firm with respect to the Company and its subsidiaries as required by the Act and the rules and regulations of the Commission thereunder;

(v) Except as disclosed in the Pricing Prospectus, the Company maintains a system of internal control over financial reporting (such term is defined in Rule 13a-15(f) under the Exchange Act) that complies in all material respects with the requirements of the Exchange Act and has been designed by the Company's principal executive officer and principal financial officer, or under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Except as disclosed in the Pricing Prospectus, the Company's internal control over financial reporting is effective and the Company is not aware of any material weaknesses in its internal control over financial reporting;

(w) Except as disclosed in the Pricing Prospectus, since the date of the latest audited financial statements included or incorporated by reference in the Pricing Prospectus, there has been no change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting;

(x) The Company maintains disclosure controls and procedures (as such term is defined in Rule 13a-15(e) under the Exchange Act) that comply in all material respects with the requirements of the Exchange Act; such disclosure controls and procedures have been designed to ensure that material information relating to the Company and each of its subsidiaries is made known to the Company's principal executive officer and principal financial officer by others within those entities; and, except as disclosed in the Pricing Prospectus, such disclosure controls and procedures are effective;

(y) The Company and each of its subsidiaries possess all permits, licenses, franchises, authorizations, registrations, qualifications and approvals of governmental or regulatory authorities as required of them to own their properties and conduct their businesses in the manner described in the Pricing Prospectus (collectively, "**Permits**"), except where the failure to possess such Permits would not, individually or in the aggregate, have a Material Adverse Effect; and the Company and each of its subsidiaries have fulfilled and performed all of their obligations with respect to such Permits required to have been performed, and no event has occurred which allows or, after notice or lapse of time or both, would allow revocation or termination thereof or result in any other material impairment of the rights of the holder of any such Permit, except, in each case, as disclosed in the Pricing Prospectus or would not, individually or in the aggregate, have a Material Adverse Effect;

(z) To the Company's knowledge, the Company and each of its subsidiaries own, possess or have the right to employ sufficient patents, patent rights, licenses, inventions, copyrights, know how (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, software, systems or procedures), trademarks, service marks and trade names, inventions, computer programs, technical data and information (collectively, the "**Intellectual Property Rights**") reasonably necessary to conduct their businesses as now conducted, except where the failure to own, possess or have the right would not, individually or in the

aggregate, have a Material Adverse Effect. None of the Company or any of its subsidiaries has received any notice of infringement or conflict with asserted rights of others with respect to any of the Intellectual Property Rights, whether or not arising from transactions in the ordinary course of business, except for such infringements or conflicts that would not, individually or in the aggregate, have a Material Adverse Effect. To the Company's knowledge, the use of the Intellectual Property Rights in connection with the business and operations of the Company and each of its subsidiaries does not infringe on the rights of any person;

(aa) Except as disclosed in the Pricing Prospectus, or as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, (i)(A) there has been no security breach or other compromise of or relating to any of the Company's or its subsidiaries' information technology and computer systems, networks, hardware, software, data (including the data of their respective customers, employees, suppliers, vendors and any third party data maintained by or on behalf of them), equipment or technology (collectively, the "**IT Systems and Data**") and (B) the Company has not been notified of, and has no knowledge of any event, circumstance or condition that would reasonably be expected to result in, any security breach or other compromise to the IT Systems and Data and (ii) the Company and its subsidiaries are presently in compliance in all material respects with all applicable laws or statutes and all judgments, orders, rules and regulations of any court or arbitrator or governmental or regulatory authority, internal policies and contractual obligations relating to the privacy and security of the IT Systems and Data and to the protection of such IT Systems and Data from unauthorized use, access, breach, misappropriation or modification. The Company has implemented and maintains security controls, employee education and training programs, network security monitoring, and breach response, mitigation and recovery programs for the IT Systems and Data consistent with industry standards and practices. The Company has implemented backup and disaster recovery technology consistent with industry standards and practices;

(bb) Except as disclosed in the Pricing Prospectus, or as would not, individually or in the aggregate, have a Material Adverse Effect, none of the Company or any of its subsidiaries (i) is in violation of any law, statute, or any rule, regulation, decision or order of any governmental agency or body or any court relating to the use, disposal or release of hazardous or toxic substances or relating to the protection or restoration of the environment or human exposure to hazardous or toxic substances (collectively, "**Environmental Laws**"), (ii) owns or operates any real property which, to the Company's knowledge, is contaminated with any substance that is regulated under any Environmental Laws, (iii) is, to the Company's knowledge, liable for any off-site disposal or contamination pursuant to any Environmental Laws, or (iv) has received any written notice of any claim under any Environmental Laws, and the Company is not aware of any pending investigation which could reasonably be expected to lead to such a claim;

(cc) The Company and each of its subsidiaries are insured by insurers of recognized financial responsibility against such risks and in such amounts as are, in management's judgment, prudent and customary in the businesses in which they are engaged; within the past five years, none of the Company or any such subsidiary has been refused any insurance coverage sought or applied for; and none of the Company or any such subsidiary has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business at a cost that would not, individually or in the aggregate, have a Material Adverse Effect, except, in each case, as set forth in or contemplated in the Pricing Prospectus;

(dd) The Company has not taken or will not take, directly or indirectly, any action which is designed to or which has constituted or which might reasonably be expected to cause or result in stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Shares;

(ee) The Company is in compliance in all material respects with all provisions of the Sarbanes-Oxley Act of 2002 that are effective and applicable to the Company as of the date hereof;

(ff) The Company and each of its subsidiaries have filed all federal, state and foreign tax returns, or have filed for extensions of the due dates of such returns, required to be filed and have paid all taxes shown as due thereon except where the failure to so file such returns would not, individually or in the aggregate, have a Material Adverse Effect; and other than tax deficiencies which the Company or any of its subsidiaries is contesting in good faith and for which the Company or any of its subsidiaries has provided adequate reserves, there is no tax deficiency that has been asserted in writing against the Company or any of its subsidiaries that would, individually or in the aggregate, have a Material Adverse Effect; and the United States federal income tax returns of the Company and each of its subsidiaries through the fiscal year ended December 31, 2018 have been closed by statute and no assessment in connection therewith has been made against the Company or any of its subsidiaries that would, individually or in the aggregate, have a Material Adverse Effect;

(gg) None of the Company or any of its subsidiaries or, to the Company's knowledge, any director, officer, agent, employee or affiliate of the Company or any of its subsidiaries is aware of or has (i) used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expense relating to political activity; (ii) made any direct or indirect unlawful payment to any foreign or domestic government official or employee from corporate funds; (iii) violated or is in violation of any provision of the U.S. Foreign Corrupt Practices Act of 1977, as amended; or (iv) made any bribe, unlawful rebate, payoff, influence payment, kickback or other unlawful payment;

(hh) The operations of the Company and each of its subsidiaries are and have been conducted at all times in compliance with all material respects with applicable financial recordkeeping and reporting requirements of the Currency and Foreign Transactions Reporting Act of 1970, as amended, the money laundering statutes of all applicable jurisdictions, the rules and regulations thereunder and any related or similar rules, regulations or guidelines issued, administered or enforced by any governmental agency (collectively, the “**Money Laundering Laws**”) and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company or any of its subsidiaries with respect to the Money Laundering Laws is pending or, to the Company’s knowledge, threatened; and

(ii) None of the Company, any of its subsidiaries or, to the Company’s knowledge, any director, officer, agent, employee or affiliate of the Company or any of its subsidiaries is: (i) currently subject to any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Treasury Department (“**OFAC**”); the United Nations Security Council (“**UNSC**”), the European Union (“**EU**”), or His Majesty’s Treasury (“**HMT**”), or other relevant sanctions authority (collectively, “**Sanctions**”), nor (ii) located, organized or resident in a country or territory that is, or whose government is, the subject of Sanctions (including, without limitation, Cuba, the so-called Donetsk People’s Republic, the so-called Luhansk People’s Republic, the Crimea region of Ukraine, Iran, North Korea and Syria), and the Company will not directly or indirectly use the proceeds of the offering, or lend, contribute or otherwise make available such proceeds, to any subsidiary, joint venture partner or other person or entity: (A) to fund or facilitate any activities or business of or with any person or in any country or territory that, at the time of such funding or facilitation, is, or whose government is, the subject of Sanctions; or (B) in any other manner that will result in a violation of Sanctions.

Any certificate signed by any authorized officer of the Company and delivered to the Representatives or counsel for the Underwriters in connection with the offering of the Shares shall be deemed a representation and warranty by the Company, as to matters covered thereby, to each Underwriter.

3. (a) Subject to the terms and conditions herein set forth, (i) the Company agrees to issue and sell to each of the Underwriters, and each of the Underwriters agrees, severally and not jointly, to purchase from the Company, at a purchase price per share of \$133.4675, the number of Firm Shares set forth opposite the name of such Underwriter in Schedule I hereto and (ii) in the event and to the extent that the Underwriters shall exercise the election to purchase Optional Shares as provided below, the Company agrees to issue and sell to each of the Underwriters, and each of the Underwriters agrees, severally and not jointly, to purchase from the Company, at the purchase price per share set forth in clause (i) of this Section 3(a), that portion of the number of Optional Shares as to which such election shall have been exercised (to be adjusted by you so as to eliminate fractional shares) determined by multiplying such number of Optional Shares by a fraction, the numerator of which is the maximum number of Optional Shares which such Underwriter is entitled to purchase as set forth opposite the name of such Underwriter in Schedule I hereto and the denominator of which is the maximum number of Optional Shares that all of the Underwriters are entitled to purchase hereunder.

(b) The Company hereby grants to the Underwriters the right to purchase at their election up to 1,650,000 Optional Shares at the purchase price per share set forth in the paragraph above, *provided* that the purchase price per Optional Share shall be reduced by an amount per share equal to any dividends or distributions declared by the Company and payable on the Firm Shares but not payable on the Optional Shares. Any such election to purchase Optional Shares may be exercised only by written notice from you to the Company, given within a period of 30 calendar days after the date of this Agreement, setting forth the aggregate number of Optional Shares to be purchased and the date on which such Optional Shares are to be delivered, as determined by you but in no event earlier than the First Time of Delivery (as defined in Section 5(a) hereof) or, unless you and the Company otherwise agree in writing, earlier than two or later than ten business days after the date of such notice; *provided*, that if such notice is provided prior to the First Time of Delivery, such Optional Shares shall be delivered at the First Time of Delivery.

4. The Company understands that the Underwriters intend to make a public offering of the Shares, and to offer the Shares as described in the Prospectus.

5. (a) The Shares to be purchased by each Underwriter hereunder will be deposited by or on behalf of the Underwriters with The Depository Trust Company (“DTC”) or its designated custodian. The Company will deliver the Shares to the Representatives, for the account of the Underwriters, against payment by or on behalf of the Underwriters of the purchase price therefor by wire transfer of Federal (same day) funds, by causing DTC to credit the Shares to the account of the Underwriters at DTC. The time and date of such delivery and payment shall be, with respect to the Firm Shares, 9:30 a.m., New York City time, on March 3, 2023 or such other time and date as the Underwriters and the Company may agree upon in writing, and, with respect to the Optional Shares, 9:30 a.m., New York City time, on the date specified by the Underwriters in each written notice given by the Representatives of the Underwriters’ election to purchase such Optional Shares, or such other time and date as the Representatives and the Company may agree upon in writing. Such time and date for delivery of the Firm Shares is herein called the “**First Time of Delivery**”, each such time and date for delivery of the Optional Shares, if not the First Time of Delivery, is herein called the “**Second Time of Delivery**”, and each such time and date for delivery is herein called a “**Time of Delivery**”.

(b) The documents to be delivered at each Time of Delivery by or on behalf of the parties hereto pursuant to Section 9 hereof, including the cross receipt for the Shares and any additional documents requested by the Underwriters pursuant to Section 9(k) hereof, will be delivered at the office of Sullivan & Cromwell LLP, 125 Broad Street, New York, New York 10004 (the “**Closing Location**”), and the Shares will be delivered through the facilities of DTC, all at such Time of Delivery. A meeting will be held at the Closing Location at 2:00 p.m., New York City time, on the New York Business Day next preceding such Time of Delivery, at which meeting the final drafts of the documents to be delivered pursuant to the preceding sentence will be available for review by the parties hereto. For the purposes of this Agreement, “**New York Business Day**” shall mean each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which banking institutions in New York City are generally authorized or obligated by law or executive order to close.

6. The Company agrees with each of the Underwriters:

(a) To prepare the Prospectus in a form approved by the Representatives and to file such Prospectus pursuant to Rule 424(b) under the Act not later than the Commission's close of business on the second business day following the execution and delivery of this Agreement and to make no further amendment or any supplement to the Registration Statement, the Basic Prospectus or the Prospectus prior to the Time of Delivery without the consent of the Representatives promptly after reasonable notice thereof (which consent shall not be unreasonably withheld or delayed); to advise the Representatives, promptly after it receives notice thereof, of the time when any amendment to the Registration Statement has been filed or becomes effective or any amendment or supplement to the Prospectus has been filed and to furnish the Representatives with copies thereof; to file promptly all other material required to be filed by the Company with the Commission pursuant to Rule 433(d) under the Act; to file promptly all reports and any definitive proxy or information statements required to be filed by the Company with the Commission pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of the Prospectus and for so long as the delivery of a prospectus (or in lieu thereof, the notice referred to in Rule 173(a) under the Act) is required in connection with the offering or sale of the Shares; to advise the Representatives, promptly after it receives notice thereof, of the issuance by the Commission of any stop order or of any order preventing or suspending the use of any Preliminary Prospectus or other prospectus in respect of the Shares, of any notice of objection of the Commission to the use of the Registration Statement or any post-effective amendment thereto pursuant to Rule 401(g)(2) under the Act, of the suspension of the qualification of the Shares for offering or sale in any jurisdiction, of the initiation or threatening of any proceeding for any such purpose, or of any request by the Commission for the amending or supplementing of the Registration Statement or the Prospectus or for additional information; and, in the event of the issuance of any stop order or of any order preventing or suspending the use of any Preliminary Prospectus or other prospectus or suspending any such qualification, to promptly use its best efforts to obtain the withdrawal of such order; and in the event of any such issuance of a notice of objection, promptly to take such steps including, without limitation, amending the Registration Statement or filing a new registration statement, at its own expense, as may be necessary to permit offers and sales of the Shares by the Underwriters (references herein to the Registration Statement shall include any such amendment or new registration statement);

(b) If by the third anniversary (the "**Renewal Deadline**") of the initial effective date of the Registration Statement, any of the Shares remain unsold by the Underwriters, the Company will file, if it has not already done so and is eligible to do so, a new automatic shelf registration statement relating to the Shares, in a form satisfactory to the Representatives. If at the Renewal Deadline the Company is no longer eligible to file an automatic shelf registration statement, the Company will, if it has not already done so, file a new shelf registration statement relating to the Shares,

in a form satisfactory to the Representatives and will use its best efforts to cause such registration statement to be declared effective within 180 days after the Renewal Deadline. The Company will take all other action necessary or appropriate to permit the public offering and sale of the Shares to continue as contemplated in the expired registration statement relating to the Shares. References herein to the Registration Statement shall include such new automatic shelf registration statement or such new shelf registration statement, as the case may be;

(c) Promptly from time to time to take such action as the Representatives may reasonably request to qualify the Shares for offering and sale under the securities laws of such U.S. jurisdictions as the Representatives may request and to comply with such laws so as to permit the continuance of sales and dealings therein in such jurisdictions for as long as may be necessary to complete the distribution of the Shares; *provided* that in connection therewith the Company shall not be required to qualify as a foreign corporation or as a dealer in securities or to file a general consent to service of process or subject itself to taxation for doing business in any jurisdiction;

(d) To use reasonable efforts to furnish to the Underwriters as soon as practicable after the date of this Agreement but no later than 5:30 p.m., New York City time, on the second New York Business Day immediately succeeding the date of this Agreement and from time to time, with printed and electronic copies of the Prospectus in such quantities as the Underwriters may reasonably request, and, if the delivery of a prospectus (or in lieu thereof, the notice referred to in Rule 173(a) under the Act) is, based on advice of counsel, required at any time during the period from the time of issue of the Prospectus until the expiration of nine months after the time of issue of the Prospectus in connection with the offering or sale of the Shares and if at such time any event shall have occurred as a result of which the Prospectus as then amended or supplemented would include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made when such Prospectus (or in lieu thereof, the notice referred to in Rule 173(a) under the Act) is delivered, not misleading, or, if for any other reason it shall be necessary during such same period to amend or supplement the Prospectus or to file under the Exchange Act any document incorporated by reference in the Prospectus in order to comply with the Act or the Exchange Act, to notify the Representatives and upon the request of the Representatives to file such document and to prepare and furnish without charge to each Underwriter and to any dealer in securities as many printed and electronic copies as the Underwriters may from time to time reasonably request of an amended Prospectus or a supplement to the Prospectus which will correct such statement or omission or effect such compliance; and in case any Underwriter is required to deliver a prospectus (or in lieu thereof, the notice referred to in Rule 173(a) under the Act) in connection with sales of any of the Shares at any time nine months or more after the time of issue of the Prospectus, at the expense of such Underwriter, to prepare and deliver to such Underwriter as many printed and electronic copies as such Underwriter may request of an amended or supplemented Prospectus complying with Section 10(a)(3) of the Act;

(e) To make generally available to its securityholders as soon as practicable, but in any event not later than sixteen months after the effective date of the Registration Statement (as defined in Rule 158(c) under the Act), an earnings statement of the Company and its subsidiaries (which need not be audited) complying with Section 11(a) of the Act and the rules and regulations of the Commission thereunder (including, at the option of the Company, Rule 158);

(f) During the period beginning from the date hereof and continuing to and including the date 90 days after the date of the Prospectus, not to (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, or file with, or submit to, the Commission a registration statement under the Act relating to any shares of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock, or publicly disclose the intention to make any offer, sale, pledge, disposition, submission or filing or (ii) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of the Common Stock or any such other securities, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise, without the prior written consent of the Representatives, other than (1) the Shares to be sold hereunder, (2) in connection with any employee or director benefit or compensation, dividend reinvestment and direct stock purchase plan or similar agreement, stock option or other incentive or stock purchase plan of the Company and its subsidiaries and (3) any shares of Common Stock issued upon the exercise of options granted under the stock-based compensation plans of the Company and its subsidiaries;

(g) To use the net proceeds received by it from the sale of the Shares pursuant to this Agreement in the manner specified in the Pricing Prospectus under the caption "Use of Proceeds";(h) To pay the required Commission filing fees relating to the Shares within the time required by Rule 456(b)(1) under the Act without regard to the proviso therein and otherwise in accordance with Rules 456(b) and 457(r) under the Act; and

(i) Upon request of any Underwriter, to furnish, or cause to be furnished, to such Underwriter an electronic version of the Company's trademarks, servicemarks and corporate logo for use on the website, if any, operated by such Underwriter for the purpose of facilitating the on-line offering of the Shares (the "License"); *provided, however*, that the License shall be used solely for the purpose described above, is granted without any fee and may not be assigned or transferred.

7. (a) (i) The Company represents and agrees that, without the prior written consent of the Representatives, it has not made and will not make any offer relating to the Shares that would constitute a "free writing prospectus" as defined in Rule 405 under the Act; (ii) each Underwriter represents and agrees that, without the prior written consent of the Company, it has not made and will not make any offer relating to the Shares that would constitute a free writing prospectus; and (iii) any such free writing prospectus the use of which has been consented to by the Company and the Representatives is listed on Schedule II hereto;

(b) The Company has complied and will comply with the requirements of Rule 433 under the Act applicable to any Issuer Free Writing Prospectus, including timely filing with the Commission or retention where required and legending; and the Company represents that it has satisfied and agrees that it will satisfy the conditions under Rule 433 under the Act to avoid a requirement to file with the Commission any electronic road show; and

(c) The Company agrees that if at any time following issuance of an Issuer Free Writing Prospectus any event occurred or occurs as a result of which such Issuer Free Writing Prospectus would conflict with the information in the Registration Statement, the Pricing Prospectus or the Prospectus or, when taken together with the Pricing Prospectus, would include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances then prevailing, not misleading, the Company will give prompt notice thereof to the Representatives and, if requested by the Representatives, will prepare and furnish without charge to each Underwriter an Issuer Free Writing Prospectus or other document which will correct such conflict, statement or omission; *provided, however*, that this representation and warranty shall not apply to any statements or omissions in an Issuer Free Writing Prospectus made in reliance upon and in conformity with the Underwriter Information.

8. The Company covenants and agrees with the several Underwriters that the Company will pay or cause to be paid the following: (i) the fees, disbursements and expenses of the Company's counsel and accountants in connection with the registration of the Shares under the Act and all other expenses in connection with the preparation, printing, reproduction and filing of the Registration Statement, the Basic Prospectus, any Preliminary Prospectus, any Issuer Free Writing Prospectus and the Prospectus and amendments and supplements thereto and the mailing and delivering of copies thereof to the Underwriters and dealers; (ii) the cost of printing or producing any agreement among Underwriters, this Agreement, any Blue Sky survey, closing documents (including any compilations thereof) and any other documents in connection with the offering, purchase, sale and delivery of the Shares; (iii) all expenses in connection with the qualification of the Shares for offering and sale under state securities laws as provided in Section 6(c) hereof, including the fees and disbursements of counsel for the Underwriters in connection with such qualification and in connection with any Blue Sky survey; (iv) all fees and expenses in connection with any listing of Shares on the New York Stock Exchange; (v) the cost of preparing any stock certificates; (vi) the costs and charges of any transfer agent or registrar; and (vii) all other costs and expenses incident to the performance of its obligations hereunder which are not otherwise specifically provided for in this Section; *provided, however*, that reimbursements to the Underwriters, if any, shall be limited to expenses actually incurred; and *provided further* that in the case of clause (iii), the Company shall not be requested to cover expenses of counsel for the Underwriters in excess of \$5,000 in the aggregate.

9. The obligations of the Underwriters to purchase the Shares at the Time of Delivery shall be subject, in their discretion, to the condition that all representations and warranties and other statements of the Company herein are, at and as of the Time of Delivery, true and correct, the condition that the Company shall have performed all of its obligations hereunder theretofore to be performed, and the following additional conditions:

(a) The Prospectus shall have been filed with the Commission pursuant to Rule 424(b) under the Act within the applicable time period prescribed for such filing by the rules and regulations under the Act and in accordance with Section 6(a) hereof; any other material required to be filed by the Company pursuant to Rule 433(d) under the Act shall have been filed with the Commission within the applicable time period prescribed for such filings by Rule 433; no stop order suspending the effectiveness of the Registration Statement or any part thereof shall have been issued and no proceeding for that purpose shall have been initiated or threatened by the Commission and no notice of objection of the Commission to the use of the Registration Statement or any post-effective amendment thereto pursuant to Rule 401(g)(2) under the Act shall have been received; no stop order suspending or preventing the use of the Prospectus or any Issuer Free Writing Prospectus shall have been initiated or threatened by the Commission; and all requests for additional information on the part of the Commission shall have been complied with to the reasonable satisfaction of the Representatives;

(b) Sullivan & Cromwell LLP, counsel for the Underwriters, shall have furnished to the Underwriters such written opinions, dated the Time of Delivery, in form and substance satisfactory to the Representatives, and such counsel shall have received such papers and information as they may reasonably request to enable them to pass upon such matters;

(c) Morgan, Lewis & Bockius LLP, counsel for the Company, shall have furnished to the Underwriters their written opinion and 10b-5 statement, each dated the Time of Delivery, in the form attached as Annexes IIA and IIB hereto;

(d) Jeffrey M. Taylor, Vice President, Chief SEC Counsel and Secretary of the Company, shall have furnished to the Underwriters his written opinion, dated the Time of Delivery, in the form attached as Annex III hereto;

(e) (i) On the date of this Agreement, (ii) on the effective date of any post-effective amendment to the Registration Statement filed subsequent to the date of this Agreement and (iii) at the Time of Delivery, PricewaterhouseCoopers LLP shall have furnished to the Underwriters a letter or letters, dated the respective dates of delivery thereof, in form and substance satisfactory to the Representatives, to the effect set forth in Annex I hereto;

(f) (i) Since the date of the latest audited financial statements included or incorporated by reference in the Pricing Prospectus, or since the date of the latest audited financial statements of the Company or any of its subsidiaries has sustained any loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree and (ii) since the date as of which information is given in the Pricing Prospectus there has not been (A) any material decrease in the number of shares of outstanding capital stock of the Company or increase in consolidated long-term debt of the Company and its consolidated subsidiaries, or (B) any change, or any development involving a prospective change, in or affecting the general affairs, management, financial condition, stockholders' equity or results of operations of the Company and its subsidiaries, otherwise, in any such case described in clause (i) or (ii), than as set forth or contemplated in the Pricing Prospectus, the effect of which, in any such case described in clause (i) or (ii), is in the judgment of the Representatives so material and adverse as to make it impracticable or inadvisable to proceed with the public offering or the delivery of the Shares on the terms and in the manner contemplated in the Prospectus;

(g) On or after the Applicable Time, (i) no downgrading shall have occurred in the rating accorded American Water Capital Corp.'s ("AWCC's") debt securities by S&P Global Ratings, a division of S&P Global Ratings, or Moody's Investors Service, Inc., each a "nationally recognized statistical rating organization", as that term is defined by Section 3(a)(62) of the Exchange Act, and (ii) neither such organization shall have publicly announced (other than any announcement made prior to the Applicable Time) that it has under surveillance or review, with possible negative implications, its rating of any of AWCC's debt securities;

(h) On or after the Applicable Time there shall not have occurred any of the following: (i) a suspension or material limitation in trading in securities generally on the New York Stock Exchange; (ii) a suspension or material limitation in trading in the Company's securities on the New York Stock Exchange; (iii) a general moratorium on commercial banking activities declared by Federal or New York State authorities or a material disruption in commercial banking or securities settlement or clearance services in the United States; (iv) the outbreak or escalation of hostilities involving the United States or the declaration by the United States of a national emergency or war; or (v) the occurrence of any other calamity or crisis or any change in financial, political or economic conditions in the United States or elsewhere, if the effect of any such event specified in clause (iv) or (v) in the judgment of the Representatives makes it impracticable or inadvisable to proceed with the public offering or the delivery of the Shares on the terms and in the manner contemplated in the Prospectus;

(i) The Shares to be issued and sold by the Company hereunder at the Time of Delivery shall have been approved for listing on the New York Stock Exchange, subject to official notice of issuance;

(j) The “lock-up” agreements, each substantially in the form of Annex IV hereto, between the Representatives and each of the executive officers and directors of the Company specified on Schedule I to Annex IV relating to sales and certain other dispositions of shares of Common Stock or certain other securities, delivered to the Representatives on or before the date hereof, shall be in full force and effect at the Time of Delivery; and

(k) The Company shall have furnished or caused to be furnished to the Underwriters at the Time of Delivery certificates of officers of the Company reasonably satisfactory to the Representatives as to the accuracy of the representations and warranties of the Company herein at and as of the Time of Delivery, as to the performance by the Company of all of its obligations hereunder to be performed at or prior to the Time of Delivery, as to the matters set forth in subsections (a), (f) and (g) of this Section and as to such other matters as the Representatives may reasonably request.

10. (a) The Company will indemnify and hold harmless each Underwriter against any losses, claims, damages or liabilities, joint or several, to which such Underwriter may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, the Basic Prospectus, any Preliminary Prospectus, the Pricing Prospectus, the Pricing Disclosure Package or the Prospectus, or any amendment or supplement thereto, any Issuer Free Writing Prospectus or any “issuer information” filed or required to be filed pursuant to Rule 433(d) under the Act, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse each Underwriter for any legal or other expenses reasonably incurred by such Underwriter in connection with investigating or defending any such action or claim as such expenses are incurred; *provided, however,* that the Company shall not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in the Registration Statement, the Basic Prospectus, any Preliminary Prospectus, the Pricing Prospectus, the Pricing Disclosure Package or the Prospectus, or any amendment or supplement thereto, or any Issuer Free Writing Prospectus, in reliance upon and in conformity with the Underwriter Information.

(b) Each Underwriter will, severally and not jointly, indemnify and hold harmless the Company against any losses, claims, damages or liabilities, joint or several, to which the Company may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, the Basic Prospectus, any Preliminary Prospectus, the Pricing Prospectus, the Pricing Disclosure Package or the Prospectus, or any amendment or supplement thereto, or any Issuer Free Writing Prospectus, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent,

that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or alleged omission made in the Registration Statement, the Basic Prospectus, any Preliminary Prospectus, the Pricing Prospectus, the Pricing Disclosure Package or the Prospectus, or any amendment or supplement thereto, or any Issuer Free Writing Prospectus, in reliance upon and in conformity with the Underwriter Information; and will reimburse the Company for any legal or other expenses reasonably incurred by the Company in connection with investigating or defending any such action or claim as such expenses are incurred.

(c) Promptly after receipt by an indemnified party under subsection (a) or (b) above of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under such subsection, notify the indemnifying party in writing of the commencement thereof; but the omission so to notify the indemnifying party shall not relieve it from any liability which it may have to any indemnified party otherwise than under such subsection. In case any such action shall be brought against any indemnified party and it shall notify the indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it shall wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel reasonably satisfactory to such indemnified party (who shall not, except with the consent of the indemnified party, be counsel to the indemnifying party), and, after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party shall not be liable to such indemnified party under such subsection for any legal expenses of other counsel or any other expenses, in each case subsequently incurred by such indemnified party, in connection with the defense thereof other than reasonable costs of investigation. Notwithstanding the indemnifying party's election to appoint counsel to represent the indemnified party in an action, the indemnified party shall have the right to employ one separate counsel, and the indemnifying party shall bear the reasonable fees, costs and expenses of such separate firm (in addition to one local counsel in each jurisdiction) if (i) the use of counsel chosen by the indemnifying party to represent the indemnified party would present such counsel with a conflict of interest, (ii) in an action where both the indemnifying and the indemnified party are actual or potential defendants, the indemnified party shall have reasonably concluded that there are actual or potential conflicting interests between the indemnifying party and the indemnified party, including situations in which there may be one or more legal defenses available to it and/or other indemnified parties which are different from or additional to those available to the indemnifying party, (iii) the indemnifying party shall not have employed counsel reasonably satisfactory to the indemnified party to represent the indemnified party within a reasonable time after notice of the institution of such action or (iv) the indemnifying party shall authorize the indemnified party to employ separate counsel at the expense of the indemnifying party. No indemnifying party shall, without the written consent of the indemnified party, effect the settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or threatened action or claim in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified party is an actual or potential party to such action or claim) unless such settlement, compromise

or judgment (i) includes an unconditional release of the indemnified party from all liability arising out of such action or claim and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act, by or on behalf of any indemnified party. No indemnified party shall, without the written consent of the indemnifying party (such consent not to be unreasonably withheld), effect the settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or threatened action or claim in respect of which indemnification or contribution may be sought hereunder.

(d) If the indemnification provided for in this Section 10 is unavailable to or insufficient to hold harmless an indemnified party under subsection (a) or (b) above in respect of any losses, claims, damages or liabilities (or actions in respect thereof) referred to therein, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (or actions in respect thereof) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the Underwriters on the other from the offering of the Shares. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law or if the indemnified party failed to give the notice required under subsection (c) above, then each indemnifying party shall contribute to such amount paid or payable by such indemnified party in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Company on the one hand and the Underwriters on the other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities (or actions in respect thereof), as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Underwriters on the other shall be deemed to be in the same proportion as the total net proceeds from the offering (before deducting expenses) received by the Company bear to the total underwriting discounts and commissions received by the Underwriters, in each case as set forth on the cover page of the Prospectus. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company on the one hand or the Underwriter Information on the other and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and the Underwriters agree that it would not be just and equitable if contributions pursuant to this subsection (d) were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to above in this subsection (d). The amount paid or payable by an indemnified party as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to above in this subsection (d) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this subsection (d), no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Shares underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages which such Underwriter has otherwise been required to pay by reason of such untrue or alleged

untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(b) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations in this subsection (d) to contribute are several in proportion to their respective underwriting obligations and not joint.

(e) The obligations of the Company under this Section 10 shall be in addition to any liability which the Company may otherwise have and shall extend, upon the same terms and conditions, to the directors, officers, employees and agents of each Underwriter and to each person, if any, who controls any Underwriter within the meaning of the Act and each broker-dealer affiliate of any Underwriter; and the obligations of the Underwriters under this Section 10 shall be in addition to any liability which the respective Underwriters may otherwise have and shall extend, upon the same terms and conditions, to each officer, director and employee of the Company and to each person, if any, who controls the Company within the meaning of the Act.

11. (a) If any Underwriter shall default in its obligation to purchase the Shares which it has agreed to purchase hereunder, the Representatives may in their discretion arrange for any of the Representatives or another party or other parties to purchase such Shares on the terms contained herein. If within thirty-six hours after such default by any Underwriter, the Representatives do not arrange for the purchase of such Shares, then the Company shall be entitled to a further period of thirty-six hours within which to procure another party or other parties satisfactory to the Representatives to purchase such Shares on such terms. In the event that, within the respective prescribed periods, the Representatives notify the Company that they have so arranged for the purchase of such Shares, or the Company notifies the Representatives that it has so arranged for the purchase of such Shares, the Representatives or the Company shall have the right to postpone the Time of Delivery for a period of not more than seven days, in order to effect whatever changes may thereby be made necessary in the Registration Statement or the Prospectus, or in any other documents or arrangements, and the Company agrees to prepare promptly any amendments to the Registration Statement or the Prospectus which in the opinion of the Representatives may thereby be made necessary. The term "Underwriter" as used in this Agreement shall include any person substituted under this Section with like effect as if such person had originally been a party to this Agreement with respect to such Shares.

(b) If, after giving effect to any arrangements for the purchase of the Shares of a defaulting Underwriter or Underwriters by the Representatives and the Company as provided in subsection (a) above, the aggregate number of such Shares which remains unpurchased does not exceed one-eleventh of the aggregate number of all the Shares, then the Company shall have the right to require each non-defaulting Underwriter to purchase the number of Shares which such Underwriter agreed to purchase hereunder at such Time of Delivery and, in addition, to require each non-defaulting Underwriter to purchase its pro rata share (based on the number of Shares which such Underwriter agreed to purchase hereunder) of the Shares of such defaulting Underwriter or Underwriters for which such arrangements have not been made; but nothing herein shall relieve a defaulting Underwriter from liability for its default.

(c) If, after giving effect to any arrangements for the purchase of the Shares of a defaulting Underwriter or Underwriters by the Representatives and the Company as provided in subsection (a) above, the aggregate number of Shares which remains unpurchased exceeds one-eleventh of the aggregate number of all the Shares, or if the Company shall not exercise the right described in subsection (b) above to require non-defaulting Underwriters to purchase Shares of a defaulting Underwriter or Underwriters, then this Agreement shall thereupon terminate without liability on the part of any non-defaulting Underwriter or the Company, except for the expenses to be borne by the Company and the Underwriters as provided in Section 8 hereof and the indemnity and contribution agreements in Section 10 hereof; but nothing herein shall relieve a defaulting Underwriter from liability for its default.

12. The respective indemnities, agreements, representations, warranties and other statements of the Company and the several Underwriters, as set forth in this Agreement or made by or on behalf of them, respectively, pursuant to this Agreement, shall remain in full force and effect, regardless of any investigation (or any statement as to the results thereof) made by or on behalf of any Underwriter or any controlling person of any Underwriter, or the Company, or any officer or director or controlling person of the Company, and shall survive delivery of and payment for the Shares.

13. If for any reason, other than a default by the Underwriters in their obligation to purchase the Shares, any Shares are not delivered as provided herein, the Company will reimburse the Underwriters through the Representatives for all reasonable expenses approved in writing by the Representatives, including reasonable fees and disbursements of counsel, incurred by the Underwriters in making preparations for the purchase, sale and delivery of the Shares not so delivered, but the Company shall then be under no further liability to the Underwriters except as provided in Sections 8 and 10 hereof.

14. In all dealings hereunder, the Representatives shall act on behalf of each of the Underwriters, and the parties hereto shall be entitled to act and rely upon any statement, request, notice or agreement on behalf of any Underwriter made or given by the Representatives jointly.

15. All statements, requests, notices and agreements hereunder shall be in writing, and if to the Underwriters shall be delivered or sent by mail or facsimile transmission to the Representatives in care of: BofA Securities, Inc., One Bryant Park, New York, New York 10036, Attention: Syndicate Department, Email: dg.ecm_execution_services@bofa.com, with a copy to Email: dg.ecm_legal@bofa.com, Attention: ECM Legal; Wells Fargo Securities, LLC, 500 West 33rd Street, New York, New York 10001, Attention: Equity Syndicate, Fax: (212) 214-5918 (with such fax or other electronic communication to be confirmed by telephone to (212) 214-6144); or RBC Capital Markets, LLC, Brookfield Place, 200 Vesey Street 8th Floor, New York, New York 10281, Attention: Equity Capital Markets,

Phone: (877) 822-4089, Facsimile: (212) 428-6260, Email: equityprospectus@rbccm.com; and if to the Company shall be delivered or sent by mail to the address set forth in the Registration Statement or facsimile transmission to (856) 519-9730, Attention: James. H. Gallegos, Executive Vice President and General Counsel. Any such statements, requests, notices or agreements shall take effect upon receipt thereof.

16. In accordance with the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)), the Underwriters are required to obtain, verify and record information that identifies their respective clients, including the Company, which information may include the name and address of their respective clients, as well as other information that will allow the Underwriters to properly identify their respective clients.

17. This Agreement shall be binding upon, and inure solely to the benefit of, the Underwriters and the Company and, to the extent provided in Sections 10 and 12 hereof, the officers and directors of the Company and each person who controls the Company or any Underwriter, and their respective heirs, executors, administrators, successors and assigns, and no other person shall acquire or have any right under or by virtue of this Agreement. No purchaser of any of the Shares from any Underwriter shall be deemed a successor or assign by reason merely of such purchase.

18. Time shall be of the essence of this Agreement. As used herein, the term “**business day**” shall mean any day when the Commission’s office in Washington, D.C. is open for business.

19. The Company acknowledges and agrees that (i) the purchase and sale of the Shares pursuant to this Agreement is an arm’s-length commercial transaction between the Company, on the one hand, and the several Underwriters on the other, (ii) in connection therewith and with the process leading to such transaction each Underwriter is acting solely as a principal and not as an agent or fiduciary of the Company, (iii) none of the Underwriters has assumed an advisory or fiduciary responsibility in favor of the Company with respect to the offering contemplated hereby or the process leading thereto (irrespective of whether such Underwriter has advised or is currently advising the Company) or any other obligation to the Company except the obligations expressly set forth in this Agreement and (iv) the Company has consulted its own legal and financial advisors to the extent they deemed appropriate. The Company agrees that it will not claim that the Underwriters, or any of them, has rendered advisory services of any nature or respect, or owes a fiduciary or similar duty to the Company, in connection with such transaction or the process leading thereto.

20. This Agreement supersedes all prior agreements and understandings (whether written or oral) between the Company and the Underwriters, or any of them, with respect to the subject matter hereof.

21. This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

22. The Company and each of the Underwriters hereby irrevocably waive, to the fullest extent permitted by applicable law, and all right to trial by jury in any legal proceeding arising out of or relating to this Agreement or the transactions contemplated hereby.

23. This Agreement may be executed by any one or more of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument. Counterparts may be delivered via facsimile, electronic mail (including any electronic signature covered by the U.S. federal ESIGN Act of 2000, Uniform Electronic Transactions Act, the Electronic Signatures and Records Act or other applicable law, or other transmission method), and any counterpart so delivered shall be deemed to have been duly and validly delivered and be valid and effective for all purposes.

24. Notwithstanding anything herein to the contrary, the Company is authorized to disclose to any persons the tax treatment and tax structure of the potential transaction and all materials of any kind (including tax opinions and other tax analyses) provided to the Company relating to that treatment and structure, without the Underwriters imposing any limitation of any kind. However, any information relating to the tax treatment and tax structure shall remain confidential (and the foregoing sentence shall not apply) to the extent necessary to enable any person to comply with securities laws. For this purpose, “**tax treatment**” means U.S. Federal and State income tax treatment, and “**tax structure**” is limited to any facts that may be relevant to that treatment.

25. (a) In the event that any Underwriter that is a Covered Entity becomes subject to a proceeding under a U.S. Special Resolution Regime, the transfer from such Underwriter of this Agreement, and any interest and obligation in or under this Agreement, will be effective to the same extent as the transfer would be effective under the U.S. Special Resolution Regime if this Agreement, and any such interest and obligation, were governed by the laws of the United States or a state of the United States.

(b) In the event that any Underwriter that is a Covered Entity or a BHC Act Affiliate of such Underwriter becomes subject to a proceeding under a U.S. Special Resolution Regime, Default Rights under this Agreement that may be exercised against such Underwriter are permitted to be exercised to no greater extent than such Default Rights could be exercised under the U.S. Special Resolution Regime if this Agreement were governed by the laws of the United States or a State of the United States.

(c) For purposes of this Section 25, the following terms shall have the meanings indicated:

(i) “**BHC Act Affiliate**” has the meaning assigned to the term “affiliate” in, and shall be interpreted in accordance with, 12 U.S.C. § 1841(k).

(ii) “**Covered Entity**” means any of the following: (A) a “covered entity” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 252.82(b); (B) a “covered bank” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 47.3(b); or (C) a “covered FSI” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 382.2(b).

(iii) “**Default Right**” has the meaning assigned to that term in, and shall be interpreted in accordance with, 12 C.F.R. §§ 252.81, 47.2 or 382.1, as applicable.

(iv) “**U.S. Special Resolution Regime**” means each of (A) the Federal Deposit Insurance Act and the regulations promulgated thereunder and (B) Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act and the regulations promulgated thereunder.

[Signature Page Follows]

If the foregoing is in accordance with your understanding, please sign and return to the Company a counterpart hereof, and upon the acceptance hereof by you, on behalf of each of the Underwriters, this letter and such acceptance hereof shall constitute a binding agreement between each of the Underwriters and the Company.

Very truly yours,

AMERICAN WATER WORKS COMPANY, INC.

By: /s/ DAVID BOWLER

Name: David Bowler

Title: Senior Vice President, Deputy Chief Financial
Officer and Treasurer

[Signature Page to Underwriting Agreement]

Accepted as of the date hereof:

On behalf of each of the Underwriters

BOFA SECURITIES, INC.

By: /s/ RAY CRAIG

Name: Ray Craig

Title: Managing Director

WELLS FARGO SECURITIES, LLC

By: /s/ MICHAEL TIEDEMANN

Name: Michael Tiedemann

Title: Managing Director

RBC CAPITAL MARKETS, LLC

By: /s/ MICHAEL VENTURA

Name: Michael Ventura

Title: Managing Director

[Signature Page to Underwriting Agreement]

	Number of Shares
BofA Securities, Inc.	2,475,000
Wells Fargo Securities, LLC	2,475,000
RBC Capital Markets, LLC	2,475,000
J.P. Morgan Securities LLC	825,000
Mizuho Securities USA LLC	825,000
Evercore Group L.L.C.	330,000
Guggenheim Securities, LLC	330,000
Scotia Capital (USA) Inc.	275,000
TD Securities (USA) LLC	275,000
Truist Securities, Inc.	275,000
Huntington Securities, Inc.	165,000
Regions Securities LLC	165,000
Loop Capital Markets LLC	55,000
Roberts & Ryan Investments Inc.	55,000
Total	<u>11,000,000</u>

Significant Subsidiaries of the Company.

Missouri-American Water Company
New Jersey-American Water Company, Inc.
Pennsylvania-American Water Company

The number of Shares and, as to each investor, the price paid by such investor.

FORM OF LOCK-UP AGREEMENT

February 27, 2023

BofA Securities, Inc.
One Bryant Park
New York, New York 10036

Wells Fargo Securities, LLC
500 West 33rd Street
New York, New York 10001

RBC Capital Markets, LLC
Brookfield Place, 200 Vesey Street, 8th Floor
New York, New York 10281

Re: American Water Works Company, Inc. — Public Offering

Ladies and Gentlemen:

The undersigned understands that BofA Securities, Inc., RBC Capital Markets, LLC and Wells Fargo Securities, LLC, as representatives of the Underwriters (together, the “**Underwriters**”), propose to enter into an underwriting agreement (the “**Underwriting Agreement**”) with American Water Works Company, Inc., a Delaware corporation (the “**Company**”), providing for the public offering (the “**Public Offering**”) by the Underwriters, of shares of common stock, par value \$0.01 per share, of the Company (the “**Common Stock**”). Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Underwriting Agreement.

In consideration of the Underwriters’ agreement to make the Public Offering, and for other good and valuable consideration receipt of which is hereby acknowledged, the undersigned hereby agrees that, without the prior written consent of the Underwriters, the undersigned will not, during the period beginning on the date of this letter agreement (this “**Letter Agreement**”) and ending 60 days after the date of the prospectus relating to the Public Offering (the “**Prospectus**”) (such period, the “**Restricted Period**”), (1) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any shares of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock (including without limitation, Common Stock or such other securities which may be deemed to be beneficially owned by the undersigned in accordance

with the rules and regulations of the Securities and Exchange Commission and securities which may be issued upon exercise of a stock option or warrant), or publicly disclose the intention to make any offer, sale, pledge or disposition, (2) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of the Common Stock or such other securities, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise, or (3) make any demand for or exercise any right with respect to the registration of any shares of Common Stock or any security convertible into or exercisable or exchangeable for Common Stock, in each case other than transfers of shares of Common Stock as a bona fide gift or gifts; *provided* that in the case of any such transfer, each donee or distributee shall execute and deliver to the Underwriters a lock-up letter in the form of this paragraph; and *provided, further*, that in each such case, no filing by any party (donor, donee, transferor or transferee) under the Securities Exchange Act of 1934, as amended, or other public announcement shall be required or shall be made voluntarily in connection with such transfer or distribution (other than a filing on a Form 5 made after the expiration of the Restricted Period referred to above).

In furtherance of the foregoing, the Company, and any duly appointed transfer agent for the registration or transfer of the securities described herein, are hereby authorized to decline to make any transfer of securities if such transfer would constitute a violation or breach of this Letter Agreement.

All authority herein conferred or agreed to be conferred and any obligations of the undersigned shall be binding upon the successors, assigns, heirs or personal representatives of the undersigned.

The undersigned understands that, if the Underwriting Agreement does not become effective by March 31, 2023, or if the Underwriting Agreement (other than the provisions thereof which survive termination) shall terminate or be terminated prior to payment for and delivery of the Common Stock to be sold thereunder, the undersigned shall be released from all obligations under this Letter Agreement. The undersigned understands that the Underwriters are entering into the Underwriting Agreement and proceeding with the Public Offering in reliance upon this Letter Agreement.

This Letter Agreement and any claim, controversy or dispute arising under or related to this Letter Agreement shall be governed by and construed in accordance with the laws of the State of New York.

Very truly yours,



March 3, 2023

American Water Works Company, Inc.
1 Water Street
Camden, New Jersey 08102

Ladies and Gentlemen:

We have acted as counsel to American Water Works Company, Inc., a Delaware corporation (the “Company”), in connection with the offering of 12,650,000 shares (the “Shares”) of common stock, \$0.01 par value, of the Company (“Common Stock”).



We have participated in the preparation of or reviewed (1) the Registration Statement on Form S-3 (Registration No. 333-253484) (the “Registration Statement”), which Registration Statement was filed by the Company with the Securities and Exchange Commission (the “Commission”) under the Securities Act of 1933, as amended (the “Securities Act”); (2) the prospectus dated February 25, 2021 (the “Base Prospectus”), forming a part of the Registration Statement, as supplemented by a prospectus supplement dated February 28, 2023 (the “Prospectus Supplement”), both such prospectus and prospectus supplement filed with the Commission pursuant to Rule 424(b) under the Securities Act; (3) the Underwriting Agreement, dated February 28, 2023 (the “Underwriting Agreement”), by and among the Company, BofA Securities, Inc., Wells Fargo Securities, LLC and RBC Capital Markets, LLC, as representatives of the several underwriters named therein; (4) the restated certificate of incorporation of the Company; (5) the amended and restated bylaws of the Company; and (6) such other corporate records, certificates and other documents (including a receipt executed on behalf of the Company acknowledging receipt of the purchase price for the Shares) and such questions of law as we have considered necessary or appropriate for the purposes of this opinion.

Based on the foregoing, we are of the opinion that the Shares have been validly issued, fully paid and non-assessable.

In rendering the foregoing opinion, we have assumed the genuineness of all signatures, the legal capacity of all natural persons, the authenticity of the documents submitted to us as originals, the conformity with the originals of all documents submitted to us as certified, facsimile or photostatic copies and the authenticity of the originals of all documents submitted to us as copies.

Morgan, Lewis & Bockius LLP

101 Park Avenue
New York, NY 10178-0060
United States

 +1.212.309.6000
 +1.212.309.6001

We hereby consent to the reference to us under the heading “Legal Matters” in the Prospectus Supplement, to the references to us in the Registration Statement, including under the heading “Legal Matters” in the Base Prospectus, and to the filing of this opinion as an exhibit to the Company’s Current Report on Form 8-K to be filed on or about the date hereof, which will be incorporated by reference in the Registration Statement. In giving the foregoing consents, we do not thereby admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act or the rules and regulations of the Commission thereunder.

This opinion is limited to the laws of the General Corporation Law of the State of Delaware and the federal laws of the United States insofar as they bear on matters covered hereby.

Very truly yours,

/s/ Morgan, Lewis & Bockius LLP

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

Form 8-K

**Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): February 15, 2023

American Water Works Company, Inc.
(Exact name of registrant as specified in its charter)

Commission File Number: 001-34028

Delaware
(State or other jurisdiction
of incorporation)

51-0063696
(IRS Employer
Identification No.)

**1 Water Street
Camden, NJ 08102-1658**
(Address of principal executive offices, including zip code)

(856) 955-4001
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Trading Symbol</u>	<u>Name of Each Exchange on Which Registered</u>
Common stock, par value \$0.01 per share	AWK	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02. Results of Operations and Financial Condition.

On February 15, 2023, American Water Works Company, Inc. (the “Company”) issued a press release announcing its financial results for the fourth quarter and year ended December 31, 2022. A copy of the press release has been included as [Exhibit 99.1](#) and is incorporated by reference herein.

The information furnished in Item 2.02 of this Current Report on Form 8-K, including [Exhibit 99.1](#), shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), nor shall it be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended (the “Securities Act”), or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

The following exhibits to this Current Report have been provided herewith (as noted below):

<u>Exhibit</u>	<u>Description</u>
99.1*	Press Release, dated February 15, 2023, issued by American Water Works Company, Inc.
104	Cover Page Interactive Data File (the cover page XBRL tags are included and formatted as Inline XBRL)

* Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

Dated: February 15, 2023

By: /s/ JOHN C. GRIFFITH

John C. Griffith

Executive Vice President and Chief Financial Officer

Press Release



February 15, 2023

Investor Contact:

Aaron Musgrave
Vice President, Investor Relations
856-955-4029
aaron.musgrave@amwater.com

Media Contact:

Maureen Duffy
Senior Vice President, Communications and External Affairs
856-955-4163
maureen.duffy@amwater.com

AMERICAN WATER'S 2022 STRONG RESULTS MEET EXPECTATIONS AFFIRMS 2023 GUIDANCE AND LONG-TERM TARGETS

- **2022 full-year earnings of \$4.51 per share, compared to 2021 earnings of \$6.95 per share, which reflected a gain of \$2.70 per share on sale of Homeowner Services Group (HOS) in Dec. 2021**
 - **2022 weather-normalized earnings of \$4.45 per share**
 - **Invested a record \$2.6 billion in capital and added 70,000 customer connections through closed acquisitions in 2022**
- **2023 earnings per share guidance range of \$4.72 to \$4.82 affirmed**
- **Long-term EPS and dividend growth targets of 7-9% announced in Nov. 2022 affirmed**

CAMDEN, N.J., February 15, 2023 - American Water Works Company, Inc. (NYSE: AWK) today reported earnings of \$0.81 per share for the fourth quarter 2022 compared to \$3.55 per share in 2021, and full year earnings in 2022 of \$4.51 per share compared to \$6.95 per share in 2021. Fourth quarter and full year 2021 results included a gain of \$2.70 per share, which reflected the completion of the sale of HOS in December of 2021. Fourth quarter and full year 2021 results were \$0.85 per share and \$4.25 per share, respectively, before the gain on the sale of HOS.

“American Water successfully executed on our strategies in 2022, achieved on-plan earnings growth, and again delivered strong dividend growth to investors. Importantly, we achieved constructive outcomes in general rate cases in three of our largest jurisdictions - New Jersey, Pennsylvania, and Illinois,” said Susan Hardwick, president and CEO of American Water.

“We invested a record \$2.6 billion across our business, led by infrastructure renewal, and completed 26 regulated acquisitions during the year. We are also proud that 2022 marked our best year of safety performance on record, and that we established additional GHG emissions reduction goals, including a net zero target by 2050,” added Hardwick. “We are excited about this positive momentum as we begin 2023.”

2023 EPS Guidance and Long-Term Financial Targets Affirmed

The Company affirms its 2023 earnings per share guidance range of \$4.72 to \$4.82. The Company also affirms its long-term financial targets for the 2023-2027 period announced in Nov. 2022, including its long-term EPS and dividend growth rate targets of 7-9%. The Company's earnings forecasts are subject to numerous risks and uncertainties, including, without limitation, those described under “Cautionary Statement Concerning Forward-Looking Statements” below and under “Risk Factors” in its annual, quarterly, and current reports filed with the Securities and Exchange Commission (“SEC”). All statements related to earnings and earnings per share refer to diluted earnings and earnings per share.

Highlights

- Delivered EPS results of \$4.51 slightly ahead of expectations, led by strong growth in the Regulated Businesses
- Successfully completed general rate cases in New Jersey, Pennsylvania, Illinois, West Virginia, and Hawaii

- Incorporated updated production costs in New Jersey and received authorization of a pension and OPEB deferral effective January 1, 2023
- Incorporated updated production costs and pension and OPEB costs in Pennsylvania and Illinois
- Invested a record \$2.3 billion for infrastructure improvements and replacements in 2022
- Closed on 26 acquisitions of various regulated water and wastewater systems in 2022, adding a record 70,000 customer connections, totaling \$0.3 billion of investment
- Announced new medium-term and long-term GHG emissions reduction targets aligning with the Paris Agreement
- Published inclusion, diversity & equity (ID&E) metrics report with consolidated EEO-1 data and launched diversityataw.com

Consolidated Results

For the three and twelve months ended December 31, 2022, earnings per share were \$0.81 and \$4.51, respectively, compared to \$3.55 and \$6.95 per share in the same periods in 2021. The 2021 results included a net gain of \$2.70 per share relating to the sale of HOS. Before the gain related to the sale of HOS in 2021, earnings per share increased \$0.26 in 2022 as compared to 2021. This increase was primarily driven by continued growth in the Regulated Businesses from the return on infrastructure investments, acquisitions, and organic customer growth, offset somewhat by impacts from inflationary pressures on production costs and higher interest costs along with higher depreciation expenses from the growth of the business. Results for 2022 also reflect the favorable impact of weather, estimated at \$0.06 per share, primarily due to hot and dry weather in the third quarter of 2022, as compared to a modest favorable impact from weather in 2021. Also, included in the results for 2022 are \$0.24 per share from interest income earned on the seller note and income earned on revenue share agreements, which compares to HOS operating results for 2021 of \$0.31 per share. Lastly, operating results for the Company's New York subsidiary, which was sold on January 1, 2022, were \$0.12 per share in 2021.

In 2022, the Company made capital investments of \$2.6 billion, including \$2.3 billion for infrastructure improvements and other capital investments in the Regulated Businesses and \$0.3 billion for regulated acquisitions.

Regulated Businesses

In the fourth quarter of 2022, the Regulated Businesses' net income was \$173 million, compared to \$166 million for the same period in 2021. For the full year 2022, the Regulated Businesses' net income was \$854 million, compared to \$789 million in 2021. Net income attributable to the Company's New York subsidiary was \$4 million and \$21 million for the three and twelve months ended December 31, 2021, respectively.

Operating revenues increased \$61 million and \$248 million for the three and twelve months ended December 31, 2022, respectively, as compared to 2021, when excluding revenues contributed by the Company's New York subsidiary in 2021. The increases in operating revenues were primarily a result of authorized revenue increases resulting from completed general rate cases and infrastructure proceedings to recover incremental capital and acquisition investments.

Since January 1, 2022, the Company has been authorized additional annualized revenues of approximately \$308 million from general rate cases, with \$90 million effective in 2022 and \$218 million effective in 2023. Further, approximately \$108 million of additional annualized revenues from infrastructure surcharges have been authorized, with \$83 million effective in 2022 and \$25 million effective in 2023. The Company has general rate cases in progress in three jurisdictions and filed for two infrastructure surcharges, reflecting a total annualized revenue request of approximately \$181 million.

Excluding impacts of the Company's New York subsidiary in 2021, operation and maintenance ("O&M") expenses were higher by \$24 million and \$68 million for the three and twelve months ended December 31, 2022, respectively, as compared to 2021, primarily due to increases in production costs from inflationary pressures. Also, depreciation expense was higher by \$8 million and \$32 million in these same periods due to the growing capital investment in infrastructure and acquisitions.

For the three and twelve months ended December 31, 2021, results included revenues of \$30 million and \$127 million, respectively, and operating expenses of \$23 million and \$94 million, respectively, for the Company's New York subsidiary that was sold on January 1, 2022.

For the full year 2022, the Company's adjusted regulated O&M efficiency ratio (a non-GAAP financial measure) was 33.7%, compared to 34.1% for 2021. The ratio reflects an increase in operating revenues for the Regulated Businesses, after considering the adjustment for the amortization of the excess accumulated deferred income taxes ("EADIT") shown in the table below, as well as the continued focus on operating costs.

Other

In the fourth quarter of 2022, the net loss in Other was \$26 million, compared to net income of \$479 million for the same period in 2021. For the year ended 2022, the net loss in Other was \$34 million, compared to net income of \$474 million for the same period in 2021. The primary driver for the change in both periods is the gain on the sale of HOS of \$478 million in 2021, the loss of earnings from HOS operations as a result of the sale of the business in 2021, and incremental interest expense on long-term debt in 2022. The loss of HOS operating results has been partially offset in both periods of 2022 with interest income earned on the seller note from the sale and continuing income earned on revenue share agreements. As previously disclosed, results in 2022 also reflect \$0.06 per share of favorable impact from post-close adjustments related to the sale of HOS and the Company's New York subsidiary.

Dividends

On December 7, 2022, the Company's Board of Directors declared a quarterly cash dividend payment of \$0.6550 per share of common stock payable on March 1, 2023, to shareholders of record as of February 7, 2023.

2022 Fourth Quarter and Year-End Earnings Conference Call

The conference call to discuss fourth quarter and year-end 2022 earnings, and affirmation of 2023 earnings guidance, and long-term targets will take place on Thursday, February 16, 2023, at 9 a.m. Eastern Standard Time. Interested parties may listen to an audio webcast through a link on the Company's Investor Relations website at ir.amwater.com. Presentation slides that will be used in conjunction with the earnings conference call will also be made available online in advance at ir.amwater.com. The Company recognizes its website as a key channel of distribution to reach public investors and as a means of disclosing material non-public information to comply with its obligations under SEC Regulation FD.

Following the earnings conference call, a replay of the audio webcast will be available for one year on American Water's investor relations website at ir.amwater.com/events.

Non-GAAP Financial Measures

This press release includes a presentation of adjusted regulated O&M efficiency ratio, a "non-GAAP financial measure" under SEC rules, which excludes from its calculation estimated purchased water revenues and purchased water expenses, reductions for the amortization of EADIT, and the allocable portion of non-O&M support services costs, mainly depreciation and general taxes. These items were excluded from the O&M efficiency ratio calculation as they do not reflect management's ability to increase the efficiency of the Regulated Businesses. This item is derived from American Water's consolidated financial information but is not presented in its financial statements prepared in accordance with GAAP. This non-GAAP financial measure supplements and should be read in conjunction with the Company's GAAP disclosures and should be considered as an addition to, and not a substitute for, any GAAP measure.

Management evaluates its operating performance using this ratio and believes that this non-GAAP financial measure is useful to the Company's investors because it directly measures improvement in the operating performance and efficiency of the Company's Regulated Businesses. The Company's adjusted regulated O&M efficiency ratio (i) is not an accounting measure that is based on GAAP; (ii) is not based on a standard, objective industry definition or method of calculation; (iii) may not be comparable to other companies' operating measures; and (iv) should not be used in place of the GAAP information provided elsewhere in this press release.

Set forth in this release is a table that calculates the Company's adjusted regulated O&M efficiency ratio and reconciles each of the components used to calculate this ratio to the most directly comparable GAAP financial measure.

About American Water

With a history dating back to 1886, American Water is the largest and most geographically diverse U.S. publicly-traded water and wastewater utility company. The Company employs approximately 6,500 dedicated professionals who provide regulated and market-based drinking water, wastewater and other related services to over 14 million people in 24 states. More information can be found by visiting amwater.com and follow American Water on Twitter, Facebook and LinkedIn.

Throughout this press release, unless the context otherwise requires, references to the "Company" and "American Water" mean American Water Works Company, Inc. and all of its subsidiaries, taken together as a whole.

Cautionary Statement Concerning Forward-Looking Statements

Certain statements in this press release including, without limitation, 2023 earnings guidance, the Company's long-term financial, growth and dividend targets, future capital needs, the ability to achieve the Company's strategies and goals, including

with respect to its ESG focus, its greenhouse gas emissions reduction goals, and related to the Company's receipt of contingent consideration from the sale of HOS, the repayment of the seller note and the redeployment of the net proceeds from the sale of HOS, the outcome of the Company's pending acquisition activity, the amount and allocation of projected capital expenditures, and estimated revenues from rate cases and other government agency authorizations, are forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and the Federal securities laws. In some cases, these forward-looking statements can be identified by words with prospective meanings such as "intend," "plan," "estimate," "believe," "anticipate," "expect," "predict," "project," "propose," "assume," "forecast," "outlook," "likely," "uncertain," "future," "pending," "goal," "objective," "potential," "continue," "seek to," "may," "can," "will," "should" and "could" and or the negative of such terms or other variations or similar expressions. These forward-looking statements are predictions based on American Water's current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, financial results, levels of activity, performance or achievements, and readers are cautioned not to place undue reliance upon them. The forward-looking statements are subject to a number of estimates and assumptions, and known and unknown risks, uncertainties and other factors. Actual results may differ materially from those discussed in the forward-looking statements included in this press release as a result of the factors discussed in the Company's Annual Report on Form 10-K for the year ended December 31, 2022, and subsequent filings with the SEC, and because of factors such as: the decisions of governmental and regulatory bodies, including decisions to raise or lower customer rates; the timeliness and outcome of regulatory commissions' and other authorities' actions concerning rates, capital structure, authorized return on equity, capital investment, system acquisitions and dispositions, taxes, permitting, water supply and management, and other decisions; changes in customer demand for, and patterns of use of, water and energy, such as may result from conservation efforts, or otherwise; a loss of one or more large industrial or commercial customers due to adverse economic conditions, or other factors; limitations on the availability of the Company's water supplies or sources of water, or restrictions on its use thereof, resulting from allocation rights, governmental or regulatory requirements and restrictions, drought, overuse or other factors; changes in laws, governmental regulations and policies, including with respect to the environment, health and safety, water quality and water quality accountability, contaminants of emerging concern, public utility and tax regulations and policies, and impacts resulting from U.S., state and local elections and changes in federal, state and local executive administrations; the Company's ability to collect, distribute, use, secure and store consumer data in compliance with current or future governmental laws, regulation and policies with respect to data and consumer privacy, security and protection; weather conditions and events, climate variability patterns, and natural disasters, including drought or abnormally high rainfall, prolonged and abnormal ice or freezing conditions, strong winds, coastal and intercoastal flooding, pandemics (including COVID-19) and epidemics, earthquakes, landslides, hurricanes, tornadoes, wildfires, electrical storms, sinkholes and solar flares; the outcome of litigation and similar governmental and regulatory proceedings, investigations or actions; the risks associated with the Company's aging infrastructure, and its ability to appropriately improve the resiliency of, or maintain and replace, current or future infrastructure and systems, including its technology and other assets, and manage the expansion of its businesses; exposure or infiltration of the Company's technology and critical infrastructure systems, including the disclosure of sensitive, personal or confidential information contained therein, through physical or cyber attacks or other means; the Company's ability to obtain permits and other approvals for projects and construction of various water and wastewater facilities; changes in the Company's capital requirements; the Company's ability to control operating expenses and to achieve operating efficiencies; the intentional or unintentional actions of a third party, including contamination of the Company's water supplies or the water provided to its customers; the Company's ability to obtain and have delivered adequate and cost-effective supplies of pipe, equipment (including personal protective equipment), chemicals, power and other fuel, water and other raw materials and to address or mitigate supply chain constraints impacting the Company's business operations; the Company's ability to successfully meet its operational growth projections, either individually or in the aggregate, and capitalize on growth opportunities, including, among other things, with respect to acquiring, closing and successfully integrating regulated operations, the Company's Military Services Group entering into new contracts, price redeterminations and other agreements and contracts, and realizing anticipated benefits and synergies from new acquisitions; risks and uncertainties following the completion of the sale of HOS, including the Company's ability to receive contingent consideration provided for in the HOS sale as well as amounts due, payable and owing to the Company under the seller note when due; risks and uncertainties associated with contracting with the U.S. government, including ongoing compliance with applicable government procurement and security regulations; cost overruns relating to improvements in or the expansion of the Company's operations; the Company's ability to successfully develop and implement new technologies and to protect related intellectual property; the Company's ability to maintain safe work sites; the Company's exposure to liabilities related to environmental laws and similar matters resulting from, among other things, water and wastewater service provided to customers; the ability of energy providers, state governments and other third parties to achieve or fulfill their greenhouse gas emission reduction goals, including without limitation through stated renewable portfolio standards and carbon transition plans; changes in general economic, political, business and financial market conditions; access to sufficient debt and/or equity capital on satisfactory terms and as needed to support operations and capital expenditures; fluctuations in inflation or interest rates and the Company's ability to address or mitigate the impacts thereof; the ability to comply with affirmative or negative covenants in the current or future indebtedness of the Company or any of its subsidiaries, or the issuance of new or modified credit ratings or outlooks or other communications by credit rating agencies with respect to the Company or any of its subsidiaries (or any current or future indebtedness thereof), which could increase financing costs or funding requirements and affect the Company's or its subsidiaries' ability to issue, repay or redeem debt, pay dividends or make distributions; fluctuations in the value of, or assumptions and estimates related to, its benefit plan assets and liabilities, including with respect to its pension and other post-retirement benefit plans, that could increase expenses and plan funding requirements; changes in federal or state general,

income and other tax laws, including (i) future significant tax legislation; and (ii) the availability of, or the Company's compliance with, the terms of applicable tax credits and tax abatement programs; migration of customers into or out of the Company's service territories and changes in water and energy consumption resulting therefrom; the use by municipalities of the power of eminent domain or other authority to condemn the systems of one or more of the Company's utility subsidiaries, or the assertion by private landowners of similar rights against such utility subsidiaries; any difficulty or inability to obtain insurance for the Company, its inability to obtain insurance at acceptable rates and on acceptable terms and conditions, or its inability to obtain reimbursement under existing or future insurance programs and coverages for any losses sustained; the incurrence of impairment charges, changes in fair value and other adjustments related to the Company's goodwill or the value of its other assets; labor actions, including work stoppages and strikes; the Company's ability to retain and attract highly qualified and skilled employees and/or diverse talent; civil disturbances or unrest, or terrorist threats or acts, or public apprehension about future disturbances, unrest, or terrorist threats or acts; and the impact of new, and changes to existing, accounting standards.

These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above and the risk factors included in American Water's annual, quarterly and other SEC filings, and readers should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements American Water makes speak only as of the date of this press release. American Water does not have or undertake any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise, except as otherwise required by the federal securities laws. New factors emerge from time to time, and it is not possible for the Company to predict all such factors. Furthermore, it may not be possible to assess the impact of any such factor on the Company's businesses, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.

AWK-IR

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Statements of Operations

(In millions, except per share data)

	For the Three Months Ended December 31,		For the Years Ended December 31,	
	2022	2021	2022	2021
	(Unaudited)			
Operating revenues	\$ 931	\$ 951	\$ 3,792	\$ 3,930
Operating expenses:				
Operation and maintenance	433	491	1,589	1,777
Depreciation and amortization	164	160	649	636
General taxes	73	80	281	321
Total operating expenses, net	670	731	2,519	2,734
Operating income	261	220	1,273	1,196
Other income (expense):				
Interest expense	(116)	(103)	(433)	(403)
Interest income	13	4	52	4
Non-operating benefit costs, net	19	19	77	78
Gain or (loss) on sale of businesses	19	747	19	747
Other, net	(18)	7	20	18
Total other income (expense)	(83)	674	(265)	444
Income before income taxes	178	894	1,008	1,640
Provision for income taxes	31	249	188	377
Net income attributable to common shareholders	\$ 147	\$ 645	\$ 820	\$ 1,263
Basic earnings per share: (a)				
Net income attributable to common shareholders	\$ 0.81	\$ 3.56	\$ 4.51	\$ 6.96
Diluted earnings per share: (a)				
Net income attributable to common shareholders	\$ 0.81	\$ 3.55	\$ 4.51	\$ 6.95
Weighted-average common shares outstanding:				
Basic	182	182	182	182
Diluted	182	182	182	182

(a) Amounts may not calculate due to rounding.

American Water Works Company, Inc. and Subsidiary Companies**Consolidated Balance Sheets**

(In millions, except share and per share data)

	December 31, 2022	December 31, 2021
ASSETS		
Property, plant and equipment	\$ 29,736	\$ 27,413
Accumulated depreciation	(6,513)	(6,329)
Property, plant and equipment, net	23,223	21,084
Current assets:		
Cash and cash equivalents	85	116
Restricted funds	32	20
Accounts receivable, net of allowance for uncollectible accounts of \$60 and \$75, respectively	334	271
Income tax receivable	114	4
Unbilled revenues	275	248
Materials and supplies	98	57
Assets held for sale	—	683
Other	312	155
Total current assets	1,250	1,554
Regulatory and other long-term assets:		
Regulatory assets	990	1,051
Seller promissory note from the sale of the Homeowner Services Group	720	720
Operating lease right-of-use assets	82	92
Goodwill	1,143	1,139
Postretirement benefit assets	—	193
Other	379	242
Total regulatory and other long-term assets	3,314	3,437
Total assets	\$ 27,787	\$ 26,075

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Balance Sheets

(In millions, except share and per share data)

	December 31, 2022	December 31, 2021
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock (\$0.01 par value; 500,000,000 shares authorized; 187,200,539 and 186,880,413 shares issued, respectively)	\$ 2	\$ 2
Paid-in-capital	6,824	6,781
Retained earnings	1,267	925
Accumulated other comprehensive loss	(23)	(45)
Treasury stock, at cost (5,342,477 and 5,269,324 shares, respectively)	(377)	(365)
Total common shareholders' equity	7,693	7,298
Long-term debt	10,926	10,341
Redeemable preferred stock at redemption value	3	3
Total long-term debt	10,929	10,344
Total capitalization	18,622	17,642
Current liabilities:		
Short-term debt	1,175	584
Current portion of long-term debt	281	57
Accounts payable	254	235
Accrued liabilities	706	701
Accrued taxes	49	176
Accrued interest	91	88
Liabilities related to assets held for sale	—	83
Other	255	217
Total current liabilities	2,811	2,141
Regulatory and other long-term liabilities:		
Advances for construction	316	284
Deferred income taxes and investment tax credits	2,437	2,421
Regulatory liabilities	1,590	1,600
Operating lease liabilities	70	80
Accrued pension expense	235	285
Other	202	180
Total regulatory and other long-term liabilities	4,850	4,850
Contributions in aid of construction	1,504	1,442
Commitments and contingencies		
Total capitalization and liabilities	\$ 27,787	\$ 26,075

American Water Works Company, Inc. and Subsidiary Companies**Adjusted Regulated Operation and Maintenance Efficiency Ratio (A Non-GAAP, unaudited measure)**

(Dollars in millions)

	2022	2021	2020
Total operation and maintenance expenses	\$ 1,589	\$ 1,777	\$ 1,622
Less:			
Operation and maintenance expenses—Other	244	452	364
Total operation and maintenance expenses—Regulated Businesses	1,345	1,325	1,258
Less:			
Regulated purchased water expenses	154	153	149
Allocation of non-operation and maintenance expenses	31	34	41
Adjusted operation and maintenance expenses—Regulated Businesses (i)	\$ 1,160	\$ 1,138	\$ 1,068
Total operating revenues	\$ 3,792	\$ 3,930	\$ 3,777
Less:			
Operating revenues—Other	287	546	522
Total operating revenues—Regulated Businesses	3,505	3,384	3,255
Less:			
Regulated purchased water revenues (a)	154	153	149
Revenue reductions from the amortization of EADIT	(89)	(104)	(7)
Adjusted operating revenues—Regulated Businesses (ii)	\$ 3,440	\$ 3,335	\$ 3,113
Adjusted O&M efficiency ratio—Regulated Businesses (i) / (ii)	33.7 %	34.1 %	34.3 %

(a) The calculation assumes regulated purchased water revenues approximate regulated purchased water expenses.

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

Form 8-K

**Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): December 15, 2022

American Water Works Company, Inc.

(Exact name of registrant as specified in its charter)

Commission File Number: 001-34028

Delaware
(State or other jurisdiction
of incorporation)

51-0063696
(IRS Employer
Identification No.)

1 Water Street
Camden, NJ 08102-1658
(Address of principal executive offices, including zip code)
(856) 955-4001
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Trading Symbol</u>	<u>Name of Each Exchange on Which Registered</u>
Common stock, par value \$0.01 per share	AWK	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 8.01. Other Events.

Illinois Commerce Commission (“ICC”) Approval of Order in Illinois-American Water Company (“Illinois American Water”) General Rate Case

On December 15, 2022, the ICC issued an order (the “Order”) approving the adjustment of base rates requested in a rate case filed on February 10, 2022 by Illinois American Water, a wholly owned subsidiary of American Water Works Company, Inc. (the “Company”). As updated in Illinois American Water’s June 29, 2022 rebuttal filing, the request sought \$83 million in additional annualized revenues excluding previously recovered infrastructure surcharges. The additional revenue requested had been increased in the rebuttal filing to capture higher production costs and expected higher pension and other post-retirement benefit (“OPEB”) costs.

The Order approved a \$67 million annualized increase in water and wastewater system revenues excluding previously recovered infrastructure surcharges, effective January 1, 2023, based on an authorized return on equity (“ROE”) of 9.78%, authorized rate base of \$1,642 million, a common equity ratio of 49.00% and a debt ratio of 51.00%, compared to an authorized ROE of 9.79%, authorized rate base of \$883.4 million, a common equity ratio of 49.80% and a debt ratio of 50.20%, as approved in Illinois American Water’s last rate case effective January 1, 2017. The annualized revenue increase is being driven primarily by (i) over \$1.1 billion of water and wastewater system capital investments since Illinois American Water’s 2017 rate case order that have been completed or are planned through December 31, 2023, (ii) expected higher pension and other OPEB costs, and (iii) increases in production costs, including chemicals, fuel and power costs.

A copy of the press release issued by Illinois American Water on December 19, 2022 to announce the issuance of the ICC’s order has been filed as [Exhibit 99.1](#) hereto and is incorporated herein by reference. References and links to websites and other information contained in the press release are not provided as active hyperlinks, and the information contained in or accessed through these hyperlinks shall not be incorporated into, or form a part of, this Current Report on Form 8-K.

Cautionary Statement Concerning Forward-Looking Statements

Certain statements included in this Current Report on Form 8-K (or the exhibits thereto) are forward-looking statements within the meaning of Section 27A of the Securities Act, Section 21E of the Exchange Act and the Private Securities Litigation Reform Act of 1995. In some cases, these forward-looking statements can be identified by words with prospective meanings such as “intend,” “plan,” “estimate,” “believe,” “anticipate,” “expect,” “predict,” “project,” “propose,” “assume,” “forecast,” “outlook,” “future,” “pending,” “goal,” “objective,” “potential,” “continue,” “seek to,” “may,” “can,” “will,” “should” and “could,” or the negative of such terms or other variations or similar expressions. These forward-looking statements are predictions based on the Company’s current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, performance or achievements, and readers are cautioned not to place undue reliance upon them. The forward-looking statements are subject to a number of estimates and assumptions, and known and unknown risks, uncertainties and other factors. Actual results may differ materially from those discussed in the forward-looking statements included in this Current Report on Form 8-K as a result of the factors discussed in the Company’s Annual Report on Form 10-K for the year ended December 31, 2021, as filed with the Securities and Exchange Commission (the “SEC”) on February 16, 2022, and other filings with the SEC, and additional risks and uncertainties, including with respect to (1) the amount and timing of incremental future capital expenditures and investments to be made by Illinois American Water; (2) regulatory, legislative, local or municipal actions affecting the water and wastewater industries, which could adversely affect the Company or Illinois American Water; and (3) other economic, financial, political, business and other factors that may impact or affect the water and wastewater industries generally, the Company or Illinois American Water specifically.

These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above and the risk factors included in the Company’s annual and quarterly reports as filed with the SEC, and readers should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements speak only as of the date of this Current Report on Form 8-K. The Company does not have any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise, except as otherwise required by the federal securities laws. New factors emerge from time to time, and it is not possible for us to predict all such factors. Furthermore, it may not be possible to assess the impact of any such factor on the Company’s or Illinois American Water’s business, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

The following exhibits to this Current Report have been provided herewith as noted below:

Exhibit No.	Description
99.1*	Press Release, dated December 19, 2022, issued by Illinois American Water.
104	Cover Page Interactive Data File (the cover page XBRL tags are included and formatted as Inline XBRL).

* Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

Dated: December 19, 2022

By: /s/ JOHN C. GRIFFITH

John C. Griffith

Executive Vice President and Chief Financial Officer

Press Release



Illinois American Water Granted New Rates by Illinois Commerce Commission

*Rate Adjustment Driven by Over \$1.1 Billion of System Upgrades;
New Low-Income Discount Tariff Approved*

Belleville, Ill. (Dec. 19, 2022) — On Dec. 15, 2022, the Illinois Commerce Commission (ICC) issued an order adjusting base rates for Illinois American Water, effective Jan. 1, 2023. The rate change request, which was filed in Feb. 2022, was driven primarily by over \$1.1 billion in completed or planned investment, reflecting approximately \$948 million in water system improvements and \$204 million in wastewater system improvements in Illinois from 2018 through 2023.

The rate order will result in a total annualized revenue increase of approximately \$67 million. The additional revenues will support continued investment in critical water and wastewater infrastructure throughout the state, including the replacement, lining and installation of approximately 141 miles of aging water and wastewater pipelines. Investments would also include, among others, upgrading water and wastewater treatment plants, storage tanks, wells, pumping stations, fire hydrants, meters and manholes across the state.

“By making prudent, ongoing investments to maintain and upgrade our water and wastewater systems, Illinois American Water is committed to the safety and reliability of our systems in the communities we serve,” said Rebecca Losli, Illinois American Water president.

The last change in Illinois American Water base rates for water and wastewater service occurred in 2017. The amount of the rate change customers will experience will vary among the company’s operating districts. The monthly water service bill for the typical residential customer using 3,500 gallons per month with a 5/8-inch meter will increase between \$3 and \$16 per month, depending on the service area. The typical residential wastewater bill will increase between \$25 and \$36 per month, depending on the service area. Customers will receive communication in their Illinois American Water bill further explaining the rate change.

In addition to the rate adjustment, the ICC approved Illinois American Water’s request for a low-income discount tariff. A combined wastewater collection and treatment bill for the typical qualifying residential customer could decrease by about \$13 to \$26 a month, depending on the service area. A typical qualifying residential water service bill could decrease by about \$12 to \$24 a month, depending on the service area.

“The low-income discount tariff reflects our commitment to affordability for our customers, in addition to the critical investments in our systems to maintain public health,” said Losli. “We remain steadfastly committed to addressing the needs of our most vulnerable customers and supporting affordability.”



**ILLINOIS AMERICAN WATER WAS RANKED HIGHEST IN
CUSTOMER SATISFACTION WITH LARGE WATER UTILITIES
IN THE MIDWEST THREE YEARS IN A ROW!**

For J.D. Power 2022 award information, visit [jdpower.com/awards](https://www.jdpower.com/awards).

Press Release



Qualifying low-income customers will need to apply for the discount and provide required income information. Information about the program will be communicated to customers when the application process is in place. Illinois American Water also offers customer assistance through the company's non-income-based H₂O Help to Others program, payment plans and budget billing. More information can be found on the company's website here.

About Illinois American Water

Illinois American Water, a subsidiary of American Water (NYSE: AWK), is the largest investor-owned water utility in the state, providing high-quality and reliable water and wastewater services to approximately 1.3 million people.

About American Water

With a history dating back to 1886, American Water is the largest and most geographically diverse U.S. publicly traded water and wastewater utility company. The company employs more than 6,400 dedicated professionals who provide regulated and regulated-like drinking water and wastewater services to more than 14 million people in 24 states. American Water provides safe, clean, affordable and reliable water services to our customers to help keep their lives flowing. American Water also owns and operates a quality control and research laboratory in Belleville. For more information, visit amwater.com and diversityataw.com. Follow American Water on Twitter, Facebook and LinkedIn.

AWK-IR

Media Contact:

Karen Cotton
Sr. Manager External Communications
Karen.Cotton@amwater.com



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CUSTOMER SATISFACTION WITH LARGE WATER UTILITIES
IN THE MIDWEST THREE YEARS IN A ROW!**

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

Form 8-K

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Date of Report (Date of earliest event reported): December 8, 2022

American Water Works Company, Inc.

(Exact name of registrant as specified in its charter)

Commission File Number: 001-34028

Delaware
(State or other jurisdiction
of incorporation)

51-0063696
(IRS Employer
Identification No.)

1 Water Street
Camden, NJ 08102-1658
(Address of principal executive offices, including zip code)
(856) 955-4001
(Registrant's telephone number, including area code)

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Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Trading Symbol</u>	<u>Name of Each Exchange on Which Registered</u>
Common stock, par value \$0.01 per share	AWK	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 8.01. Other Events.

Pennsylvania Public Utility Commission (“PaPUC”) Approval of Settlement in Pennsylvania-American Water Company (“Pennsylvania American Water”) General Rate Case

On December 8, 2022, the PaPUC issued an order (the “Order”) approving the joint settlement of the rate case filed on April 29, 2022 by Pennsylvania American Water, a subsidiary of American Water Works Company, Inc. (the “Company”). The original filing requested a \$173 million increase in annualized water and wastewater revenues. The “black box” settlement was entered into on October 11, 2022 among Pennsylvania American Water, the PaPUC’s Bureau of Investigation and Enforcement, the Pennsylvania Office of Consumer Advocate, the Pennsylvania Small Business Advocate and the other parties to the general rate case. The Order approves a \$138 million annualized increase in water and wastewater revenues and authorizes implementation of the new water and wastewater rates effective January 28, 2023. The annualized revenue increase is driven primarily by (i) over \$1 billion of incremental capital investments since Pennsylvania American Water’s 2021 rate case order that will be completed through December 31, 2023, (ii) increases in pension and other post-employment benefits (“OPEB”) expense, and (iii) increases in production costs, including chemicals, fuel and power costs. The Order also includes recovery of Pennsylvania American Water’s COVID-19 deferral balance.

Pennsylvania American Water’s current rate base of \$5.1 billion reflects inclusion of the public water and wastewater collection and treatment system assets acquired by Pennsylvania American Water since the 2021 rate case order. Pennsylvania American Water’s view of its return on equity (“ROE”), common equity ratio and long-term debt ratio is 10.0%, 55.20% and 44.80%, respectively, each of which is based on the Order but was not disclosed therein, compared to an ROE of 9.9%, common equity ratio of 55.24% and long-term debt ratio of 44.76%, which were Pennsylvania American Water’s views based on its 2021 rate case order.

A copy of the press release issued by Pennsylvania American Water on December 8, 2022 to announce the issuance of the PaPUC’s order has been filed as [Exhibit 99.1](#) hereto and is incorporated herein by reference. References and links to websites and other information contained in the press release are not provided as active hyperlinks, and the information contained in or accessed through these hyperlinks shall not be incorporated into, or form a part of, this Current Report on Form 8-K.

Cautionary Statement Concerning Forward-Looking Statements

Certain statements included in this Current Report on Form 8-K (or the exhibits thereto) are forward-looking statements within the meaning of Section 27A of the Securities Act, Section 21E of the Exchange Act and the Private Securities Litigation Reform Act of 1995. In some cases, these forward-looking statements can be identified by words with prospective meanings such as “intend,” “plan,” “estimate,” “believe,” “anticipate,” “expect,” “predict,” “project,” “propose,” “assume,” “forecast,” “outlook,” “future,” “pending,” “goal,” “objective,” “potential,” “continue,” “seek to,” “may,” “can,” “will,” “should” and “could,” or the negative of such terms or other variations or similar expressions. These forward-looking statements are predictions based on the Company’s current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, performance or achievements, and readers are cautioned not to place undue reliance upon them. The forward-looking statements are subject to a number of estimates and assumptions, and known and unknown risks, uncertainties and other factors. Actual results may differ materially from those discussed in the forward-looking statements included in this Current Report on Form 8-K as a result of the factors discussed in the Company’s Annual Report on Form 10-K for the year ended December 31, 2021, as filed with the Securities and Exchange Commission (the “SEC”) on February 16, 2022, and other filings with the SEC, and additional risks and uncertainties, including with respect to (1) the amount and timing of incremental future capital expenditures and investments to be made by Pennsylvania American Water; (2) regulatory, legislative, local or municipal actions affecting the water and wastewater industries, which could adversely affect the Company or Pennsylvania American Water; and (3) other economic, financial, political, business and other factors that may impact or affect the water and wastewater industries generally, the Company or Pennsylvania American Water specifically.

These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above and the risk factors included in the Company’s annual and quarterly reports as filed with the SEC, and readers should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements speak only as of the date of this Current Report on Form 8-K. The Company does not have any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise, except as otherwise required by the federal securities laws. New factors emerge from time to time, and it is not possible for us to predict all such factors. Furthermore, it may not be possible to assess the impact of any such factor on the Company’s or Pennsylvania American Water’s business, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

The following exhibits to this Current Report have been provided herewith as noted below:

Exhibit No.	Description
99.1*	Press Release, dated December 8, 2022, issued by Pennsylvania American Water.
104	Cover Page Interactive Data File (the cover page XBRL tags are included and formatted as Inline XBRL).

* Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

Dated: December 8, 2022

By: /s/ JOHN C. GRIFFITH

John C. Griffith

Executive Vice President and Chief Financial Officer

Press Release



Settlement Approved in Pennsylvania American Water Rate Request

April 2022 rate request driven by more than \$1 billion in system investments to address aging water and wastewater infrastructure; includes enhanced customer assistance programs

MECHANICSBURG, Pa. (Dec. 8, 2022) – The Pennsylvania Public Utility Commission (PUC) today approved the joint settlement agreement that was filed in Oct. 2022 by all active parties in the case, including the company, PUC Bureau of Investigation and Enforcement, Office of Consumer Advocate, Office of Small Business Advocate, large industrial customers and low-income customer advocates. In the filing, each of the involved parties indicated that the settlement and associated rates were fair, just, reasonable and in the public interest.

The terms of the approved settlement agreement include a total annualized revenue increase of \$138 million and expanded customer assistance funding. The agreement also includes certain water main extension projects, an accelerated lead service line replacement program to more than double the annual replacement rate and delayed effective dates for acquired systems with rate freezes in place.

When new rates take effect on Jan. 28, 2023, the monthly water bill for the average residential customer will increase by about \$9, and the average monthly residential wastewater bill will increase by about \$30. Rates for the recently acquired systems of Royersford Borough, Valley Township, Foster Township and City of York are proposed to take effect at later dates in accordance with their respective acquisition agreements.

“We are pleased the PUC has approved this settlement, which reflects carefully negotiated terms that balance the customer’s interest with the much-needed ongoing investments made by the company,” said Pennsylvania American Water President Justin Ladner. “We also appreciate the diligence of all parties in the case that supported our company’s robust commitments to additional customer assistance funding and more targeted bill discounts to address affordability as it relates to household income.”

Through its H2O Help to Others Program™, the company provides financial assistance to low-income customers who qualify, including emergency grants, bill discounts and water-saving devices and education. To continue addressing affordability, the agreement approved today includes an expanded, three-tiered approach to the company’s current low-income discount program. Under this expanded program, eligible households will receive monthly bill discounts of between 30 and 80 percent for water and wastewater service. Last year, customers received approximately \$4.5 million in bill discounts under this program. As part of the agreement, the company will also increase its annual contribution to the H2O Help to Others grant program from \$600,000 to \$750,000.

Press Release



“As a company, we believe that the service we provide must be safe, reliable for fire protection, and resilient in the face of floods, droughts, and other weather-related risks,” continued Ladner. “At the same time, it also must be affordable, which is why we are an industry leader in customer assistance programs. We also cannot underestimate the importance of the environmental improvements achieved through our significant wastewater system investments, which improve the quality of our rivers and streams. We continue seeking ways to accomplish all of these simultaneously, and we believe that the agreement approved today does just that.”

Pennsylvania American Water filed its rate request with the PUC on Apr. 29, 2022, seeking to adjust its rates by approximately \$173 million for the over \$1 billion in water and wastewater system investments the company will make through 2023 to continue providing safe and reliable service.

About Pennsylvania American Water

Pennsylvania American Water, a subsidiary of American Water (NYSE: AWK), is the largest investor-owned water utility in the state, providing high-quality and reliable water and wastewater services to approximately 2.4 million people.

About American Water

With a history dating back to 1886, American Water is the largest and most geographically diverse U.S. publicly traded water and wastewater utility company. The company employs approximately 6,400 dedicated professionals who provide regulated and regulated-like drinking water and wastewater services to an estimated 14 million people in 24 states. American Water provides safe, clean, affordable and reliable water services to our customers to help keep their lives flowing. For more information, visit amwater.com and follow American Water on Twitter, Facebook and LinkedIn.

AWK-IR

Media Contact:

Laura Martin

Sr. Director, Government & External Affairs

C: 304-932-7158

laura.martin@amwater.com

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

Form 8-K

**Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): December 7, 2022

American Water Works Company, Inc.
(Exact name of registrant as specified in its charter)

Commission File Number: 001-34028

Delaware
(State or other jurisdiction
of incorporation)

51-0063696
(IRS Employer
Identification No.)

**1 Water Street
Camden, NJ 08102-1658**
(Address of principal executive offices, including zip code)
(856) 955-4001
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Trading Symbol</u>	<u>Name of Each Exchange on Which Registered</u>
Common stock, par value \$0.01 per share	AWK	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

(d) At a special meeting held on December 7, 2022 (the “Special Meeting”), the Board of Directors (the “Board”) of American Water Works Company, Inc. (the “Company”) increased the size of the Board from nine to 11 members. To fill these vacancies, upon the recommendation of the Nominating/Corporate Governance Committee (the “Nominating Committee”) of the Board, the Board appointed Laurie P. Havanec and Michael L. Marberry as independent directors, with a term beginning immediately after the Special Meeting and ending on the date of the Company’s 2023 Annual Meeting of Shareholders (the “Annual Shareholder Meeting”), or until such director’s earlier death, resignation or removal. The Board also appointed Ms. Havanec to the Executive Development and Compensation Committee and the Safety, Environmental, Technology and Operations (“SETO”) Committee, and Mr. Marberry to the Audit, Finance and Risk Committee and the SETO Committee, which appointments took effect immediately after the Special Meeting.

In accordance with the Board’s compensation arrangements currently in effect, Ms. Havanec and Mr. Marberry will each receive an annual base cash retainer of \$115,000, payable quarterly and prorated for the director’s period of service in 2022, as well as reimbursement for expenses incurred in attending Board and committee meetings and reimbursement for attending one continuing director education program per year. Each director will also be paid, for service from December 7, 2022 until the Annual Shareholder Meeting, in stock units to be granted under the Company’s 2017 Omnibus Equity Compensation Plan, each of which represents a vested contractual right to receive one share of the Company’s common stock within 30 days following the date specified in the stock unit grant document. The stock units represent the prorated portion of \$150,000 in annual equity compensation for the director’s period of service through the date of the Annual Shareholder Meeting.

Neither Ms. Havanec nor Mr. Marberry has any direct or indirect material interest in any transaction in which the Company is or is to be a participant and which would require reporting under Item 404(a) of Regulation S-K. Other than as described above, there are no arrangements or understandings between either Ms. Havanec or Mr. Marberry and any other person, pursuant to which the directors were selected as such.

Item 5.03. Amendments to Articles of Incorporation or Bylaws; Change in Fiscal Year.

(a) On December 7, 2022, in connection with the periodic review of the Company’s bylaws and the effectiveness of new Securities and Exchange Commission rules regarding universal proxy cards (the “Universal Proxy Rules”), and upon the recommendation of the Nominating Committee, the Board approved the amendment and restatement of the Company’s Amended and Restated Bylaws (as so amended and restated, the “Bylaws”), effective immediately. These amendments serve to (i) align the advance notice provisions contained in the Bylaws related to the nomination of director candidates by shareholders with the substantive requirements of the Universal Proxy Rules, and (ii) require that candidates for nomination and nominating persons (as defined in the Bylaws) provide to the Company certain agreements and undertakings. As a condition to the use of the Universal Proxy Rules, a nominating person and each candidate for nomination must satisfy all of the applicable requirements in the Bylaws with respect to such director nomination. In addition, the Bylaws incorporate changes in furtherance of gender neutrality, and include certain conforming changes and other technical, non-substantive or clarifying amendments.

The foregoing description of the Bylaws does not purport to be complete and is qualified in its entirety by reference to the full text thereof, which has been filed as [Exhibit 3.1](#) to this Current Report on Form 8-K and is incorporated herein by reference.

Item 7.01. Regulation FD Disclosure.

On December 8, 2022, the Company issued a press release announcing the election of Ms. Havanec and Mr. Marberry as new independent members of the Board. A copy of the press release has been included as [Exhibit 99.1](#) and is incorporated by reference herein.

The information furnished in response to this Item 7.01, including [Exhibit 99.1](#), shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), nor shall such information be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended (the “Securities Act”), or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

The following exhibits to this Current Report have been provided herewith as noted below:

Exhibit No.	Description
3.1*	Amended and Restated Bylaws of American Water Works Company, Inc., as amended and restated on December 7, 2022.
99.1**	Press Release, dated December 8, 2022, issued by the Company.
104	Cover Page Interactive Data File (the cover page XBRL tags are included and formatted as Inline XBRL).

* Filed herewith.

** Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

Dated: December 8, 2022

By: /s/ JOHN C. GRIFFITH

John C. Griffith

Executive Vice President and Chief Financial Officer

**AMENDED AND RESTATED BYLAWS OF
AMERICAN WATER WORKS COMPANY, INC.**

a Delaware corporation

As adopted on and with effect from December 7, 2022

AMENDED AND RESTATED BYLAWS OF
AMERICAN WATER WORKS COMPANY, INC.
a Delaware corporation

As adopted on and with effect from December 7, 2022

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**AMENDED AND RESTATED
BYLAWS OF**

AMERICAN WATER WORKS COMPANY, INC.
a Delaware corporation

As adopted on and with effect from December 7, 2022

ARTICLE I

Offices

SECTION 1. Registered Office. The registered office of American Water Works Company, Inc. (the "Corporation") in the State of Delaware shall be located in the City of Wilmington.

SECTION 2. Principal Office. The principal office for the transaction of the business of the Corporation shall be at such place as the Board of Directors of the Corporation (the "Board of Directors" or the "Board") may determine. The Board is hereby granted full power and authority to change said principal office from one location to another.

SECTION 3. Other Offices. The Corporation may also have and maintain offices in such other places, within or without the State of Delaware, as the Board may, from time to time, determine or as the business of the Corporation may require.

ARTICLE II

Meetings of Stockholders

SECTION 1. Annual Meetings. The annual meeting of the stockholders for the election of directors and for such other business as may properly come before the meeting in accordance with all applicable requirements of these Bylaws and the General Corporation Law of the State of Delaware, as amended from time to time ("DGCL"), shall be held at such place (within or without the State of Delaware), date (which date shall not be a legal holiday in the place where the meeting is to be held) and hour as shall be designated by resolution of the Board adopted by a majority of the total number of authorized directors (whether or not there exist any vacancies in previously authorized directorships at the time such resolution is presented to the Board for adoption). The Board may, in its sole discretion, determine that the meeting shall not be held at any place, but may instead be held solely by means of remote communication as provided under the DGCL.

SECTION 2. Notice of Meetings. Each stockholder of record of each class of stock of the Corporation then outstanding and entitled to vote at any meeting of stockholders shall be given written notice of such meeting, which notice shall state the place, date and hour of the meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called. Except as otherwise expressly required by law, notice of each meeting of stockholders shall be given not less than ten (10) nor more than sixty (60) days before the date of such meeting to each stockholder entitled to vote at such meeting. An affidavit of the Secretary or an

Assistant Secretary of the Corporation or of the transfer agent or other agent of the Corporation that the notice has been given shall, in the absence of fraud, be prima facie evidence of the facts stated therein. Notice given by electronic transmission shall only be valid if it complies with Section 232 of the DGCL.

SECTION 3. Notice of Business to be Brought Before a Meeting.

(a) At an annual meeting of the stockholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before an annual meeting, such business must be (i) specified in a notice of meeting given by or at the direction of the Board of Directors, (ii) if not specified in a notice of meeting (or any supplement thereto), otherwise brought before the meeting by the Board of Directors or the Board Chair, or (iii) otherwise properly brought before the meeting by a stockholder present in person who (A) was a beneficial owner of shares of the Corporation both at the time of giving the notice provided for in this Section 3 and at the time of the meeting, (B) is entitled to vote at the meeting, and (C) has complied with this Section 3 in all applicable respects. For the avoidance of doubt, subject to Article II, Section 6, except for proposals properly made in accordance with Rule 14a-8 (and interpretations thereunder) promulgated under the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder (the "Exchange Act"), and included in the notice of meeting given by or at the direction of the Board of Directors, clause (iii) above shall be the exclusive means for a stockholder to bring business before an annual meeting of stockholders. For purposes of this Section 3, "present in person" shall mean that the stockholder proposing that the business be brought before the annual meeting of the Corporation, or, if the proposing stockholder is not an individual, a qualified representative of such proposing stockholder, appear at such annual meeting. For purposes of these Bylaws, a "qualified representative" of a stockholder shall be (i) if such stockholder is a general or limited partnership, any general partner or person who functions as a general partner of the general or limited partnership or who controls the general or limited partnership, (ii) if such stockholder is a corporation or a limited liability company, any officer or person who functions as an officer of the corporation or limited liability company or any officer, director, general partner or person who functions as an officer, director or general partner of any entity ultimately in control of the corporation or limited liability company or (iii) if such stockholder is a trust, any trustee of such trust. Stockholders seeking to nominate persons for election to the Board of Directors must comply with Section 4 and Section 5, and this Section 3 shall not be applicable to such nominations except as expressly provided in Section 4 and Section 5.

(b) Without qualification, for business to be properly brought before an annual meeting by a stockholder, the stockholder must (i) provide a Timely Notice (as defined below) thereof in writing and in proper form to the Secretary of the Corporation, and (ii) provide any updates or supplements to such notice at the times and in the forms required by this Section 3. To be timely, a stockholder's notice must be delivered to, or mailed to and received at, the principal executive offices of the Corporation not less than ninety (90) days nor more than one hundred twenty (120) days prior to the one-year anniversary of the preceding year's annual meeting; *provided, however*, that if the date of the annual meeting is more than thirty (30) days before or more than sixty (60) days after such anniversary date, notice by the stockholder to be timely must be so delivered, or mailed and received, not later than the ninetieth (90th) day prior to such annual meeting or, if later, the tenth (10th) day following the day on which public disclosure (as defined in Section 3(h) below) of the date of such annual meeting was first made

(a notice satisfying the time period requirements of this Section 3(b) is referred to as a “Timely Notice”). In no event shall any adjournment or postponement of an annual meeting or the announcement thereof commence a new time period for the giving of Timely Notice as described above.

(c) To be in proper form for purposes of this Section 3, a stockholder’s notice to the Secretary shall set forth:

(i) As to each Proposing Person (as defined below), (A) the name and address of such Proposing Person (including, if applicable, the name and address that appear on the Corporation’s books and records); (B) the class or series and number of shares of the Corporation that are, directly or indirectly, owned of record or beneficially owned (within the meaning of Rule 13d-3 under the Exchange Act) by such Proposing Person, except that such Proposing Person shall in all events be deemed to beneficially own any shares of any class or series of the Corporation as to which such Proposing Person has a right to acquire beneficial ownership at any time in the future; (C) a representation that the stockholder intends to appear in person or by qualified representative at the meeting to propose the business described in the Timely Notice; and (D) a representation as to whether the stockholder intends or is part of a group which intends (x) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Corporation’s outstanding capital stock required to approve the proposed business described in the Timely Notice and/or (y) otherwise to solicit proxies from stockholders in support of such proposed business (the disclosures to be made pursuant to the foregoing clauses (A), (B), (C) and (D) are referred to as “Stockholder Information”);

(ii) As to each Proposing Person, (A) the full notional amount of any securities that, directly or indirectly, underlie any “derivative security” (as such term is defined in Rule 16a-1(c) under the Exchange Act) that constitutes a “call equivalent position” (as such term is defined in Rule 16a-1(b) under the Exchange Act) (a “Synthetic Equity Position”) and that is, directly or indirectly, held or maintained by such Proposing Person with respect to any shares of any class or series of shares of the Corporation; *provided that*, for the purposes of the definition of “Synthetic Equity Position,” the term “derivative security” shall also include any security or instrument that would not otherwise constitute a “derivative security” (as such term is defined in Rule 16a-1(c) under the Exchange Act) as a result of any feature that would make any conversion, exercise or similar right or privilege of such security or instrument becoming determinable only at some future date or upon the happening of a future occurrence, in which case the determination of the amount of securities into which such security or instrument would be convertible or exercisable shall be made assuming that such security or instrument is immediately convertible or exercisable at the time of such determination; and, *provided, further*, that any Proposing Person satisfying the requirements of Rule 13d-1(b) (1) under the Exchange Act (other than a Proposing Person that so satisfies Rule 13d-1(b)(1) under the Exchange Act solely by reason of Rule 13d-1(b)(1)(ii)(E)) shall not be deemed to hold or maintain the notional amount of any securities that underlie a Synthetic Equity Position held by such Proposing Person as a hedge with respect to a *bona fide* derivatives trade or position of such Proposing Person arising in the ordinary course of such Proposing Person’s business as a derivatives dealer, (B) any rights to dividends on the shares of any class or series of shares of the Corporation owned

beneficially by such Proposing Person that are separated or separable from the underlying shares of the Corporation, (C) any material pending or threatened legal proceeding in which such Proposing Person is a party or material participant involving the Corporation or any of its officers or directors, or any affiliate of the Corporation, (D) any other material relationship between such Proposing Person, on the one hand, and the Corporation, any affiliate of the Corporation or any significant competitor of the Corporation, on the other hand, (E) any direct or indirect material interest in any material contract or agreement of such Proposing Person with the Corporation, any affiliate of the Corporation or any significant competitor of the Corporation (including, in any such case, any employment agreement, collective bargaining agreement or consulting agreement) and (F) any other information relating to such Proposing Person that would be required to be disclosed in a proxy statement or other filing required to be made in connection with solicitations of proxies or consents by such Proposing Person in support of the business proposed to be brought before the meeting pursuant to Section 14(a) of the Exchange Act (the disclosures to be made pursuant to the foregoing clauses (A) through (F) are referred to as “Disclosable Interests”); *provided, however*, that Disclosable Interests shall not include any such disclosures with respect to the ordinary course business activities of any broker, dealer, commercial bank, trust company or other nominee who is a Proposing Person solely as a result of being the stockholder directed to prepare and submit the notice required by these Bylaws on behalf of a beneficial owner; and

(iii) As to each item of business that the stockholder proposes to bring before the annual meeting, (A) a brief description of the business desired to be brought before the annual meeting, the reasons for conducting such business at the annual meeting and any material interest in such business of each Proposing Person, (B) the text of the proposed business (including the text of any resolutions proposed for consideration), and (C) a reasonably detailed description of all agreements, arrangements and understandings (x) between or among any of the Proposing Persons or (y) between or among any Proposing Person and any other person or entity (including their names) in connection with the proposal of such business by such stockholder, including without limitation any agreements that would be required to be disclosed pursuant to Item 5 or Item 6 of a Schedule 13D that would be filed pursuant to the Exchange Act (regardless of whether the requirement to file a Schedule 13D is applicable to the Proposing Person or other person or entity); and (D) any other information relating to such item of business that would be required to be disclosed in a proxy statement or other filing required to be made in connection with solicitations of proxies in support of the business proposed to be brought before the meeting pursuant to Section 14(a) of the Exchange Act; *provided, however*, that the disclosures required by this paragraph (iii) shall not include any disclosures with respect to any broker, dealer, commercial bank, trust company or other nominee who is a Proposing Person solely as a result of being the stockholder directed to prepare and submit the notice required by these Bylaws on behalf of a beneficial owner.

For purposes of this Section 3, the term “Proposing Person” shall mean (i) the stockholder providing the notice of business proposed to be brought before an annual meeting, (ii) the beneficial owner or beneficial owners, if any, on whose behalf the notice of the business proposed to be brought before the annual meeting is made, (iii) any participant (as defined in paragraphs (a)(ii)-(vi) of Instruction 3 to Item 4 of Schedule 14A, or any successor instructions) with such stockholder or beneficial owner in such solicitation of proxies in respect of any such

proposed business, (iv) any “affiliate” of such stockholder (for purposes of these Bylaws, such term shall have the definition provided for in Rule 12b-2 under the Exchange Act) or beneficial owner; and (v) any person controlling, controlled by or under common control with any person referred to in clauses (i) and (ii) above.

(d) A Proposing Person shall update and supplement its notice to the Corporation of its intent to propose business at an annual meeting, if necessary, so that the information provided or required to be provided in such notice pursuant to this Section 3 shall be true and correct (i) as of the record date for the determination of persons entitled to receive notice of the meeting and (ii) the date that is five (5) business days prior to the meeting and, in the event of any adjournment or postponement thereof, five (5) business days prior to such adjourned or postponed meeting. In the case of an update and supplement pursuant to clause (i) of this Section, such update and supplement shall be received by the Secretary at the principal executive offices of the Corporation not later than eight (8) business days after the record date for the determination of persons entitled to receive notice of the meeting. In the case of an update and supplement pursuant to clause (ii) above, such update and supplement shall be delivered to, or mailed and received by, the Secretary at the principal executive offices of the Corporation not later than two (2) business days prior to the date for the meeting, and, in the event of any adjournment or postponement thereof, two (2) business days prior to such adjourned or postponed meeting. For purposes of these Bylaws, the term “business day” shall mean any day that is not a Saturday or Sunday, a Federal or state legal holiday in the state of the Corporation’s principal place of business, or a day on which banks in the city of the Corporation’s principal place of business are required or permitted to close.

(e) Notwithstanding anything in these Bylaws to the contrary (other than the provisions of Section 3(g) hereof relating to any proposal made in accordance with Rule 14a-8 under the Exchange Act and included in the proxy statement), no business shall be conducted at an annual meeting that is not properly brought before the meeting in accordance with this Section 3. The presiding officer of the meeting shall, if the facts warrant, determine that the business was not properly brought before the meeting in accordance with this Section 3, and if such presiding officer should so determine, such presiding officer shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted. In addition, business proposed to be brought by a stockholder may not be brought before the annual meeting if such stockholder takes action contrary to the representations made in the stockholder notice applicable to such business or if the stockholder notice applicable to such business contains an untrue statement of a material fact or omits to state a material fact necessary to make the statements therein not misleading.

(f) Notwithstanding any notice of the annual meeting sent to stockholders on behalf of the Corporation, a stockholder must comply with this Section 3 to conduct business at any annual meeting. If the stockholder’s proposed business is the same or relates to business brought by the Corporation and included in its annual meeting notice, the stockholder is nevertheless required to comply and give its own separate and timely written notice to the Secretary pursuant to this Section 3.

(g) This Section 3 is expressly intended to apply to any business proposed to be brought before an annual meeting of stockholders other than any proposal made in accordance with Rule 14a-8 under the Exchange Act and included in the Corporation’s proxy statement. In

addition to the requirements of this Section 3 with respect to any business proposed to be brought before an annual meeting, each Proposing Person shall comply with all applicable requirements of the Exchange Act with respect to any such business. Nothing in this Section 3 shall be deemed to affect any rights of (1) a stockholder to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 (or any successor provision) under the Exchange Act or (2) the Corporation to omit a proposal from the Corporation's proxy statement pursuant to Rule 14a-8 (or any successor provision) under the Exchange Act.

(h) For purposes of these Bylaws, "public disclosure" shall mean disclosure (i) in a press release issued through a national news or wire service, (ii) in a document publicly filed by the Corporation with the Securities and Exchange Commission (the "SEC") pursuant to Sections 13, 14 or 15(d) of the Exchange Act, or (iii) another method reasonably intended by the Corporation to achieve broad-based dissemination of the information contained therein.

SECTION 4. Notice of Nominations for Election to the Board of Directors.

(a) Nominations of any person for election to the Board of Directors at an annual meeting or at a special meeting (but only if the election of directors is a matter specified in the notice of meeting given by or at the direction of the person calling such special meeting) may be made at such meeting only (i) by or at the direction of the Board of Directors, including by any committee or persons authorized to do so by the Board of Directors or these Bylaws, or (ii) by a stockholder present in person (A) who was a beneficial owner of shares of the Corporation both at the time of giving the notice provided for in this Section 4 and at the time of the meeting, (B) is entitled to vote at the meeting, and (C) has complied with this Section 4 and Section 5 as to such notice and nomination. For purposes of this Section 4, "present in person" shall mean that the stockholder proposing that the business be brought before the meeting of the Corporation, or, if the proposing stockholder is not an individual, a qualified representative (as defined in Section 3(a) hereof) of such stockholder, appear at such meeting. Other than as provided in Section 6 below, the foregoing clause (ii) shall be the exclusive means for a stockholder to make any nomination of a person or persons for election to the Board of Directors at an annual meeting or special meeting.

(b) Without qualification, for a stockholder to make any nomination of a person or persons for election to the Board of Directors at an annual meeting, the stockholder must (A) provide Timely Notice (as defined in Section 3) thereof in writing and in proper form to the Secretary of the Corporation, (B) provide the information, agreements and questionnaires with respect to such stockholder and its candidate for nomination as required to be set forth by this Section 4 and Section 5 and (C) provide any updates or supplements to such notice at the times and in the forms required by this Section 4 and Section 5.

(c) Without qualification, if the election of directors is a matter specified in the notice of meeting given by or at the direction of the person calling a special meeting, then for a stockholder to make any nomination of a person or persons for election to the Board of Directors at a special meeting, the stockholder must (i) provide timely notice thereof in writing and in proper form to the Secretary of the Corporation at the principal executive offices of the Corporation, (ii) provide the information with respect to such stockholder and its candidate for nomination as required by this Section 4 and Section 5 and (iii) provide any updates or supplements to such notice at the times and in the forms required by this Section 4. To be timely,

a stockholder's notice for nominations to be made at a special meeting must be delivered to, or mailed and received at, the principal executive offices of the Corporation not earlier than the one hundred twentieth (120th) day prior to such special meeting and not later than the ninetieth (90th) day prior to such special meeting or, if later, the tenth (10th) day following the day on which public disclosure (as defined in Section 3(h)) of the date of such special meeting was first made.

(d) In no event shall any adjournment or postponement of an annual meeting or special meeting or the announcement thereof commence a new time period for the giving of a stockholder's notice as described above.

(e) Notwithstanding any provision of this Section 4 to the contrary, in the event that the number of directors to be elected to the Board of Directors at the next annual meeting of stockholders is increased by virtue of an increase in the size of the Board of Directors and either all of the nominees for director at the next annual meeting of stockholders or the size of the increased Board of Directors is not publicly announced or disclosed by the Corporation at least one hundred (100) days prior to the first anniversary of the preceding year's annual meeting, a stockholder notice shall also be considered timely hereunder, but only with respect to nominees to stand for election at the next annual meeting as the result of any new positions created by such increase, if it is delivered to the Secretary at the principal place of business of the Corporation not later than the close of business on the tenth (10th) day following the first day on which all such nominees or the size of the increased Board shall have been publicly announced or disclosed by the Corporation.

(f) To be in proper form for purposes of this Section 4, a stockholder's notice to the Secretary shall set forth:

(i) As to each Nominating Person (as defined below), the Stockholder Information (as defined in Section 3(c)(i)), except that for purposes of this Section 4 the term "Nominating Person" shall be substituted for the term "Proposing Person" in all places it appears in Section 3(c)(i);

(ii) As to each Nominating Person, any Disclosable Interests (as defined in Section 3(c)(ii)), except that for purposes of this Section 4 the term "Nominating Person" shall be substituted for the term "Proposing Person" in all places it appears in Section 3(c)(ii) and the disclosure with respect to the business to be brought before the meeting in Section 3(c)(ii) shall be made with respect to the election of directors at the meeting);

(iii) Where the Nominating Person intends to solicit proxies in support of a candidate whom a Nominating Person proposes to nominate for election as a director, the requirements for notice set forth in Rule 14a-19 (and interpretations thereunder) under the Exchange Act, and the rules and regulations thereunder;

(iv) As to each candidate whom a Nominating Person proposes to nominate for election as a director, (A) all information with respect to such candidate for nomination that would be required to be set forth in a stockholder's notice pursuant to this Section 4 and Section 5 if such candidate for nomination were a Nominating Person, (B) all information relating to such candidate for nomination that is required to be disclosed in a

proxy statement, associated proxy card or other filings required to be made in connection with solicitations of proxies for election of directors in a contested election pursuant to Section 14(a) under the Exchange Act (including such candidate's written consent to being named in the proxy statement and any associated proxy card as a nominee and to serving as a director if elected), (C) a description of any direct or indirect material interest in any material contract or agreement between or among any Nominating Person, on the one hand, and each candidate for nomination or such candidate's respective affiliates or associates or any other participants in such solicitation, on the other hand, including, without limitation, all information that would be required to be disclosed pursuant to Item 404 under Regulation S-K if such Nominating Person were the "registrant" for purposes of such rule and the candidate for nomination were a director or executive officer of such registrant (the disclosures to be made pursuant to the foregoing clauses (A) through (C) are referred to as "Nominee Information"), and (D) a completed and signed questionnaire, representation and agreement as provided in Section 5(a).

For purposes of this Section 4, the term "Nominating Person" shall mean: (i) the stockholder providing the notice of the nomination proposed to be made at the meeting, (ii) the beneficial owner or beneficial owners, if different, on whose behalf the notice of the nomination proposed to be made at the meeting is made, (iii) any participant (as defined in paragraphs (a)(ii)-(vi) of Instruction 3 to Item 4 of Schedule 14A, or any successor instruction) with such stockholder or beneficial owner in any solicitation of proxies in respect of any such proposed nomination, (iv) any affiliate of such stockholder, and (v) any person controlling, controlled by or under common control with any person referred to in the preceding clauses (i) and (ii).

(g) A stockholder providing notice of any nomination proposed to be made at a meeting shall further update and supplement such notice, if necessary, so that the information provided or required to be provided in such notice pursuant to this Section 4 and Section 5 shall be true and correct (i) as of the record date for the determination of persons entitled to receive notice of the meeting and (ii) the date that is five (5) business days prior to the meeting and, in the event of any adjournment or postponement thereof, five (5) business days prior to such adjourned or postponed meeting. In the case of an update and supplement pursuant to clause (i) of this Section, such update and supplement shall be received by the Secretary at the principal executive offices of the Corporation not later than eight (8) business days after the record date for the determination of persons entitled to receive notice of the meeting. In the case of an update and supplement pursuant to clause (ii) above, such update and supplement shall be delivered to, or mailed and received by, the Secretary at the principal executive offices of the Corporation not later than two (2) business days prior to the date for the meeting, and, in the event of any adjournment or postponement thereof, two (2) business days prior to such adjourned or postponed meeting.

(h) In addition to the requirements of this Section 4 and Section 5 with respect to any nomination proposed to be made at a meeting, each Nominating Person shall comply with all applicable requirements of the Exchange Act and the DGCL with respect to any such nominations.

(i) Notwithstanding any notice of the annual meeting sent to stockholders on behalf of the Corporation, a stockholder must comply with this Section 4 and Section 5 to propose director nominations at any annual meeting.

SECTION 5. Additional Requirements for Valid Nomination of Candidates to Serve as Director and, if Elected, to be Seated as Directors.

(a) To be eligible to be a candidate for election as a director of the Corporation at an annual or special meeting, a candidate must be nominated in the manner prescribed in Section 4 and, in addition to any other requirements of these Bylaws:

(i) the candidate for nomination, whether nominated by the Board of Directors or by a stockholder, must have previously delivered (in accordance with the time period prescribed for delivery in a notice to such candidate given by or on behalf of the Board of Directors) to the Secretary at the principal executive offices of the Corporation: (A) a completed written questionnaire (in a form provided by the Corporation upon written request) with respect to the background, qualifications, stock ownership and independence of such proposed nominee, and (B) a written representation and agreement (in form provided by the Corporation upon written request) that such candidate for nomination (1) is not and, if elected as a director during such candidate's term of office, will not become a party to (x) any agreement, arrangement or understanding with, and has not given and will not give any commitment or assurance to, any person or entity as to how such proposed nominee, if elected as a director of the Corporation, will act or vote on any issue or question (a "Voting Commitment") that has not been disclosed therein to the Corporation, or (y) any Voting Commitment that could limit or interfere with such proposed nominee's ability to comply, if elected as a director of the Corporation, with such proposed nominee's fiduciary duties under applicable law, (2) is not and will not become a party to any agreement, arrangement or understanding with any person or entity other than the Corporation with respect to any direct or indirect compensation, reimbursement or indemnification in connection with service or action as a director that has not been disclosed therein; and (3) would be in compliance, if elected as a director of the Corporation, and will comply with all applicable corporate governance, code of conduct, conflict of interest, confidentiality, stock ownership and trading and other policies and guidelines of the Corporation applicable to directors and in effect during such person's term in office as a director (and, if requested in writing by any candidate for nomination, the Secretary of the Corporation shall provide to such candidate for nomination all such policies and guidelines then in effect);

(ii) the candidate for nomination, whether nominated by the Board of Directors or by a stockholder: (A) shall not be a member of the board of directors of more than two (2) other public companies, and (B) shall not have been (1) convicted in a criminal proceeding, or the named subject in a criminal proceeding that is presently pending (other than traffic violations and other minor offenses), (2) the subject of any order, judgment or decree, not subsequently reversed, suspended or vacated, of any federal or state court or other authority, or any professional disciplinary body, which enjoined or otherwise limited such candidate from engaging in any activity in connection with the purchase or sale of any security or commodity, or the right to be associated with persons engaged in any such activities, or finding that such candidate has violated any

federal or state securities laws or federal commodities laws, (3) the subject of any sanction or order, not subsequently reversed, suspended or vacated, of any self-regulatory organization, any registered entity, or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member, (4) suspended or barred from (x) being associated as an officer or director of, or a person serving in a similar capacity with, an issuer, (y) being associated with a public accounting firm, or (z) appearing or practicing as an attorney before the SEC or any similar non-U.S. authority; or (5) engaged, and is not currently engaged, in any conduct for which disclosure thereof by the Corporation would be required pursuant to Regulation S-K assuming the candidate had already been elected as a member of the Board; and

(iii) at the request of the Board of Directors, such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed candidate for nomination to serve as an independent director or audit committee financial expert of the Corporation under applicable law, securities exchange rule or regulation, or any publicly-disclosed corporate governance guideline or committee charter of the Corporation.

(b) No candidate shall be eligible for inclusion on any proxy card unless the Nominating Person seeking to place such candidate's name on the proxy card provides an executed agreement as provided in Section 6(d)(iii) (except that for purposes hereof, the term "Nominating Person" shall be substituted for the term "Nominating Stockholder" in all places it appears in Section 6(d)(iii)), and such candidate provides the agreement set forth in Section 6(d)(iv) (except that for purposes hereof, the term "candidate" shall be substituted for the term "Nominee" in all places it appears in Section 6(d)(iv)).

(c) No candidate shall be eligible for nomination as a director of the Corporation unless such candidate for nomination and the Nominating Person seeking to place such candidate's name in nomination has complied with Section 4 and this Section 5, as applicable. The presiding officer at the meeting shall, if the facts warrant, determine that a nomination was not properly made in accordance with Section 4 and this Section 5, and if the presiding officer should so determine, the presiding officer shall so declare such determination to the meeting, the defective nomination shall be disregarded and any ballots cast for the candidate in question (but in the case of any form of ballot listing other qualified nominees, only the ballots cast for the nominee in question) shall be void and of no force or effect.

(d) Notwithstanding anything in these Bylaws to the contrary, no candidate for nomination shall be eligible to be seated as a director of the Corporation unless the candidate is qualified, nominated and elected in accordance with Article II, Section 4, this Section 5 and Article III, Section 4.

SECTION 6. Proxy Access.

(a) Notwithstanding the provisions of Sections 4 and 5, but subject to the provisions of this Section 6, if any Eligible Stockholder (as defined below) or group of up to twenty (20) Eligible Stockholders submits to the Corporation a Proxy Access Notice (as defined below) that complies with this Section 6 and such Eligible Stockholder or group of Eligible Stockholders otherwise satisfies all the terms and conditions of this Section 6 (such Eligible

Stockholder or group of Eligible Stockholders, a “Nominating Stockholder”), the Corporation shall include in its proxy statement or on its form of proxy and ballot, as applicable (collectively, “proxy materials”), for any annual meeting of stockholders, in addition to any persons nominated for election by the Board of Directors or any committee thereof:

(i) the name of any person or persons nominated by such Nominating Stockholder for election to the Board of Directors at such annual meeting of stockholders who meets the requirements of this Section 6 (a “Nominee”);

(ii) disclosure about the Nominee and the Nominating Stockholder required under the rules of the SEC or other applicable law to be included in the proxy materials;

(iii) subject to the other applicable provisions of this Section 6, a written statement, not to exceed 500 words, that is not contrary to any of the SEC’s proxy rules, including Rule 14a-9 under the Exchange Act (a “Supporting Statement”), included by the Nominating Stockholder in the Proxy Access Notice in support of the Nominee’s election to the Board of Directors; and

(iv) any other information that the Corporation or the Board of Directors determines, in its discretion, to include in the proxy materials relating to the nomination of the Nominee, including, without limitation, any statement in opposition to such nomination and any of the information provided pursuant to this Section 6.

(b)

(i) The Corporation shall not be required to include in the proxy materials for an annual meeting of stockholders more Nominees than that number of directors constituting 20% of the total number of directors of the Corporation on the last day on which a Proxy Access Notice may be submitted pursuant to this Section 6 (rounded down to the nearest whole number, but not less than two (2)) (the “Maximum Number”). The Maximum Number for a particular annual meeting shall be reduced by: (A) the number of Nominees who are subsequently withdrawn or that the Board of Directors itself decides to nominate for election at such annual meeting of stockholders (including, without limitation, any person who is or will be nominated by the Board pursuant to any agreement or understanding with one or more stockholders to avoid such person being formally proposed as a Nominee), and (B) the number of incumbent directors who had been Nominees with respect to any of the preceding two (2) annual meetings of stockholders and whose reelection at the upcoming annual meeting of stockholders is being recommended by the Board (including, without limitation, any person who was nominated by the Board pursuant to any agreement or understanding with one or more stockholders to avoid such person being formally proposed as a Nominee). In the event that one or more vacancies for any reason occurs on the Board of Directors after the deadline set forth in Section 6(d) but before the date of the annual meeting of stockholders, and the Board of Directors resolves to reduce the size of the board of directors in connection therewith, the Maximum Number shall be calculated based on the number of directors as so reduced.

(ii) Any Nominating Stockholder submitting more than one Nominee for inclusion in the Corporation's proxy materials shall rank such Nominees based on the order that the Nominating Stockholder desires such Nominees to be selected for inclusion in the Corporation's proxy materials in the event that the total number of Nominees submitted by Nominating Stockholders exceeds the Maximum Number. In the event that the number of Nominees submitted by Nominating Stockholders exceeds the Maximum Number, the highest ranking Nominee from each Nominating Stockholder will be included in the Corporation's proxy materials until the Maximum Number is reached, going in order from largest to smallest of the number of shares of common stock of the Corporation owned by each Nominating Stockholder as disclosed in each Nominating Stockholder's Proxy Access Notice. If the Maximum Number is not reached after the highest ranking Nominee of each Nominating Stockholder has been selected, this process will be repeated as many times as necessary until the Maximum Number is reached. If, after the deadline for submitting a Proxy Access Notice as set forth in Section 6(d), a Nominating Stockholder ceases to satisfy the requirements of this Section 6 or withdraws its nomination or a Nominee ceases to satisfy the requirements of this Section 6 or becomes unwilling or unable to serve on the Board of Directors, whether before or after the mailing of definitive proxy materials, then the nomination shall be disregarded, and the Corporation: (A) shall not be required to include in its proxy materials the disregarded Nominee and (B) may otherwise communicate to its stockholders, including, without limitation, by amending or supplementing its proxy materials, that the Nominee will not be included as a Nominee in the proxy materials and the election of such Nominee will not be voted on at the annual meeting of stockholders.

(c)

(i) An "Eligible Stockholder" is a person who has either (A) been a record holder of the shares of common stock used to satisfy the eligibility requirements in this Section 6(c) continuously for the three-year period specified in subsection (ii) below or (B) provides to the Secretary, within the time period referred to in Section 6(d), evidence of continuous ownership of such shares for such three-year period from one or more securities intermediaries in a form that satisfies the requirements as established by the SEC for a stockholder proposal under Rule 14a-8 under the Exchange Act.

(ii) An Eligible Stockholder or group of up to twenty (20) Eligible Stockholders may submit a nomination in accordance with this Section 6 only if the person or each member of such group, as applicable, has continuously owned at least the Minimum Number (as defined below) of shares of the Corporation's outstanding common stock throughout the three-year period preceding and including the date of submission of the Proxy Access Notice, and continues to own at least the Minimum Number through the date of the annual meeting of stockholders. Two (2) or more funds that are (A) under common management and investment control, (B) under common management and funded primarily by a single employer or (C) a "group of investment companies," as such term is defined in Section 12(d)(1)(G)(ii) of the Investment Company Act of 1940, as amended (two (2) or more funds referred to under any of clause (A), (B) or (C), collectively, a "Qualifying Fund") shall be treated as one Eligible Stockholder. For the avoidance of doubt, in the event of a nomination by a group of Eligible Stockholders, any and all requirements and obligations for an individual Eligible

Stockholder that are set forth in this Section 6, including the minimum holding period, shall apply to each member of such group; provided, however, that the Minimum Number shall apply to the ownership of the group in the aggregate. Should any stockholder withdraw from a group of Eligible Stockholders at any time prior to the annual meeting of stockholders, the group of Eligible Stockholders shall only be deemed to own the shares held by the remaining members of the group.

(iii) The “Minimum Number” of shares of the Corporation’s common stock means three percent (3%) of the number of outstanding shares of common stock as of the most recent date for which such amount is given in any filing by the Corporation with the SEC prior to the submission of the Proxy Access Notice.

(iv) For purposes of this Section 6, an Eligible Stockholder “owns” only those outstanding shares of the common stock of the Corporation as to which the Eligible Stockholder possesses both:

- (A) the full voting and investment rights pertaining to the shares; and
- (B) the full economic interest in (including the opportunity for profit and risk of loss on) such shares;

provided, that the number of shares calculated in accordance with clauses (A) and (B) shall not include any shares: (1) sold by such Eligible Stockholder or any of its affiliates in any transaction that has not been settled or closed, (2) borrowed by such Eligible Stockholder or any of its affiliates for any purpose or purchased by such Eligible Stockholder or any of its affiliates pursuant to an agreement to resell, or (3) subject to any option, warrant, forward contract, swap, contract of sale, other derivative or similar agreement entered into by such Eligible Stockholder or any of its affiliates, whether any such instrument or agreement is to be settled with shares, cash or other property based on the notional amount or value of outstanding shares of the Corporation, in any such case which instrument or agreement has, or is intended to have, the purpose or effect of: (w) reducing in any manner, to any extent or at any time in the future, such Eligible Stockholder’s or any of its affiliates’ full right to vote or direct the voting of any such shares, and/or (x) hedging, offsetting, or altering to any degree, gain or loss arising from the full economic ownership of such shares by such Eligible Stockholder or any of its affiliates. An Eligible Stockholder “owns” shares held in the name of a nominee or other intermediary so long as the Eligible Stockholder retains the right to instruct how the shares are voted with respect to the election of directors and possesses the full economic interest in the shares. An Eligible Stockholder’s ownership of shares shall be deemed to continue during any period in which the Eligible Stockholder has delegated any voting power by means of a proxy, power of attorney, or other similar instrument or arrangement that is revocable at any time by the Eligible Stockholder. An Eligible Stockholder’s ownership of shares shall be deemed to continue during any period in which the Eligible Stockholder has loaned such shares, provided that the Eligible Stockholder has the power to recall such loaned shares on no more than five (5) business days’ notice. The terms “owned,” “owning” and other variations of the word “own” shall have correlative meanings. Each Nominating Stockholder shall furnish any other information that may reasonably be required by the Board of Directors to verify such stockholder’s continuous ownership of at least the Minimum Number during the three-year period referred to above.

(d) To nominate a Nominee, the Nominating Stockholder must, no earlier than one hundred fifty (150) days and no later than one hundred twenty (120) days before the date of the Corporation's proxy materials released to stockholders in connection with the previous year's annual meeting of stockholders, submit to the Secretary at the principal executive offices of the Corporation all of the following information and documents (collectively, the "Proxy Access Notice"):

(i) A Schedule 14N (or any successor form) relating to the Nominee, completed and filed with the SEC by the Nominating Stockholder as applicable, in accordance with the SEC's rules;

(ii) A written notice of the nomination of such Nominee that includes the following additional information, agreements, representations and warranties by the Nominating Stockholder (including, if the Nominating Stockholder is a group, each Eligible Stockholder comprising such group):

(A) the information, representations and agreements required with respect to the nomination of directors pursuant to Sections 4 and 5

(B) the details of any relationship that existed within the past three (3) years and that would have been described pursuant to Item 6(e) of Schedule 14N (or any successor item) if it existed on the date of submission of the Schedule 14N;

(C) a representation and warranty that the Nominating Stockholder did not acquire, and is not holding, securities of the Corporation for the purpose or with the effect of influencing or changing control of the Corporation;

(D) a representation and warranty that the Nominee's candidacy or, if elected, Board of Directors membership, would not violate the Corporation's Restated Certificate of Incorporation, these Bylaws, any provision in the Corporation's Corporate Governance Guidelines (as may be in effect from time to time) (the "Corporate Governance Guidelines") or any applicable state or federal law or the rules of any stock exchange on which the Corporation's common stock is traded;

(E) a representation and warranty that the Nominee:

(1) does not have any direct or indirect material relationship with the Corporation and otherwise would qualify as an "independent director" under the rules of the primary stock exchange on which the Corporation's common stock is traded and any applicable rules of the SEC;

(2) is not and has not been, within the past three (3) years, an officer, director, affiliate or representative of a competitor, as defined under Section 8 of the Clayton Antitrust Act of 1914, as amended, of the Corporation or any subsidiary or affiliate thereof; and

(3) is not and has not been subject to any event specified in Rule 506(d)(1) of Regulation D (or any successor rule) under the Securities Act of 1933, as amended, or Item 401(f) of Regulation S-K (or any successor rule) under the Exchange Act, without reference to any time limitations stated therein or whether the event is material to an evaluation of the ability or integrity of the Nominee;

(F) a representation and warranty that the Nominating Stockholder satisfies the eligibility requirements set forth in Section 6(c), has provided evidence of ownership to the extent required by Section 6(c)(i), and such evidence of ownership is true, complete and correct in all material respects;

(G) a representation and warranty that the Nominating Stockholder intends to continue to satisfy the eligibility requirements described in Section 6(c) through the date of the annual meeting of stockholders;

(H) a representation and warranty that the Nominating Stockholder will not engage in or support, directly or indirectly, a “solicitation” within the meaning of Rule 14a-1(l) (without reference to the exception in Rule 14a-1(l)(2)(iv)), or any successor rule, with respect to the annual meeting of stockholders, other than a solicitation in support of the Nominee or any nominee of the Board of Directors;

(I) a representation and warranty that the Nominating Stockholder will not use any proxy card other than the Corporation’s proxy card in soliciting stockholders in connection with the election of a Nominee at the annual meeting of stockholders;

(J) if desired by the Nominating Stockholder, a Supporting Statement;

(K) in the case of a nomination by a group of Eligible Stockholders, the irrevocable designation by all group members of one group member that is authorized to act on behalf of all group members with respect to matters relating to the nomination, including withdrawal of the nomination;

(L) in the case of any Eligible Stockholder that is a Qualifying Fund consisting of two (2) or more funds, documentation in form and substance reasonably sufficient to the Corporation demonstrating that the funds are eligible to be treated as a Qualifying Fund and that each such fund comprising the Qualifying Fund otherwise meets the requirements set forth in this Section 6; and

(M) a representation and warranty that the Nominating Stockholder has not nominated and will not nominate for election any individual as director at the annual meeting of stockholders other than its Nominee(s).

(iii) An executed agreement pursuant to which the Nominating Stockholder (including each group member) agrees:

(A) to comply with all applicable laws, rules and regulations in connection with the nomination, solicitation and election;

(B) to file with the SEC any solicitation or other communication with the Corporation's stockholders (on the date such solicitation or communication is first sent or given) relating to any Nominee or one or more of the Corporation's directors or director nominees, regardless of whether any such filing is required under any law, rule or regulation or whether any exemption from filing is available for such materials under any law, rule or regulation;

(C) to assume all liability stemming from an action, suit or proceeding concerning any actual or alleged legal or regulatory violation arising out of any communication by the Nominating Stockholder with the Corporation, its stockholders or any other person in connection with the nomination or election of directors, including, without limitation, the Proxy Access Notice;

(D) to indemnify and hold harmless (jointly and severally with all other group members, in the case of a group member) the Corporation and each of its directors, officers and employees individually against any liability, loss, damages, expenses, demands, claims or other costs (including reasonable attorneys' fees and disbursements of counsel) incurred in connection with any threatened or pending action, suit or proceeding, whether legal, administrative or investigative, against the Corporation or any of its or its affiliates' directors, officers or employees arising out of any nomination submitted by the Nominating Stockholder (including, without limitation, relating to any breach or alleged breach of its obligations, agreements, representations or warranties) pursuant to this Section 6;

(E) in the event that (i) any information included in the Proxy Access Notice, or any other communication by the Nominating Stockholder (including with respect to any group member) with the Corporation, its stockholders or any other person in connection with the nomination or election of directors ceases to be true and accurate in all material respects (or omits a material fact necessary to make the statements made not misleading), or (ii) the Nominating Stockholder (including any group member) fails to continue to satisfy the eligibility requirements described in Section 6(c), the Nominating Stockholder shall promptly (and in any event within forty-eight (48) hours of discovering such misstatement, omission or failure) (x) in the case of clause (i) above, notify the Corporation and any other recipient of such communication of the misstatement or omission in such previously provided information and of the information that is required to correct the misstatement or omission, and (y) in the case of clause (ii) above, notify the Corporation why, and in what regard, the Nominating Stockholder fails to comply with the eligibility requirements described in Section 6(c) (it being understood that providing any such notification referenced in clauses (x) and (y) above shall not be deemed to cure any defect or limit the Corporation's rights to omit a Nominee from its proxy materials as provided in this Section 6); and

(iv) An executed agreement by the Nominee:

(A) to provide to the Corporation a completed copy of the Corporation's director questionnaire and such other information as the Corporation may reasonably request;

(B) that the Nominee (i) consents to be named in the proxy materials as a nominee and, if elected, to serve on the Board of Directors and (ii) has read and agrees to adhere to the Corporate Governance Guidelines and any other policies, practices and guidelines of the Corporation applicable to its directors generally; and

(C) that the Nominee is not and will not become a party to (1) any agreement, arrangement or understanding with any person or entity other than the Corporation with respect to direct or indirect compensation, reimbursement or indemnification in connection with service or action as a director of the Corporation that has not been disclosed to the Corporation in writing, (2) any Voting Commitment that has not been previously disclosed to the Corporation in writing, or (3) any Voting Commitment that could limit or interfere with the Nominee's ability to comply, if elected as a director of the Corporation, with its fiduciary duties under applicable law or with the Corporate Governance Guidelines and any other policies, practices and guidelines of the Corporation applicable to its directors generally.

The information and documents required by this Section 6(d) shall be: (x) provided with respect to and executed by each group member, in the case of information applicable to group members; and (y) provided with respect to the persons specified in Instruction 1 to Items 6(c) and (d) of Schedule 14N (or any successor item) if and to the extent applicable to a Nominating Stockholder or group member. The Proxy Access Notice shall be deemed submitted on the date on which all the information and documents referred to in this Section 6(d) (other than such information and documents contemplated to be provided after the date the Proxy Access Notice is provided) have been delivered to or, if sent by mail, received by the Secretary of the Corporation. For the avoidance of doubt, in no event shall any adjournment or postponement of an annual meeting of stockholders or the public announcement thereof commence a new time period for the giving of a Proxy Access Notice pursuant to this Section 6.

(e)

(i) Notwithstanding anything to the contrary contained in this Section 6, (x) the Corporation may omit from its proxy materials any Nominee and any information concerning such Nominee (including a Nominating Stockholder's Supporting Statement), (y) any nomination shall be disregarded, and (z) no vote on such Nominee will occur (notwithstanding that proxies in respect of such vote may have been received by the Corporation), and the Nominating Stockholder may not, after the last day on which a Proxy Access Notice would be timely, cure in any way any defect preventing the nomination of the Nominee, if:

(A) the Corporation receives a notice pursuant to Section 4 that a stockholder intends to nominate a candidate for director at the annual meeting of stockholders;

(B) the Nominating Stockholder or the designated lead group member, as applicable, or any qualified representative thereof, does not appear at the annual meeting of stockholders to present the nomination submitted pursuant to this Section 6 or the Nominating Stockholder withdraws its nomination prior to the annual meeting of stockholders;

(C) the Board of Directors determines that such Nominee's nomination or election to the Board of Directors would result in the Corporation violating or failing to be in compliance with the Corporation's Restated Certificate of Incorporation, these Bylaws, any provision of the Corporate Governance Guidelines, or any applicable law, rule or regulation to which the Corporation is subject, including any rules or regulations of any stock exchange on which the Corporation's common stock is traded; or

(D) (i) the Nominating Stockholder fails to continue to satisfy the eligibility requirements described in Section 6(c), (ii) any of the representations and warranties made in the Proxy Access Notice ceases to be true, complete and correct in all material respects (or omits to state a material fact necessary to make the statements made therein not misleading), (iii) the Nominee becomes unwilling or unable to serve on the Board of Directors or (iv) the Nominating Stockholder or the Nominee materially violates or breaches any of its agreements, representations or warranties in this Section 6.

(ii) Any Nominee who is included in the Corporation's proxy materials for a particular annual meeting of stockholders but (X) withdraws from or becomes ineligible or unavailable for election at that annual meeting (other than by reason of such Nominee's disability or other significant health reason) or (Y) does not receive at least 25% of the votes cast in favor of such Nominee's election shall be ineligible to be a Nominee pursuant to this Section 6 for the next two annual meetings.

(iii) Notwithstanding anything to the contrary contained in this Section 6, the Corporation may omit from its proxy materials, or may supplement or correct, any information, including all or any portion of the Supporting Statement included in the Proxy Access Notice, if: (A) such information is not true and correct in all material respects or omits a material statement necessary to make the statements therein not misleading; (B) such information directly or indirectly impugns the character, integrity or personal reputation of, or, without factual foundation, directly or indirectly makes charges concerning improper, illegal or immoral conduct or associations with respect to, any person; or (C) the inclusion of such information in the proxy materials would otherwise violate the SEC's proxy rules or any other applicable law, rule or regulation. Once submitted with a Proxy Access Notice, a Supporting Statement may not be amended, supplemented or modified by the Nominee or Nominating Stockholder.

(iv) For the avoidance of doubt, the Corporation may solicit against, and include in the proxy materials its own statement relating to, any Nominee.

(v) This Section 6 provides the exclusive method for a stockholder to include nominees for election to the Board of Directors in the Corporation's proxy materials (including, without limitation, any proxy card or written ballot).

(vi) The interpretation of, and compliance with, any provision of this Section 6, including the representations, warranties and covenants contained herein, shall be determined by the Board of Directors or, in the discretion of the Board, one or more of its designees, in each case acting in good faith.

SECTION 7. Special Meetings.

(a) Special meetings of the stockholders of the Corporation may only be called (i) at any time and for any purpose or purposes, by the Board pursuant to a resolution adopted by a majority of the total number of authorized directors (whether or not there exist any vacancies in previously authorized directorships at the time any such resolution is presented to the Board for adoption), or by the Board Chair, or (ii) by the Secretary of the Corporation, upon the written request of the holders of record as of the record date fixed in accordance with Section 7(d) who hold, in the aggregate, at least fifteen percent (15%) of the voting power of the outstanding shares of the Corporation (the “Requisite Percentage”) at the time such request is submitted by the holders of such Requisite Percentage, subject to and in accordance with this Section 7. The notice of a special meeting shall state the purpose or purposes of the special meeting, and the business to be conducted at the special meeting shall be limited to the purpose or purposes stated in the notice. Except in accordance with this Section 7, stockholders shall not be permitted to propose business to be brought before a special meeting of the stockholders. Subject to the provisions of Section 6, stockholders who nominate persons for election to the Board of Directors at a special meeting must also comply with the requirements set forth in Section 4 and Section 5.

(b) No stockholder may request that the Secretary of the Corporation call a special meeting of the stockholders pursuant to Section 7(a) (a “Stockholder Requested Special Meeting”) unless a stockholder of record has first submitted a request in writing that the Board of Directors fix a record date (a “Request Record Date”) for the purpose of determining the stockholders entitled to request that the Secretary of the Corporation call a Stockholder Requested Special Meeting, which request shall be in proper form and delivered to, or mailed and received by, the Secretary of the Corporation at the principal executive offices of the Corporation.

(c) To be in proper form for purposes of this Section 7, a request by a stockholder for the Board of Directors to fix a Request Record Date shall set forth:

(i) As to each Requesting Person (as defined below), (A) the Stockholder Information (as defined in Section 3(c)(i), except that for purposes of this Section 7 the term “Requesting Person” shall be substituted for the term “Proposing Person” in all places it appears in Section 3(c)(i)); and (B) a representation that such Requesting Person intends to hold the shares of the Corporation described in the Stockholder Information through the date of the Stockholder Requested Special Meeting;

(ii) As to each Requesting Person, any Disclosable Interests (as defined in Section 3(c)(ii), except that for purposes of this Section 7 the term “Requesting Person” shall be substituted for the term “Proposing Person” in all places it appears in Section 3(c)(ii) and the disclosure in clause (F) of Section 3(c)(ii) shall be made with respect to

the business proposed to be conducted at the special meeting or the proposed election of directors at the special meeting, as the case may be);

(iii) As to the purpose or purposes of the Stockholder Requested Special Meeting, (A) a reasonably brief description of (1) the specific purpose or purposes of the Stockholder Requested Special Meeting, (2) the matter(s) proposed to be acted on at the Stockholder Requested Special Meeting, and (3) the reasons for conducting such business at the Stockholder Requested Special Meeting, (B) a reasonably detailed description of any material interest in such matter of each Requesting Person, and (C) a reasonably detailed description of all agreements, arrangements and understandings (x) between or among any of the Requesting Persons or (y) between or among any Requesting Person and any other person or entity (including their names) in connection with the request for the Stockholder Requested Special Meeting or the business proposed to be acted on at the Stockholder Requested Special Meeting; and

(iv) If directors are proposed to be elected at the Stockholder Requested Special Meeting, the Nominee Information for each person whom a Requesting Person expects to nominate for election as a director at the special meeting.

For purposes of this Section 7(c), the term “Requesting Person” shall mean (i) the stockholder making the request to fix a Request Record Date for the purpose of determining the stockholders entitled to request that the Secretary call a Stockholder Requested Special Meeting, and (ii) the beneficial owner or beneficial owners, if different, on whose behalf such request is made.

(d) Within ten (10) days after receipt of a request to fix a Request Record Date in proper form and otherwise in compliance with this Section 7 from any stockholder of record, the Board of Directors may adopt a resolution fixing a Request Record Date for the purpose of determining the stockholders entitled to request that the Secretary of the Corporation call a Stockholder Requested Special Meeting, which date shall not precede the date upon which the resolution fixing the Request Record Date is adopted by the Board of Directors. If no resolution fixing a Request Record Date has been adopted by the Board of Directors within the ten (10) day period after the date on which such a request to fix a Request Record Date was received, the Request Record Date in respect thereof shall be deemed to be the twentieth (20th) day after the date on which such a request is received. Notwithstanding anything in this Section 7 to the contrary, no Request Record Date shall be fixed if the Board of Directors determines that the written request or requests to call a Stockholder Requested Special Meeting (each, a “Special Meeting Request” and collectively, the “Special Meeting Requests”), that would otherwise be submitted following such Request Record Date could not comply with the requirements set forth in Section 7(g).

(e) In order for a Stockholder Requested Special Meeting to be called, one or more Special Meeting Requests, in the form required by this Section 7, must be signed by stockholders as who, as of the Request Record Date, hold of record or beneficially, in the aggregate, more than the Requisite Percentage and must be timely delivered to the Secretary of the Corporation at the principal executive offices of the Corporation. To be timely, a Special Meeting Request must be delivered to the principal executive offices of the Corporation not later than the sixtieth (60th) day following the Request Record Date. In determining whether a Stockholder Requested Special Meeting has been properly requested, multiple Special Meeting

Requests delivered to the Secretary will be considered together only if (i) each Special Meeting Request identifies the same purpose or purposes of the Stockholder Requested Special Meeting and the same matters proposed to be acted on at such meeting (in each case as determined in good faith by the Board), and (ii) such Special Meeting Requests have been dated and delivered to the Secretary within sixty (60) days of the earliest dated Special Meeting Request.

(f) To be in proper form for purposes of this Section 7, a Special Meeting Request must include and set forth (a) a reasonably brief statement of (i) the specific purpose or purposes of the stockholder requested special meeting, (ii) the matter(s) proposed to be acted on at the Stockholder Requested Special Meeting, and (iii) the reasons for conducting such business at the Stockholder Requested Special Meeting, and (b) the text of the proposed business (including the text of any resolutions proposed for consideration), if applicable, and (c) with respect to any stockholder or stockholders submitting a Special Meeting Request (except for any stockholder that has provided such request in response to a solicitation made pursuant to, and in accordance with, Section 14(a) of the Exchange Act by way of a solicitation statement filed on Schedule 14A) (a “Solicited Stockholder”) the information required to be provided pursuant to this Section 7 of a Requesting Person. A stockholder may revoke a Special Meeting Request by written revocation delivered to the Secretary at any time prior to the Stockholder Requested Special Meeting. If any such revocation(s) are received by the Secretary after the Secretary’s receipt of Special Meeting Requests from the Requisite Percentage of stockholders, and as a result of such revocation(s) there no longer are unrevoked demands from the Requisite Percentage of stockholders to call a Stockholder Requested Special Meeting, the Board of Directors shall have the discretion to determine whether or not to proceed with the Stockholder Requested Special Meeting.

(g) The Secretary shall not accept, and shall consider ineffective, a Special Meeting Request if (i) such Special Meeting Request does not comply with this Section 7 or relates to an item of business to be transacted at the Stockholder Requested Special Meeting that is not a proper subject for stockholder action under applicable law; (ii) the Special Meeting Request is received by the Corporation during the period commencing ninety (90) days prior to the first anniversary of the date of the immediately preceding annual meeting of stockholders and ending on the date of the final adjournment of the next annual meeting of stockholders; (iii) an identical or substantially similar item (a “Similar Item”) to that included in the Special Meeting Request was presented at any meeting of stockholders held within one year prior to receipt by the Corporation of such Special Meeting Request (it being understood that the election of directors at the preceding annual meeting of stockholders shall be deemed not to constitute a Similar Item in respect of a proposal to remove one or more directors or the entire Board at a Stockholder Requested Special Meeting); (iv) the Board calls an annual or special meeting of stockholders (in lieu of calling the Stockholder Requested Special Meeting) in accordance with Section 7(i); (v) a Similar Item is already included in the Corporation’s notice as an item of business to be brought before a meeting of stockholders that has been called but not yet held; or (vi) such Special Meeting Request was made in a manner that involved a violation of Regulation 14A under the Exchange Act or other applicable law.

(h) Business transacted at any Stockholder Requested Special Meeting shall be limited to the purpose stated in the valid Special Meeting Request; provided, however, that nothing herein shall prohibit the Board from submitting matters to the stockholders at any Stockholder Requested Special Meeting. If none of the stockholders who submitted and signed

the Special Meeting Request (but excluding any Solicited Stockholder) appears at or sends a qualified representative to the Stockholder Requested Special Meeting to present the matters to be presented for consideration that were specified in the Stockholder Meeting Request, the Corporation need not present such matters for a vote at such meeting.

(i) Any special meeting of stockholders, including any Stockholder Requested Special Meeting, shall be held at such date and time as may be fixed by the Board in accordance with these Bylaws and in compliance with applicable law; provided that a Stockholder Requested Special Meeting shall be held within ninety (90) days after the Corporation receives one or more valid Special Meeting Requests in compliance with this Section 7 from stockholders having beneficial ownership of at least the Requisite Percentage; provided, further, that the Board shall have the discretion to call an annual or special meeting of stockholders (in lieu of calling the Stockholder Requested Special Meeting) in accordance with Section 7(j) or cancel any Stockholder Requested Special Meeting that has been called but not yet held for any of the reasons set forth in the foregoing provisions of this Section 7.

(j) If a Special Meeting Request is made that complies with this Section 7, the Board may (in lieu of calling the Stockholder Requested Special Meeting) present a Similar Item for stockholder approval at any other meeting of stockholders that is held within ninety (90) days after the Corporation receives such Special Meeting Request.

(k) In connection with a Stockholder Requested Special Meeting called in accordance with this Section 7, the stockholder or stockholders (except for any Solicited Stockholder) who requested that the Board of Directors fix a record date for notice and voting for the special meeting in accordance with this Section 7 or who signed and delivered a Special Meeting Request to the Secretary shall further update and supplement the information previously provided to the Corporation in connection with such requests, if necessary, so that the information provided or required to be provided in such requests pursuant to this Section 7 shall be true and correct (i) as of the record date for the determination of persons entitled to receive notice of the special meeting and (ii) the date that is five (5) business days prior to the special meeting and, in the event of any adjournment or postponement thereof, five (5) business days prior to such adjourned or postponed special meeting. In the case of an update and supplement pursuant to clause (i) above, such update and supplement shall be received by the Secretary at the principal executive offices of the Corporation not later than eight (8) business days after the record date for the determination of persons entitled to receive notice of the special meeting. In the case of an update and supplement pursuant to clause (ii) above, such update and supplement shall be delivered to, or mailed and received by, the Secretary at the principal executive offices of the Corporation not later than two (2) business days prior to the date for the special meeting, and, in the event of any adjournment or postponement thereof, two (2) business days prior to such adjourned or postponed special meeting.

(l) Notwithstanding anything in these Bylaws to the contrary, the Secretary shall not be required to call a Stockholder Requested Special Meeting pursuant to this Section 7 except in accordance with this Section 7. If the Board of Directors shall determine that any request to fix a record date for notice and voting for the special meeting or Special Meeting Request was not properly made in accordance with this Section 7, or shall determine that the stockholder or stockholders requesting that the Board of Directors fix such record date or submitting a Special Meeting Request have not otherwise complied with this Section 7, then the

Board of Directors shall not be required to fix such record date or to call and hold the Stockholder Requested Special Meeting. In addition to the requirements of this Section 7, each Requesting Person shall comply with all requirements of applicable law, including all requirements of the Exchange Act, with respect to (i) any request to fix a record date for notice and voting for the Stockholder Requested Special Meeting, (ii) any Special Meeting Request or (iii) a Stockholder Requested Special Meeting.

(m) After receipt of Special Meeting Requests in proper form and in accordance with this Section 7 from a stockholder or stockholders holding the Requisite Percentage, the Board of Directors shall duly call, and determine the place, date and time of, a Stockholder Requested Special Meeting for the purpose or purposes and to conduct the business specified in the Special Meeting Requests received by the Corporation; provided that the Stockholder Requested Special Meeting shall be held within ninety (90) days after the Corporation receives one or more valid Special Meeting Requests in compliance with this Section 7 from stockholders holding at least the Requisite Percentage; provided, further, that the Board shall have the discretion to call an annual or special meeting of stockholders (in lieu of calling the Stockholder Requested Special Meeting) in accordance with Section 7(g) or cancel any Stockholder Requested Special Meeting that has been called but not yet held for any of the reasons set forth in the foregoing provisions of this Section 7. The record date for notice and voting for such a Stockholder Requested Special Meeting shall be fixed in accordance with Article XI, Section 6 of these Bylaws. The Board of Directors shall provide written notice of such Stockholder Requested Special Meeting in accordance with Article II, Section 2 of these Bylaws.

SECTION 8. Quorum. Except as otherwise expressly required by law, by the Corporation's Restated Certificate of Incorporation or these Bylaws, the presence, in person, by remote communication, if applicable, or by proxy duly authorized, of the holders of a majority of the outstanding shares of stock entitled to vote shall constitute a quorum for the transaction of business at any meeting of the stockholders of the Corporation or any adjournment thereof. The stockholders present at a duly called or convened meeting at which a quorum is present, may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum. In the absence of a quorum at any such meeting or any adjournment or adjournments thereof, a majority in voting interest of those present in person or by proxy and entitled to vote thereat, or any officer entitled to preside at, or to act as secretary of, such meeting may adjourn such meeting until stockholders holding the amount of stock requisite for a quorum are present in person or by proxy.

SECTION 9. Adjourned Meeting; Notice. After the meeting has been duly called to order, the presiding officer of the meeting may adjourn any meeting of stockholders, annual or special, from time to time, to reconvene at the same or some other place, and notice need not be given of any such adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. When a meeting is adjourned to another time or place, unless these Bylaws otherwise require, notice need not be given of the adjourned meeting if the time, place, if any, thereof, and the means of remote communications, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such adjourned meeting are announced at the meeting at which the adjournment is taken. At the adjourned meeting, the Corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than thirty (30) days, a notice of the adjourned meeting shall be

given to each stockholder of record entitled to vote at the meeting. If after the adjournment a new record date for stockholders entitled to vote is fixed for the adjourned meeting, the Board of Directors shall fix a new record date for notice of such adjourned meeting in accordance with Section 213(a) of the DGCL and Article XI, Section 6 of these Bylaws, and shall give notice of the adjourned meeting to each stockholder of record entitled to vote at such adjourned meeting as of the record date fixed for notice of such adjourned meeting.

SECTION 10. Conduct of Meetings.

(a) Officers of the Meeting. The Board Chair, or in the absence of the Board Chair, the President, or in their absence, the Vice Board Chair, or if no such officer is present, a director designated by the Board, shall call meetings of the stockholders to order and shall act as chair of the meeting. The Secretary, or in the absence of the Secretary, an Assistant Secretary or such other person as the chair of the meeting may appoint, shall act as secretary of the meeting of the stockholders.

(b) Order of Business. The chair of the meeting shall have the right to determine the order of business at the meeting.

(c) Meeting Protocol. To the maximum extent permitted by applicable law, the Board shall be entitled to adopt, or in absence of the Board doing so, the chair of the meeting shall be entitled to prescribe, such rules or regulations for the conduct of meetings of stockholders as the Board or the chair of the meeting, as applicable, shall deem necessary, appropriate or convenient. Such rules, regulations and procedures, whether adopted by the Board or prescribed by the chair of the meeting, may include, without limitation, the following: (i) establishing an agenda for the meeting and the order for the consideration of the items of business on such agenda; (ii) restricting admission to the time set for the commencement of the meeting; (iii) limiting attendance at the meeting to stockholders of record of the Corporation entitled to vote at the meeting, their duly authorized proxies or other such persons as the chair of the meeting may determine; (iv) limiting participation at the meeting on any matter to stockholders of record of the Corporation entitled to vote on such matter, their duly authorized proxies or other such persons as the chair of the meeting may determine to recognize and, as a condition to recognizing any such participant, requiring such participant to provide the chair of the meeting with evidence of the participant's name and affiliation, whether the participant is a stockholder or a proxy for a stockholder, and the class and series and number of shares of each class and series of capital stock of the Corporation which are owned beneficially and/or of record by such stockholder; (v) limiting the time allotted to questions or comments by participants; (vi) taking such actions as are necessary or appropriate to maintain order, decorum, safety and security at the meeting; (vii) removing any stockholder who refuses to comply with meeting procedures, rules or guidelines as established by the chair of the meeting; (viii) complying with any state and local laws and regulations concerning safety and security; and (ix) taking such other action deemed necessary, appropriate or convenient, in the sole discretion of the chair of the meeting, for the proper conduct of the meeting. Unless otherwise determined by the chair of the meeting, meetings of stockholders shall not be required to be held in accordance with the rules of parliamentary procedure.

SECTION 11. Inspectors. The Board may, in advance of any meeting of stockholders, appoint one or more inspectors to act at such meeting or any adjournment thereof. If any of the

inspectors so appointed shall fail to appear or act, the chair of the meeting may, or if inspectors shall not have been appointed, the chair of the meeting shall, appoint one or more inspectors. Each inspector, before entering upon the discharge of the inspector's duties, shall take and sign an oath faithfully to execute the duties of inspector at such meeting with strict impartiality and according to the best of the inspector's ability. The inspectors shall (i) ascertain the number of shares of capital stock of the Corporation outstanding and the voting power of each, (ii) ascertain the number of shares represented at the meeting, (iii) ascertain the existence of a quorum, (iv) ascertain the validity and effect of proxies, (v) count and tabulate all votes, ballots or consents, (vi) determine and retain for a reasonable period a record of the disposition of all challenges made to any determination made by the inspectors, (vii) certify the determination of the number of shares represented at the meeting and their count of all votes and ballots, and (viii) do such acts as are proper to conduct the election or vote with fairness to all stockholders. On request of the chair of the meeting, the inspectors shall make a report in writing of any challenge, request or matter determined by them and shall execute a certificate of any fact found by them. No director or candidate for the office of director shall act as an inspector of an election of directors. The inspectors may appoint or retain other persons or entities to assist the inspectors in the performance of the duties of the inspectors. In determining the validity and counting of all proxies and ballots, the inspectors shall act in accordance with applicable law.

SECTION 12. Voting. Unless otherwise provided in the Restated Certificate of Incorporation, each stockholder shall be entitled to one vote for each share of capital stock held by such stockholder. All voting, including on the election of directors but excepting where otherwise required by applicable law or the Restated Certificate of Incorporation, may take place via a voice vote. The Board of Directors, in its discretion, or the officer of the Corporation presiding at a meeting of stockholders, in such officer's discretion, may require that any votes cast at a meeting of stockholders shall be cast by written ballot. When a quorum is present, except as otherwise provided by statute, by applicable stock exchange rules, by the Restated Certificate of Incorporation or these Bylaws, in all matters other than the election of directors, the affirmative vote of the majority of shares present in person, by remote communication, if applicable, or represented by proxy at the meeting and entitled to vote generally on the subject matter shall be the act of the stockholders. For the purposes of this Section 12, Broker Non-Votes represented at the meeting but not permitted to vote on a particular matter shall not be counted, with respect to the vote on such matter, in the number of (a) votes cast, (b) votes cast affirmatively, or (c) votes cast negatively.

SECTION 13. Proxies. Each stockholder entitled to vote at a meeting of stockholders may authorize another person or persons to act for such stockholder by proxy authorized by an instrument in writing or by a transmission permitted by law filed in accordance with the procedure established for the meeting, but no such proxy shall be voted or acted upon after three (3) years from its date, unless the proxy provides for a longer period. The revocability of a proxy that states on its face that it is irrevocable shall be governed by the provisions of Section 212 of the DGCL. A written proxy may be in the form of a telegram, cablegram, or other means of electronic transmission which sets forth or is submitted with information from which it can be determined that the telegram, cablegram, or other means of electronic transmission was authorized by the person.

SECTION 14. Lists of Stockholders. The Secretary shall prepare and make, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to

vote at the meeting, provided, however, if the record date for determining the stockholders entitled to vote is less than ten (10) days before the meeting date, the list shall reflect the stockholders entitled to vote as of the tenth (10th) day before the meeting date. The stockholder list shall be arranged in alphabetical order and show the address of each stockholder and the number of shares registered in the name of each stockholder. The Corporation shall not be required to include electronic mail addresses or other electronic contact information on such list. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting for a period of at least ten (10) days prior to the meeting: (i) on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of the meeting, or (ii) during ordinary business hours, at the principal place of business of the Corporation. In the event that the Corporation determines to make the list available on an electronic network, the Corporation may take reasonable steps to ensure that such information is available only to stockholders of the Corporation. If the meeting is to be held at a physical location, then the list shall be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present. If the meeting is to be held solely by means of remote communications, then the list shall be open to the examination of any stockholder during the whole time of the meeting on a reasonably accessible electronic network, and the information required to access such list shall be provided with the notice of the meeting. The stock ledger shall be the only evidence as to who are the stockholders entitled to examine the stock ledger, the list required by this Section 14 or the books of the Corporation, or to vote in person or by proxy at any meeting of stockholders.

SECTION 15. Postponement and Cancellation of Meetings. Any previously scheduled annual or special meeting of the stockholders may be postponed, and any previously scheduled annual or special meeting of the stockholders called by the Board may be canceled, by resolution of the Board upon public notice given prior to the time previously scheduled for such meeting of stockholders.

ARTICLE III

Board of Directors

SECTION 1. General Powers. The property, business and affairs of the Corporation shall be managed by or under the direction of the Board, which may exercise all such powers of the Corporation and do all such lawful acts and things as are not by law or by the Restated Certificate of Incorporation directed or required to be exercised or done by the stockholders.

SECTION 2. Number of Directors. The number of directors which shall constitute the whole Board shall be fixed from time to time by resolution of the Board adopted by a majority of the total number of authorized directors (whether or not there exist any vacancies in previously authorized directorships at the time such resolution is presented to the Board for adoption). The number of directors may be decreased at any time and from time to time by a majority of the directors then in office, but only to eliminate vacancies existing by reason of the death, resignation, removal or expiration of the term of one or more directors. No decrease in the number of directors constituting the Board shall shorten the term of any incumbent director.

SECTION 3. Term. The entire Board shall stand for election or re-election by the stockholders at each annual meeting, and each director shall be elected to serve until such

director's successor shall be elected and duly qualified or until such director's earlier death, resignation or removal in the manner as herein provided.

SECTION 4. Qualifications. In addition to the applicable requirements set forth in Article II regarding the eligibility of candidates for election as a director of the Corporation, each director shall be at least 21 years of age. Directors need not be stockholders (subject to compliance with the Corporate Governance Guidelines) or citizens or residents of the United States of America.

SECTION 5. Majority Voting in the Election of Directors.

(a) Except as provided in Section 8 of this Article III, each director shall be elected by the vote of the majority of the votes cast with respect to the director at any meeting for the election of directors at which a quorum is present (an "Election Meeting"), provided that if as of a date that is fourteen (14) days in advance of the date the Corporation files its definitive proxy statement (regardless of whether or not thereafter revised or supplemented) with the Securities and Exchange Commission the number of nominees exceeds the number of directors to be elected at such meeting (a "Contested Election"), each of the directors to be elected at the Election Meeting shall be elected by the affirmative vote of a plurality of the votes cast by the shares represented in person or by proxy at any such meeting and entitled to vote at such meeting with respect to the election of directors. For purposes of this Section 5, a "majority of the votes cast" means that the number of votes cast "for" a candidate for director must exceed the number of votes cast "against" that candidate for director (with "abstentions" and "broker non-votes" not counted as votes cast as either "for" or "against" such director's election). In the event an Election Meeting involves the election of directors by separate votes by class or classes or series, the determination as to whether an election constitutes a Contested Election shall be made on a class by class or series by series basis, as applicable.

(b) The Nominating/Corporate Governance Committee has established procedures under which, in an uncontested election of directors, if any incumbent director nominated for re-election does not receive the vote of at least the majority of the votes cast at any meeting for the election of directors at which a quorum is present, such director will promptly tender their resignation to the Board. The Nominating/Corporate Governance Committee will make a recommendation to the Board on whether to accept or reject such tendered resignation, or whether other action should be taken. The Board will act on the tendered resignation, taking into account the Nominating/Corporate Governance Committee's recommendation, and publicly disclose (by a press release, a filing with the SEC or other broadly disseminated means of communication) its decision regarding the tendered resignation and the rationale behind the decision within ninety (90) days from the date of the certification of the election results. The Nominating/Corporate Governance Committee in making its recommendation, and the Board in making its decision, may each consider any factors or other information that it considers appropriate and relevant. The director who tenders their resignation will not participate in the recommendation of the Nominating/Corporate Governance Committee or the decision of the Board with respect to their resignation. If a director's resignation is not accepted by the Board, such director will continue to serve until the next annual meeting and until such director's successor is duly elected, or their earlier resignation or removal. If a director's resignation is accepted by the Board, then the Board, in its sole discretion, may fill any resulting vacancy

pursuant to the provisions of Section 8 below or may decrease the size of the Board of Directors pursuant to the provisions of Section 2 above.

SECTION 6. Resignations. Any director may resign at any time upon notice given in writing or by electronic transmission to the Board Chair, the President or the Secretary; *provided, however*, that if such notice is given by electronic transmission, such electronic transmission must either set forth or be submitted with information from which it can be determined that the electronic transmission was authorized by the director. A resignation is effective when the resignation is delivered unless the resignation specifies a later effective date or an effective date determined upon the happening of an event or events. Acceptance of such resignation shall not be necessary to make it effective. A resignation which is conditioned upon the director failing to receive a specified vote for reelection as a director may provide that it is irrevocable. Unless otherwise provided in the Restated Certificate of Incorporation or these Bylaws, when one or more directors resign from the Board, effective at a future date, a majority of the directors then in office, including those who have so resigned, shall have power to fill such vacancy or vacancies, the vote thereon to take effect when such resignation or resignations shall become effective.

SECTION 7. Removal of Directors. Any director or the entire Board may be removed, with or without cause, at any time upon the affirmative vote of holders of a majority of the shares then entitled to vote at an election of directors.

SECTION 8. Vacancies. Vacancies in the Board and newly created directorships resulting from any increase in the authorized number of directors may be filled by a majority of the directors then in office, although less than a quorum, or by a sole remaining director or by the stockholders of the Corporation at the next annual meeting or any special meeting called for such purpose. Each director so chosen shall hold office until such director's successor shall be elected and shall qualify or until such director's earlier death, resignation or removal in the manner as herein provided.

SECTION 9. Place of Meetings. The Board may hold its meetings at such place or places within or without the State of Delaware as the Board may from time to time determine or as shall be designated in the respective notices or waivers of notice thereof.

SECTION 10. Annual and Regular Meetings. The annual meeting of the Board for the purpose of electing officers and for the transaction of such other business as may come before the meeting shall be held as soon as possible following adjournment of the annual meeting of the stockholders at the place of such annual meeting of the stockholders. Notice of such annual meeting of the Board need not be given. The Board from time to time may by resolution provide for the holding of regular meetings and fix the place (which may be within or without the State of Delaware), date and time of such meetings. Notice of regular meetings need not be given; provided, however, that if the Board shall fix or change the time or place of any regular meeting, notice of such action shall be mailed promptly, or given by telephone (including by a voice or text messaging system), facsimile or electronic mail to each director who shall not have been present at the meeting at which such action was taken, directed to each director at that director's address, telephone number, facsimile number or electronic mail address, as the case may be, as shown on the Corporation's records, or shall be delivered to them personally.

SECTION 11. Special Meetings. Special meetings of the Board shall be held whenever called by the Board Chair, the President or at least two of the directors, at such place, date and time as may be specified in the respective notices or waivers of notice of such meetings. Special meetings of the Board may be called on at least twenty-four (24) hours' notice to each director if notice is given to each director personally or by telephone (including by a voice or text messaging system), facsimile or electronic mail, or on three (3) days' notice from the official date of deposit if notice is sent by internationally recognized courier to each director, directed to each director at that director's address, telephone number, facsimile number or electronic mail address, as the case may be, as shown on the Corporation's records. Such notice need not state the purpose of, nor the business to be transacted at, that meeting, except as may otherwise be required by these Bylaws or applicable law. Notice need not be given to a director present at a meeting. A meeting may be held at any time without notice if all the directors are present or if those not present waive notice of the meeting in writing either before or after that meeting.

SECTION 12. Quorum and Manner of Acting. Except as provided by law, the Restated Certificate of Incorporation or these Bylaws, a majority of the total number of directors then in office shall be present in person at any meeting of the Board in order to constitute a quorum for the transaction of business at such meeting. The affirmative vote of a majority of those directors present at any such meeting at which a quorum is present shall be necessary for the passage of any resolution or act of the Board, unless a different vote is required by applicable law, the Restated Certificate of Incorporation or these Bylaws. In the absence of a quorum for any such meeting, a majority of the directors present thereat may adjourn such meeting from time to time until a quorum shall be present thereat. Notice of any adjourned meeting need not be given.

SECTION 13. Organization. The Board shall from time to time, but in no event less frequently than annually, elect the Board Chair from among the directors. The Board Chair may be, but is not required to be, an officer or employee of the Corporation. Meetings of the Board shall be presided over by the Board Chair, or such other person as the Board may determine. The Secretary shall act as secretary of the meeting, and in the Secretary's absence such other person as the person presiding over the meeting may appoint.

SECTION 14. Action Without a Meeting. Unless otherwise restricted by the Restated Certificate of Incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the Board or of any committee thereof may be taken without a meeting if all members of the Board or any committee thereof, as the case may be, consent thereto in writing, or by electronic transmission, and the writing or writings or electronic transmissions are filed with the minutes of proceedings of the Board of Directors or committee thereof, as the case may be.

SECTION 15. Meetings by Electronic Communications Equipment. Any one or more members of the Board, or any committee designated by the Board, may participate in a meeting of the Board, or such committee, by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting by such means shall constitute presence in person at such meeting.

SECTION 16. Compensation. Each director, in consideration of their serving as such, shall be entitled to receive from the Corporation such amount per annum or such fees for attendance at meetings of the Board or of any committee, or both, as the Board shall from time to time determine. The Board may likewise provide that the Corporation shall reimburse each

director or member of a committee for any expenses incurred by such director on account of such director's attendance at any such meeting. Unless otherwise determined by the Board of Directors, a director who is an employee of the Corporation shall not receive any compensation for service on the Board of Directors, but shall be reimbursed for expenses of attendance at meetings in accordance with the Corporation's applicable policies and procedures for such reimbursement. Nothing contained in this Section shall be construed to preclude any director from serving the Corporation in any other capacity and receiving compensation therefor.

ARTICLE IV

Committees

SECTION 1. Committees. The Board shall, by resolution adopted by a majority of the total number of authorized directors (whether or not there exist any vacancies in previously authorized directorships at the time such resolution is presented to the Board for adoption), designate a compensation committee, a nominating/corporate governance committee, an audit committee, and, if so desired from time to time, other committees to serve at the pleasure of the Board. Each committee shall consist of two or more of the directors of the Corporation. Any such committee, to the extent provided in the resolution of the Board, shall have and may exercise all the powers and authority of the Board in the management of the business and affairs of the Corporation and may authorize the seal of the Corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority to amend the Restated Certificate of Incorporation (except as may be authorized in accordance with the provisions of Section 141(c)(1) of the DGCL), adopt an agreement of merger or consolidation, recommend to the stockholders the sale, lease, or exchange of all or substantially all of the Corporation's properties and assets, recommend to the stockholders a dissolution of the Corporation or a revocation of a dissolution or to amend these Bylaws. Unless a resolution of the Board adopted by a majority of the total number of authorized directors (whether or not there exist any vacancies in previously authorized directorships at the time such resolution is presented to the Board for adoption) expressly provides, no such committee shall have the power or authority to declare a dividend. Such committee(s) shall have such name(s) as may be determined from time to time by resolution adopted by the Board. Each committee shall keep regular minutes of its meetings and report the same to the Board when required. The Board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of the committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not they constitute a quorum, may unanimously appoint another member of the Board to act at the meeting in place of any such absent or disqualified member.

SECTION 2. Committee Rules. Each committee of the Board may fix its own rules of procedure and shall hold its meetings as provided by such rules, except as may otherwise be provided by the resolution of the Board designating such committee or the charter adopted by the Board for such committee. In the absence of such rules, each committee shall conduct its business in as nearly as may be in the same manner as the Board conducts its business pursuant to Article III of these Bylaws.

SECTION 3. Termination of Committee Membership. In the event any person shall cease to be a director of the Corporation, such person shall simultaneously therewith cease to be a member of any committee appointed by the Board of Directors.

ARTICLE V

Officers

SECTION 1. Number. The principal officers of the Corporation shall be designated by the Board and shall consist of a President, such number of Vice Presidents as the Board may determine from time to time, a Treasurer, a Secretary and such number of Assistant Treasurers and Assistant Secretaries as the Board may determine from time to time. The Board may, in its discretion, create such offices and confer such titles as Chief Executive Officer, Chief Financial Officer, Chief Operating Officer or Chief Legal Officer and designate any Vice President by a number or numbers or a word or words (including, without limitation, the words “Executive” and “Senior”) added before or after such title. The Board may appoint, and authorize the appointment of, such other officers of the Corporation as the Board deems necessary, and such officers shall have such authority and shall perform such duties as these Bylaws or as the Board may prescribe. Any number of offices may be held by the same person, except that no person may simultaneously hold the offices of President and Secretary.

SECTION 2. Term of Office. Each officer shall hold office until such officer’s successor is duly elected and qualified or until such officer’s earlier death or resignation or removal in the manner hereinafter provided.

SECTION 3. Removal and Resignation. Any officer, agent or employee of the Corporation may be removed, either with or without cause, by an affirmative vote of the majority of the Board of Directors at any regular or special meeting of the Board of Directors, or, except in the case of any officer elected by the Board, by any committee or superior officer upon whom such power may be conferred by the Board. Designation of an officer shall not itself create contract rights. Any officer may resign at any time by giving written or electronic notice to the Corporation. Any resignation shall take effect at the date of the receipt of that notice or at any later time specified in that notice. Unless otherwise specified in the notice of resignation, the acceptance of the resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of the Corporation under any contract to which the officer is a party.

SECTION 4 President. The President, subject to the direction of the Board, shall have such powers and perform such duties as pertain to the office of President and as the Board may from time to time prescribe, shall have the direction of all subordinate officers, agents and employees and may assign such duties to such other officers as the President deems appropriate, and shall perform such other duties and exercise such other powers as may from time to time be prescribed by these Bylaws or the Board.

SECTION 5. Vice Presidents. Each Vice President shall have such powers and perform such duties as the Board or the President may from time to time prescribe and shall perform such other duties as may be prescribed by these Bylaws. At the request of the President, or in case of their absence or inability to act, any of the Vice Presidents shall perform the duties of the President and, when so acting, shall have all the powers of, and be subject to all the restrictions upon, the President.

SECTION 6. Treasurer. The Treasurer shall have charge and custody of, and be responsible for, all funds and securities of the Corporation, and shall deposit all such funds in the name of the Corporation in such banks, trust companies or other depositories as shall be selected in accordance with the provisions of these Bylaws. The Treasurer shall disburse the funds of the Corporation as may be ordered by the Board, making proper vouchers for such disbursements, and shall render to the Board whenever required to do so, and shall present at the annual meeting of the stockholders, if called upon to do so, a statement of all the Treasurer's transactions as such. The Treasurer shall have such powers and perform such duties as pertain to the office of Treasurer and shall perform such other duties as may from time to time be assigned to the Treasurer by the Board.

SECTION 7. Secretary. The Secretary shall keep the records of the proceedings of all meetings of the stockholders and the Board or any committees thereof. The Secretary shall affix the seal of the Corporation to all deeds, contracts, bonds or other instruments requiring the corporate seal when the same shall have been signed on behalf of the Corporation by a duly authorized officer and shall be the custodian of all contracts, deeds, documents and all other indicia of title to properties owned by the Corporation and of its other corporate records (except accounting records). The Secretary shall have such powers and perform such duties as pertain to the office of Secretary and shall perform such other duties as may from time to time be assigned to the Secretary by the Board.

SECTION 8. Other Officers, Assistant Officers and Agents. Officers, assistant officers and agents, if any, other than those whose duties are provided for in these Bylaws, shall have such authority and perform such duties as may from time to time be prescribed by resolution of the Board or by the person responsible for appointing such officers, assistant officers and agents, as the case may be.

SECTION 9. Execution of Contracts and Instruments. Notwithstanding the foregoing description of the duties and powers of corporate officers, the Board may from time to time limit or qualify such duties and powers by an instrument designated by the Board or pursuant to the Board's delegated authority as a corporate delegation of authority, and the duties and powers of the Corporation's officers shall be so limited. The Board may also from time to time specifically authorize one or more officers or agents of the Corporation to enter into such contracts, execute such instruments and take such other actions in the name of and on behalf of the Corporation for such specific purposes and in connection with such specific matters and transactions as the Board in its discretion may determine. Any instrument may be executed on behalf of and in the name of the Corporation: (a) by the Board Chair, the President, the Chief Executive Officer (if any), the Chief Financial Officer (if any), the Chief Operating Officer (if any) or any Vice President, together with the Secretary, the Treasurer or any Assistant Secretary, or any Assistant Treasurer, in each case, subject to any instrument that the Board or those authorized by it may designate as a "corporate delegation of authority," (b) by such officers specifically authorized to act by Board

resolution for a specific purpose or (c) by any other person authorized to do so by, and subject to the limits stated in, the instrument that the Board or those authorized by it may designate as a “corporate delegation of authority”, and such persons shall be deemed agents of the Corporation for such purposes. Except as otherwise designated or expressly authorized by these Bylaws, or an instrument properly designated as a “corporate delegation of authority” no officer, employee or agent of the Corporation shall have any power or authority to bind the Corporation by contract or otherwise or to pledge its credit or to render it liable pecuniarily for any purpose or to any amount.

SECTION 10. Security. The Board may require any officer, agent or employee of the Corporation to provide security for the faithful performance of their duties, in such amount and of such character as may be determined from time to time by the Board.

ARTICLE VI

Proxies, Checks, Drafts, Bank Accounts, Etc.

The President, or any other officer designated by the Board as having such authority, shall have authority from time to time to exercise in the name and on behalf of the Corporation the powers and rights which the Corporation may have as the holder of stock or other securities or interests in any other corporation or business entity and to vote or consent in respect of such stock, securities or interest; the President or such designated officers may designate an agent or agents to perform such function and may instruct the person or persons so appointed as to the manner of exercising such powers and rights; and the President or such designated officers may execute or cause to be executed in the name and on behalf of the Corporation and under its corporate seal, or otherwise, such written proxies, powers of attorney or other instruments as they may deem necessary or proper in order that the Corporation may exercise its said powers and rights. All checks and drafts on the Corporation bank accounts and all bills of exchange and promissory notes, and all acceptances, obligations and other instruments for the payment of money, shall be signed by such officer or officers or agent or agents or other employee or employees as shall be thereunto authorized from time to time by the Board. Third parties shall be entitled to rely on the authority delegated by the Board or pursuant to its delegated authority in an instrument designated as a “corporate delegation of authority” as to all matters governed by this Article VI.

ARTICLE VII

Books and Records

The books and records of the Corporation may be kept at such places within or without the State of Delaware as the Board may from time to time determine.

ARTICLE VIII

Seal

The corporate seal shall have inscribed thereon the name of the Corporation and may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

The seal may be affixed by any officer of the Corporation to any instrument executed by authority of the Corporation, and the seal when so affixed may be attested by the signature of any officer of the Corporation.

ARTICLE IX

Fiscal Year

The fiscal year of the Corporation shall end on the 31st day of December in each year, unless changed by resolution of the Board.

ARTICLE X

Indemnification

SECTION 1. Indemnification of Directors and Officers in Third Party Proceedings. Subject to the other provisions of this Article X, the Corporation shall indemnify and hold harmless, to the fullest extent permitted by the DGCL (as the same exists now or as it may be hereinafter amended, but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment), any person (and the heirs, executors, administrators or estate of such person) who was or is a party or is threatened to be made a party to, or otherwise becomes involved in, any threatened, pending or completed action, suit, investigation, inquiry, hearing, mediation, arbitration, other alternative dispute mechanism or any other proceeding, whether civil, criminal, administrative, regulatory, investigative, legislative or otherwise and whether formal or informal (as further defined in Section 19 of this Article X, a "Proceeding") (other than an action by or in the right of the Corporation) by reason of the fact that such person is or was serving, or had agreed to serve, in an Official Capacity (as defined in Section 19 of this Article X) for the Corporation, or while serving in an Official Capacity for the Corporation is or was serving at the request of the Corporation in an Official Capacity for another corporation, partnership, limited liability company, joint venture, trust or other enterprise (an "Other Enterprise"), including service with respect to employee benefit plans maintained or sponsored by the Corporation, or is an employee of the Corporation specifically designated by the Board as an indemnified employee (hereinafter, each of the foregoing persons, a "Covered Person"), against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such Proceeding if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal Proceeding, had no reasonable cause to believe such person's conduct was unlawful.

SECTION 2. Indemnification of Directors and Officers in Actions by or in the Right of the Corporation. Subject to the other provisions of this Article X, the Corporation shall indemnify and hold harmless, to the fullest extent permitted by the DGCL, any Covered Person who was or is a party or is threatened to be made a party to, or otherwise becomes involved in, a Proceeding by or in the right of the Corporation against Expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation; provided that no

indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that Delaware Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Delaware Court of Chancery or such other court shall deem proper.

SECTION 3. Successful Defense. To the extent that a Covered Person has been successful on the merits or otherwise in defense of any Proceeding described in Sections 1 or 2 of this Article X, or in defense of any claim, issue or matter therein, such person shall be indemnified against Expenses (as defined in Section 19 of this Article X) (including attorneys' fees) actually and reasonably incurred by such person in connection therewith.

SECTION 4. Indemnification of Others. Subject to the other provisions of this Article X, the Corporation shall have power to indemnify its employees and its agents to the extent not prohibited by the DGCL or other applicable law. Subject to applicable law, the Board shall have the power to delegate the determination of whether employees or agents shall be indemnified to such person or persons as the Board determines.

SECTION 5. Advance Payment of Expenses.

(a) Expenses (including attorneys' fees) incurred by any Covered Person in defending any Proceeding shall be paid by the Corporation in advance of the final disposition of such Proceeding. Such advances shall be paid by the Corporation within ten (10) calendar days after the receipt by the Corporation of a statement or statements from the claimant requesting such advance or advances from time to time; *provided*, that the payment of such expenses incurred by a Covered Person in the Covered Person's capacity as a director or officer shall be made only upon delivery to the Corporation of an undertaking in writing by or on behalf of such Covered Person to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right of appeal (a "final disposition") that such Covered Person is not entitled to be indemnified for such expenses under this bylaw or otherwise. The Covered Person's undertaking to repay the Corporation any amounts advanced for Expenses shall not be required to be secured and shall not bear interest.

(b) Except as otherwise provided in the DGCL or this Section 5, the Corporation shall not impose on the Covered Person additional conditions to the advancement of Expenses or require from the Covered Person additional undertakings regarding repayment. Advancements of Expenses shall be made without regard to the Covered Person's ability to repay the Expenses.

(c) Advancements of Expenses pursuant to this subsection shall not require approval of the Board or the stockholders of the Corporation, or of any other person or body. The Secretary shall promptly advise the Board in writing of the request for advancement of Expenses, of the amount and other details of the request and of the undertaking to make repayment provided pursuant to this Section 5.

(d) Advancements of Expenses to a Covered Person shall include any and all reasonable Expenses incurred pursuing an action to enforce this right of advancement, including Expenses incurred preparing and forwarding statements to the Corporation to support the advancements claimed.

(e) The right to advancement of Expenses shall not apply to (i) any action, suit or proceeding against a Covered Person brought by the Corporation and approved by a majority of the authorized members of the Board which alleges willful misappropriation of corporate assets by such agent, wrongful disclosure of confidential information, or any other willful and deliberate breach in bad faith of such agent's duty to the Corporation or its stockholders, or (ii) any claim for which indemnification is excluded pursuant to these Bylaws, but shall apply to any Proceeding referenced in Section 6(c) prior to a determination that the person is not entitled to be indemnified by the Corporation.

SECTION 6. Limitations on Indemnification. Except as otherwise required by the DGCL or the Corporation's Restated Certificate of Incorporation, the Corporation shall not be obligated to indemnify any person pursuant to this Article X in connection with any Proceeding (or any part of any Proceeding):

(a) for which payment has actually been made to or on behalf of such person under any statute, insurance policy, indemnity provision, vote or otherwise, except with respect to any excess beyond the amount paid;

(b) for an accounting or disgorgement of profits pursuant to Section 16(b) of the Exchange Act, or similar provisions of federal, state or local statutory law or common law, if such person is held liable therefor (including pursuant to any settlement arrangements);

(c) for any reimbursement of the Corporation by such person of any bonus or other incentive-based or equity-based compensation or of any profits realized by such person from the sale of securities of the Corporation, as required in each case under the Exchange Act, including any such reimbursements that arise from an accounting restatement of the Corporation pursuant to Section 304 of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act") or the rules of any national securities exchange upon which the Corporation's securities are listed, if such person is held liable therefor (including pursuant to any settlement arrangements);

(d) for any reimbursement of the Corporation by such person of profits arising from the purchase and sale by such person of securities in violation of Section 306 of the Sarbanes-Oxley Act, if such person is held liable therefor (including pursuant to any settlement arrangements);

(e) initiated by such person against the Corporation or its directors, officers, employees, agents or other indemnitees, unless (a) the Board authorized the Proceeding (or the relevant part of the Proceeding) prior to its initiation, (b) the Corporation provides the indemnification, in its sole discretion, pursuant to the powers vested in the Corporation under applicable law, (c) otherwise made under Section 5 of this Article X or (d) otherwise required by applicable law; or

(f) if prohibited by applicable law.

SECTION 7. Indemnification Claims; Determination.

(a) To obtain indemnification under this Article X, a Covered Person shall submit to the Corporation a written request, including therein or therewith such documentation and information as is reasonably available to the Covered Person and is reasonably necessary to determine whether and to what extent the Covered Person is entitled to indemnification. Upon written request by a Covered Person for indemnification, a determination (the “Determination”), if required by applicable law, with respect to the Covered Person’s entitlement thereto shall be made as follows: (i) by the Board by majority vote of a quorum consisting of Disinterested Directors (as defined in Section 19 of this Article X); (ii) if such a quorum of Disinterested Directors cannot be obtained, by majority vote of a committee duly designated by the Board (all directors, whether or not Disinterested Directors, may participate in such designation) consisting solely of two or more Disinterested Directors; (iii) if such a committee cannot be designated, by any Independent Counsel (as defined in Section 19 of this Article X) selected by the Board, as prescribed in (i) above or by the committee of the Board prescribed in (ii) above, in a written opinion to the Board, a copy of which shall be delivered to the claimant; or if a quorum of the Board cannot be obtained for (a) above and the committee cannot be designated under (b) above, selected by majority vote of the full Board (in which directors who are parties may participate); or (iv) if such Independent Legal Counsel determination cannot be obtained, by majority vote of a quorum of stockholders consisting of stockholders who are not parties to such Proceeding, or if no such quorum is obtainable, by a majority vote of stockholders who are not parties to the Proceeding. If it is so determined that the claimant is entitled to indemnification, payment to the claimant shall be made within thirty (30) calendar days after such determination.

(b) If a claim for indemnification under this Article X is not paid in full by the Corporation within thirty (30) calendar days after a determination is made pursuant to Section 7(a) that the claimant is entitled to be indemnified, or (ii) if a request for advancement of Expenses under this Article X is not paid in full by the Corporation within ten (10) calendar days after a statement pursuant to Section 5 above and the required Undertaking, if any, have been received by the Corporation, the claimant may at any time thereafter bring suit against the Corporation in a court of competent jurisdiction to recover the unpaid amount of the claim for indemnification or request for advancement of Expenses and, if successful in whole or in part, the claimant shall be entitled to be paid also any and all Expenses incurred in connection with prosecuting such claim. In any such suit, the Corporation shall, to the fullest extent not prohibited by law, have the burden of proving that the claimant is not entitled to the requested indemnification or advancement of Expenses. It shall be a defense to any such action that, under the DGCL or other applicable law, the claimant has not met the standard of conduct which makes it permissible for the Corporation to indemnify the claimant for the amount claimed or that the claimant is not entitled to the requested advancement of Expenses, but (except where the required Undertaking, if any, has not been tendered to the Corporation) the burden of proving such defense shall be on the Corporation. Neither the failure of the Corporation (including its Disinterested Directors, Independent Counsel or stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because the claimant met the applicable standard of conduct set forth under the DGCL or other applicable law, nor an actual determination by the Corporation (including its Disinterested Directors, Independent Counsel or stockholders) that the claimant has not met such

applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

(c) The termination of any Proceeding by judgment, order, settlement, conviction, or upon a plea of *nolo contendere* or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which the person reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that the person's conduct was unlawful.

(d) If a Determination shall have been made pursuant to Section 7(a) above that the claimant is entitled to indemnification, the Corporation shall be bound by such determination in any judicial proceeding commenced pursuant to Section 7(b) above.

(e) The Corporation shall be precluded from asserting in any judicial proceeding commenced pursuant to Section 7(b) above that the procedures and presumptions of this Bylaw are not valid, binding and enforceable and shall stipulate in such proceeding that the Corporation is bound by all the provisions of this Bylaw.

SECTION 8. Procedures for the Determination of Whether Standards Have Been Satisfied.

(a) Costs. All costs incurred by the Corporation in making the Determination shall be borne solely by the Corporation, including, but not limited to, the costs of legal counsel, proxy solicitations and judicial determinations. The Corporation shall also be solely responsible for paying all costs incurred by it in defending any suits or Proceedings challenging payments by the Corporation to a Covered Person under these Bylaws.

(b) Timing of the Determination. The Corporation shall use its best efforts to make the Determination contemplated by Section 7 hereof as promptly as is reasonably practicable under the circumstances.

SECTION 9. Non-exclusivity of Rights. The rights of indemnification and advancement of Expenses provided in this Article X shall not be deemed exclusive of any other rights to which a person seeking indemnification or advancement of expenses may be entitled under any bylaw, agreement, insurance policy, vote of stockholders or disinterested directors or otherwise, both as to action in the person's official capacity and as to action in another capacity while holding such office. The Corporation is specifically authorized to enter into an agreement with any of its directors, officers, employees or agents providing for indemnification and advancement of expenses, including attorneys' fees, that may change, enhance, qualify or limit any right to indemnification or advancement of expenses created by this Article X, to the fullest extent not prohibited by the DGCL or other applicable law.

SECTION 10. Continuation of Rights. The rights of indemnification and advancement of expenses provided in this Article X shall continue as to any person who has ceased to be a director, officer, partner, member, trustee, agent or employee and shall inure to the benefit of their heirs, executors, administrators and estates.

SECTION 11. Contract Rights. Without the necessity of entering into an express contract, the obligations of the Corporation to indemnify a director, officer, partner, member, trustee, agent or employee under this Article X, including the duty to advance expenses, shall be considered a contract right between the Corporation and such individual and shall be effective to the same extent and as if provided for in a contract between the Corporation and the director or executive officer. Such contract right shall be deemed to vest at the commencement of such individual's service to or at the request of the Corporation, and no amendment, modification or repeal of this Article X shall affect, to the detriment of the indemnified person and such indemnified person's heirs, executors, administrators and estate, such obligations of the Corporation in connection with a claim based on any act or failure to act occurring before such modification or repeal.

SECTION 12. Subrogation. In the event of payment of indemnification to a person described in Sections 1 or 2 of this Article X, the Corporation shall be subrogated to the extent of such payment to any right of recovery such person may have and such person, as a condition of receiving indemnification from the Corporation, shall execute all documents and do all things that the Corporation may deem necessary or desirable to perfect such right of recovery, including the execution of such documents necessary to enable the Corporation effectively to enforce any such recovery.

SECTION 13. No Duplication of Payments. The Corporation shall not be liable under this Article X to make any payment in connection with any claim made against a person described in Sections 1 or 2 of this Article X to the extent such person has otherwise received payment (under any insurance policy, bylaw, agreement or otherwise) of the amounts otherwise payable as indemnity hereunder.

SECTION 14. Insurance and Funding.

(a) The Board of Directors may authorize that the Corporation purchase and maintain, at the Corporation's expense, insurance to protect the Corporation and any person against any liability or expense asserted against or incurred by such person in connection with any Proceeding, whether or not the Corporation would have the power to indemnify such person against such liability or expense by law or under this Article X or otherwise. The Corporation may create a trust fund, grant a security interest or use other means (including, without limitation, a letter of credit) to insure the payment of such sums as may become necessary to effect the indemnification provided herein.

(b) Any full or partial payment by an insurance company under any insurance policy covering any director, officer, employee, agent or other person indemnified above made to or on behalf of a person entitled to indemnification under this Article X shall relieve the Corporation of its liability for indemnification provided for under this Article X or otherwise to the extent of such payment.

(c) Any insurance or other financial arrangement made on behalf of a person pursuant to this Section 14 may be provided by the Corporation or any other person approved by the Board of Directors, even if all or part of the other person's stock or other securities is owned by the Corporation. In the absence of fraud, (i) the decision of the Board of Directors as to the propriety of the terms and conditions of any insurance or other financial arrangement made

pursuant to this Section 14 and the choice of the person to provide the insurance or other financial arrangement is conclusive; and (ii) the insurance or other financial arrangement does not subject any director approving it to personal liability for such director's action in approving the insurance or other financial arrangement; even if a director approving the insurance or other financial arrangement is a beneficiary of the insurance or other financial arrangement.

SECTION 15. No Imputation. The knowledge and/or actions, or failure to act, of any other officer, director, employee or agent of the Corporation or an Other Enterprise shall not be imputed to an indemnified person for purposes of determining the right to indemnification under this Article X.

SECTION 16. Reliance. Persons who after the date of the adoption of Article X or any amendment thereto serve or continue to serve the Corporation in an Official Capacity or who, while serving in an Official Capacity, serve or continue to serve in an Official Capacity for an Other Enterprise, shall be conclusively presumed to have relied on the rights to indemnification and advancement of Expenses contained in this Article X.

SECTION 17. Severability. If this Article X or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Corporation shall nevertheless indemnify and hold harmless each director and officer and any other person indemnified pursuant to this Article X as to all Expenses with respect to any Proceeding to the full extent permitted by any applicable portion of this Article X that shall not have been invalidated and to the fullest extent permitted by applicable law.

SECTION 18. Notices. Any notice, request or other communication required or permitted to be given to the Corporation under this Article X shall be in writing and either delivered in person or sent by U.S. mail, overnight courier or by e-mail or other electronic transmission, to the Secretary of the Corporation and shall be effective only upon receipt by the Secretary.

SECTION 19. Certain Definitions.

(a) The term "Corporation" shall include, in addition to American Water Works Company, Inc. and, in the event of a consolidation or merger involving the Corporation, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, employees or agents, so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this Article X with respect to the resulting or surviving corporation as such person would have with respect to such constituent corporation if its separate existence had continued.

(b) The term "Disinterested Director" means a director of the Corporation who is not and was not a party to the matter in respect of which indemnification is sought by the claimant.

(c) The term “Expenses” shall be broadly construed and shall include, without limitation, all direct and indirect losses, liabilities, expenses, including fees and expenses of attorneys, fees and expenses of accountants, court costs, transcript costs, fees and expenses of experts, witness fees and expenses, travel expenses, printing and binding costs, telephone charges, delivery service fees, the premium, security for, and other costs relating to any bond (including cost bonds, appraisal bonds, or their equivalents), judgments, fines (including excise taxes assessed on a person with respect to an employee benefit plan) and amounts paid in settlement and all other disbursements or expenses of the types customarily incurred in connection with (i) the investigation, prosecution, defense, appeal or settlement of a Proceeding, (ii) serving as an actual or prospective witness, or preparing to be a witness in a Proceeding, or other participation in, or other preparation for, any Proceeding, (iii) any compulsory interviews or depositions related to a Proceeding, (iv) any non-compulsory interviews or depositions related to a Proceeding, subject to the person receiving advance written approval by the Corporation to participate in such interviews or depositions, and (v) responding to, or objecting to, a request to provide discovery in any Proceeding. Expenses shall also include any federal, state, local and foreign taxes imposed on such person as a result of the actual or deemed receipt of any payments under this Article X.

(d) The term “Independent Counsel” means a law firm, a member of a law firm, or an independent practitioner, that is experienced in matters of corporation law and shall include any person who, under the applicable standards of professional conduct then prevailing, would not have a conflict of interest in representing either the corporation or the claimant in an action to determine the claimant’s rights under this Article X.

(e) The term “Official Capacity” shall mean service as a director or officer of the Corporation or service, at the request of the Corporation while serving in an Official Capacity for the Corporation, as a director, officer, partner, member, manager, trustee, employee, agent or other representative of an Other Enterprise.

(f) The term “Proceeding” shall be broadly construed and shall include, without limitation, the investigation, preparation, prosecution, defense, settlement, mediation, arbitration and appeal of, and the giving of testimony in, any Proceeding.

(g) The term “servicing at the request of the Corporation” includes any service as a director, officer, employee, or agent of the Corporation that imposes duties on such persons, including duties relating to an employee benefit plan and its participants or beneficiaries.

(h) The term “not opposed to the best interest of the Corporation,” when used in the context of a Covered Person’s service with respect to employee benefit plans maintained or sponsored by the Corporation, describes the actions of a person who acts in good faith and in a manner he reasonably believes to be in the best interests of the participants and beneficiaries of an employee benefit plan.

ARTICLE XI

Shares and Their Transfer

SECTION 1. Certificated and Uncertificated Shares. The shares of the Corporation shall be represented by certificates, or shall be uncertificated shares evidenced by a book-entry system, or a combination of both. Certificates shall be signed by, or in the name of the Corporation by, (i) the President or a Vice President and (ii) the Secretary or an Assistant Secretary, certifying the number and class of shares of the Corporation owned by the holder of such certificate. If such a certificate is countersigned (a) by a transfer agent or an assistant transfer agent other than the Corporation or its employee or (b) by a registrar other than the Corporation or its employee, the signature of any such President, Vice President, Secretary or Assistant Secretary may be a facsimile. In case any officer(s) who have signed, or whose facsimile signature(s) have been used on, any such certificate(s) shall cease to be such officer(s) of the Corporation, whether because of death, resignation or otherwise, before such certificate(s) have been delivered by the Corporation, such certificate(s) may nevertheless be issued and delivered as though the person or persons who signed such certificate(s) or whose facsimile signature(s) have been used thereon had not ceased to be such officer(s) of the Corporation.

SECTION 2. Registered Stockholders. A record shall be kept of the name of the person, firm or corporation owning each share of stock of the Corporation, including, in the case of stock represented by each certificate for stock of the Corporation issued, the number of shares represented by each such certificate, and the date thereof, and, in the case of cancellation, the date of cancellation. Except as otherwise expressly required by law, the person in whose name shares of stock stand on the books of the Corporation shall be deemed the owner thereof for all purposes as regards the Corporation. Without limiting the generality of the foregoing, the Corporation (a) shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends and to vote as such owner; and (b) shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of another person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

SECTION 3. Transfers of Stock. Transfers of stock shall be made only upon the transfer books of the Corporation kept at an office of the Corporation or by transfer agents designated to transfer shares of the stock of the Corporation. Except when a certificate is issued in accordance with Section 4 of this Article XI, in the case of stock represented by a certificate, an outstanding certificate for the number of shares involved shall be surrendered for cancellation before a new certificate is issued therefor.

SECTION 4. Lost, Destroyed or Mutilated Certificates. In the case of an alleged loss or destruction or the mutilation of a certificate representing stock of the Corporation, a new certificate may be issued in place thereof, in the manner and upon such terms as the Board may prescribe. Without limiting the generality of the foregoing, the Corporation may issue a new certificate of stock or uncertificated shares in the place of any certificate theretofore issued by it, alleged to have been lost, stolen or destroyed, and the Corporation may require the owner of the lost, stolen or destroyed certificate, or such owner's legal representative, to give the Corporation a bond sufficient to indemnify it against any claim that may be made against it on account of the

alleged loss, theft or destruction of any such certificate or the issuance of such new certificate or uncertificated shares.

SECTION 5. Fractional Shares. The Corporation shall have the complete discretion to issue fractional shares.

SECTION 6. Record Date. The Board of Directors may by resolution of the Board adopted by a majority of the total number of authorized directors (whether or not there exist any vacancies in previously authorized directorships at the time such resolution is presented to the Board for adoption) fix in advance a date as a record date for the determination of the stockholders entitled to notice of and to vote at any meeting of stockholders, or entitled to receive payment of any dividends or other distribution, or to exercise the rights in respect to any change, conversion, or exchange of capital stock, and in such case only stockholders of record on the date so fixed shall be entitled to such notice of, and to vote at, such meeting, or to receive payment of such dividend or other distribution, or allotment of rights, or exercise such rights, as the case may be, and notwithstanding any transfer of any stock on the books of the Corporation after any such record date fixed as herein provided. In no event may any such record date: (i) be more than sixty (60) days preceding the date of any meeting of stockholders, or the date for the payment of any dividend, or the date when any change or conversion or exchange of capital stock shall go into effect, or (ii) precede the date upon which the resolution fixing the record date is adopted by the Board of Directors. A determination of stockholders of record entitled to notice of or to vote at any meeting of stockholders shall apply to any adjournment of the meeting; *provided, however*, that the Board may fix a new record date for the adjourned meeting.

ARTICLE XII

General Provisions

SECTION 1. Section Headings. Section headings in these Bylaws are for convenience of reference only and shall not be given any substantive effect in limiting or otherwise construing any provision herein.

SECTION 2. Gender. All words used in these Bylaws in the masculine gender shall extend to and shall include the feminine and neuter genders.

SECTION 3. Time Periods. In applying any provision of these Bylaws that requires that an act be done or not be done a specified number of days prior to an event or that an act be done during a period of a specified number of days prior to an event, unless the use of business days are specified, calendar days shall be used, the day of the doing of the act shall be included, and the day of the event shall be excluded.

SECTION 4. Evidence of Authority. A certificate by the Secretary, or an Assistant Secretary, or a temporary Secretary, as to any action taken by the stockholders, directors, a committee or any officer or representative of the Corporation shall, as to all persons who rely on the certificate in good faith, be conclusive evidence of such action.

SECTION 5. Restated Certificate of Incorporation. All references in these Bylaws to the Restated Certificate of Incorporation shall be deemed to refer to the Restated Certificate of

Incorporation of the Corporation, as amended and in effect from time to time, including the terms of any certificate of designations of any series of Preferred Stock.

SECTION 6. Bylaw Provisions Additional and Supplemental to Provisions of Law. All restrictions, limitations, requirements and other provisions of these Bylaws shall be construed, insofar as possible, as supplemental and additional to all provisions of law applicable to the subject matter thereof and shall be fully complied with in addition to the said provisions of law unless such compliance shall be illegal.

SECTION 7. Interpretation. Unless the context requires otherwise, the general provisions, rules of construction and definitions in the DGCL shall govern the construction of these Bylaws. Reference in these Bylaws to any provision of the DGCL shall be deemed to include all amendments thereof. The term “person” includes both a corporation and a natural person. The term “Chief Executive Officer” shall be equivalent to the term “President” under the DGCL.

SECTION 8. Inconsistent Provisions. In the event that any provision of these Bylaws is or becomes inconsistent with any provision of the Corporation’s Restated Certificate of Incorporation, the DGCL or any other applicable law, such provision of these Bylaws shall not be given any effect to the extent of such inconsistency but shall otherwise be given full force and effect.

SECTION 9. Notices. Except as otherwise specifically provided herein or required by the DGCL or other applicable law or the Restated Certificate of Incorporation, all notices required to be given to any person pursuant to these Bylaws shall be in writing and may in every instance be effectively given by hand delivery to the recipient thereof, by depositing such notice in the mails, postage paid, addressed to such person at their last known address as the same appears on the books of the Corporation. Notices may also be sent by facsimile or other electronic transmission.

SECTION 10. Notice to Stockholders by Electronic Transmission.

(a) Without limiting the manner by which notice otherwise may be given effectively to stockholders pursuant to the DGCL, the Restated Certificate of Incorporation or these Bylaws, any notice to stockholders given by the Corporation under any provision of the DGCL, the Restated Certificate of Incorporation or these Bylaws shall be effective if given by a form of electronic transmission consented to by the stockholder to whom the notice is given. Any such consent shall be revocable by the stockholder by written notice to the Corporation. Any such consent shall be deemed revoked if (a) the Corporation is unable to deliver by electronic transmission two consecutive notices given by the Corporation in accordance with such consent; and (b) such inability becomes known to the Secretary or an Assistant Secretary of the Corporation or to the transfer agent, or other person responsible for the giving of notice. However, the inadvertent failure to treat such inability as a revocation shall not invalidate any meeting or other action.

(b) Any notice given pursuant to the preceding paragraph shall be deemed given: (i) if by facsimile telecommunication, when directed to a number at which the stockholder has consented to receive notice; (ii) if by electronic mail, when directed to an electronic mail

address at which the stockholder has consented to receive notice; (iii) if by a posting on an electronic network together with separate notice to the stockholder of such specific posting, upon the later of (A) such posting and (B) the giving of such separate notice; and (iv) if by any other form of electronic transmission, when directed to the stockholder. An affidavit of the Secretary or an Assistant Secretary or of the transfer agent or other agent of the Corporation that the notice has been given by a form of electronic transmission shall, in the absence of fraud, be prima facie evidence of the facts stated therein.

(c) For purposes of these Bylaws, an “electronic transmission” means any form of communication, not directly involving the physical transmission of paper, that creates a record that may be retained, retrieved, and reviewed by a recipient thereof, and that may be directly reproduced in paper form by such a recipient through an automated process.

SECTION 11. Notice to Stockholders Sharing an Address. Except as otherwise prohibited under the DGCL, without limiting the manner by which notice otherwise may be given effectively to stockholders, any notice to stockholders given by the Corporation under the provisions of the DGCL, the Restated Certificate of Incorporation or these Bylaws shall be effective if given by a single written notice to stockholders who share an address if (a) consented to by the stockholders at that address to whom such notice is given, or (b) the Corporation complies with the provisions of Rule 14a-3(e) of the Exchange Act. The stockholder consent referenced in the immediately preceding sentence shall be revocable by the stockholder by written notice to the Corporation. Any stockholder who fails to object in writing to the Corporation, within sixty (60) days of having been given written notice by the Corporation of its intention to send the single notice, shall be deemed to have consented to receiving such single written notice.

SECTION 12. Waiver of Notice. Whenever notice is required to be given to stockholders, directors or other persons under any provision of the DGCL, the Restated Certificate of Incorporation or these Bylaws, a written waiver, signed by the person entitled to notice, or a waiver by electronic transmission by the person entitled to notice, whether before or after the time of the event for which notice is to be given, shall be deemed equivalent to notice. Attendance of a person at a meeting, whether in person, by remote communication, if applicable, or by proxy, shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders or the board of directors, as the case may be, need be specified in any written waiver of notice or any waiver by electronic transmission unless so required by the Restated Certificate of Incorporation or these Bylaws. Any person so waiving notice of such a meeting shall be bound by the proceedings of any such meeting in all respects as if due notice thereof had been given.

ARTICLE XIII

Exclusive Forum

Unless the Corporation consents in writing to the selection of an alternative forum, the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of the Corporation, (ii) any action asserting a claim of breach of a fiduciary duty owed by any director or officer or other employee of the Corporation to the Corporation or the Corporation's stockholders, (iii) any action asserting a claim against the Corporation or any director or officer or other employee of the Corporation arising pursuant to any provision of the DGCL or the Corporation's Restated Certificate of Incorporation or Bylaws (in each case, as they may be amended from time to time), or (iv) any action asserting a claim against the Corporation or any director or officer or other employee of the Corporation governed by the internal affairs doctrine, shall be a state court located within the State of Delaware (or, if no state court located within the State of Delaware has jurisdiction, the federal district court for the District of Delaware), in all cases to the fullest extent permitted by law and subject to said court having personal jurisdiction over the indispensable parties named as defendants therein.

ARTICLE XIV

Amendments

These Bylaws and any amendment thereof may be altered, amended or repealed, or new bylaws may be adopted by (i) the Board by resolution adopted by a majority of the total number of authorized directors (whether or not there exist any vacancies in previously authorized directorships at the time such resolution is presented to the Board for adoption) acting at any special or regular meeting of the Board if, in addition to any other notice required by these Bylaws and other applicable requirements contained herein, notice of such amendment, alteration or repeal is contained in the notice or waiver of notice of such meeting, which notice shall also include, without limitation, the text of any such proposed amendment and/or any resolution calling for any such amendment, alteration or repeal, or (ii) the stockholders, provided that, in addition to any other notice required by these Bylaws and other applicable requirements contained herein, notice of such amendment, alteration or repeal is contained in the notice or waiver of notice of such meeting, which notice (or proxy statement accompanying such notice or accessible through a website URL provided in such notice or in a document accompanying such notice) shall also include, without limitation, the text of any such proposed amendment and/or any resolution calling for any such amendment, alteration or repeal.

AMERICAN WATER WORKS COMPANY, INC.

CERTIFICATE OF AMENDMENT AND RESTATEMENT OF BYLAWS

The undersigned hereby certifies that the undersigned is the duly elected, qualified and acting Secretary of AMERICAN WATER WORKS COMPANY, INC., a Delaware corporation (the "Corporation"), and that the foregoing Amended and Restated Bylaws were amended and restated on December 7, 2022 by the Corporation's Board of Directors.

IN WITNESS WHEREOF, the undersigned has hereunto signed this certificate on this 7th day of December, 2022.

/s/ JEFFREY M. TAYLOR
Jeffrey M. Taylor, Secretary

Press Release



American Water Appoints Two New Independent Members to the Board of Directors

CAMDEN, N.J., DECEMBER 8, 2022 – American Water Works Company, Inc. (NYSE: AWK) announced today that Laurie P. Havanec and Michael L. Marberry have been appointed independent members of the company's board of directors, effective Dec. 7, 2022.

"American Water is pleased to have Laurie and Michael join our board of directors," said Karl Kurz, Board Chair of American Water. "Laurie's extensive experience with human resources and environmental, social, and governance (ESG) activities, coupled with Michael's executive leadership and corporate strategy and business development background, will further strengthen our board. We look forward to working with both of them."

"We are honored to have these talented and successful individuals become part of American Water's board," said Susan Hardwick, President and CEO of American Water. "Laurie will provide our board with expertise across all human resources functions, including talent development, diversity, equity, and inclusion. Michael has deep experience in leading and growing a successful S&P 500 company. Both will add significant value to our company."

Havanec has served as Executive Vice President and Chief People Officer of CVS Health Corporation since February 2021. Under her leadership, she developed the vision and strategy for a human resources function serving over 300,000 employees. Havanec also refreshed the company's ESG strategy with a refined focus on sustainability and equity.

Prior to her current role, Havanec led human resources for Otis Worldwide Corporation and held leadership positions in human resources for United Technologies Corporation and Aetna. She earned a bachelor's degree in business and marketing from the University of Connecticut and a Juris Doctor with honors from the University of Connecticut School of Law.

Marberry served as President and CEO and as a member of the board of directors of J.M. Huber Corporation from 2009 to 2022. Under Marberry's leadership, Huber has been recognized as one of the most sustainable family enterprises in the world, having received the IMD-Pictet Sustainability in Family Business Award.

A Huber leader since 1997, Marberry first joined that company as its Vice President of Corporate Strategy and New Business Development. He also served as Huber's Chief Financial Officer and President of its global Engineered Materials business.

Press Release



Marberry earned a bachelor's and a master's degree in chemical engineering from the University of Kentucky and an MBA from the Tuck School of Business at Dartmouth College. He is also a National Association of Corporate Directors (NACD) Board Governance Fellow.

American Water's board of directors now consists of 11 members.

About American Water

With a history dating back to 1886, American Water (NYSE: AWK) is the largest and most geographically diverse U.S. publicly traded water and wastewater utility company. The company employs approximately 6,400 dedicated professionals who provide regulated and regulated-like drinking water and wastewater services to an estimated 14 million people in 24 states. American Water provides safe, clean, affordable, and reliable water services to our customers to help keep their lives flowing. For more information, visit amwater.com and diversityataw.com. Follow American Water on Twitter, Facebook and LinkedIn.

AWK-IR

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

Form 8-K

**Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): November 17, 2022

American Water Works Company, Inc.
(Exact name of registrant as specified in its charter)

Commission File Number: 001-34028

Delaware
(State or other jurisdiction
of incorporation)

51-0063696
(IRS Employer
Identification No.)

**1 Water Street
Camden, NJ 08102-1658**
(Address of principal executive offices, including zip code)
(856) 955-4001
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Trading Symbol</u>	<u>Name of Each Exchange on Which Registered</u>
Common stock, par value \$0.01 per share	AWK	New York Stock Exchange

Item 8.01. Other Events.

California Coastal Commission Approval of Coastal Development Permit Application

On November 18, 2022, California-American Water Company (“Cal Am”), a wholly owned subsidiary of American Water Works Company, Inc. (the “Company”), announced that on November 17, 2022, the California Coastal Commission approved Cal Am’s original jurisdiction coastal development permit application for intake slant wells to supply water to a desalination plant that Cal Am intends to construct as a component of the Monterey Peninsula Water Supply Project (the “Water Supply Project”). The Water Supply Project is intended, among other things, to fulfill obligations of Cal Am to eliminate unauthorized diversions from the Carmel River as required under orders of the California State Water Resources Control Board. Cal Am will continue to seek the remaining permits necessary to construct the Water Supply Project. Construction of the desalination plant is expected to begin in 2024 and the desalination plant is estimated to be in-service by the end of 2027.

A copy of the press release issued by Cal Am on November 18, 2022 has been filed as [Exhibit 99.1](#) hereto and is incorporated herein by reference. References and links to websites and other information contained in the press release are not provided as active hyperlinks, and the information contained in or accessed through these hyperlinks shall not be incorporated into, or form a part of, this Current Report on Form 8-K.

Cautionary Statement Concerning Forward-Looking Statements

Certain statements included in this Current Report on Form 8-K (or the exhibits thereto) are forward-looking statements within the meaning of Section 27A of the Securities Act, Section 21E of the Exchange Act and the Private Securities Litigation Reform Act of 1995. In some cases, these forward-looking statements can be identified by words with prospective meanings such as “intend,” “plan,” “estimate,” “believe,” “anticipate,” “expect,” “predict,” “project,” “propose,” “assume,” “forecast,” “outlook,” “future,” “pending,” “goal,” “objective,” “potential,” “continue,” “seek to,” “may,” “can,” “will,” “should” and “could,” or the negative of such terms or other variations or similar expressions. These forward-looking statements are predictions based on the Company’s current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, performance or achievements, and readers are cautioned not to place undue reliance upon them. The forward-looking statements are subject to a number of estimates and assumptions, and known and unknown risks, uncertainties and other factors. Actual results may differ materially from those discussed in the forward-looking statements included in this Current Report on Form 8-K as a result of the factors discussed in the Company’s Annual Report on Form 10-K for the year ended December 31, 2021, as filed with the Securities and Exchange Commission (the “SEC”) on February 16, 2022, and other filings with the SEC, and additional risks and uncertainties, including with respect to: (1) obtaining the remaining regulatory and other approvals and consents required to construct the desalination plant and to complete the other components of the Water Supply Project; (2) the timing of the in-service date for the desalination plant; (3) unexpected costs, liabilities or delays associated with the Water Supply Project and the construction of the desalination plant; (4) regulatory, legislative, local, municipal or private actions or challenges to the Water Supply Project or the construction of the desalination plant; and (5) other economic, business and other factors.

These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above and the risk factors included in the Company’s annual and quarterly reports as filed with the SEC, and readers should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements speak only as of the date of this Current Report on Form 8-K. The Company does not have any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise, except as otherwise required by the federal securities laws. New factors emerge from time to time, and it is not possible for us to predict all such factors. Furthermore, it may not be possible to assess the impact of any such factor on the Company’s or Cal Am’s business, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

The following exhibits to this Current Report have been provided herewith as noted below:

<u>Exhibit No.</u>	<u>Description of Exhibit</u>
99.1*	Press Release, dated November 18, 2022, issued by Cal Am.
104	Cover Page Interactive Data File (the cover page XBRL tags are included and formatted as Inline XBRL).

* Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

Dated: November 18, 2022

By: /s/ JOHN C. GRIFFITH

John C. Griffith

Executive Vice President and Chief Financial Officer

Press Release



California Coastal Commission Approves Desalination Slant Well Permit *Decision a Victory for Monterey Peninsula Residents and Businesses*

MONTEREY, Calif. (November 18, 2022) – On November 17, 2022, the California Coastal Commission (Commission) supported its staff recommendation and approved a development permit for intake slant wells needed to provide ocean water and brackish groundwater to California American Water’s proposed desalination plant. With this approval, the Monterey Peninsula is a critical step closer to finally solving the region’s decades-long water supply crisis.

“With the Commission’s vote and approval, we have received the major regulatory milestone needed to finally solve the long-standing water supply needs of the Monterey Peninsula,” said Kevin Tilden, president of California American Water. “This is a significant victory for the Carmel River, and will support desperately needed new housing, economic development and vitality, as well as help ensure water security for those who live and work on the Monterey Peninsula.”

The desalination plant is one of three major components that California American Water – the Peninsula’s water provider – has supported to diversify the area’s water supply and relieve the over-drafted Carmel River Aquifer. The other two components of the Monterey Peninsula Water Supply Project are aquifer storage and recovery and a groundwater replenishment and recycled water project that together with other smaller projects will bring drought-proof and environmentally sustainable water supplies to the Monterey Peninsula.

California American Water held more than 24 community workshops and meetings around Monterey County in the last three months to answer questions and receive feedback from community members. Over 100 supporters sent letters and spoke at the Coastal Commission hearing to advocate for the need to develop new water supplies for new housing, jobs, and environmental protection. The company had offered solutions to many of the major concerns that were raised in these meetings, including future system demands, public access to coastal resources and habitat protection.

Additional conditions required by the Commission include California American Water agreeing to expand and improve affordability programs for customers and ongoing outreach and reporting to the City of Marina. A \$3 million community benefit for Marina residents to address concerns about the location of the intake wells in the city was also included as a condition.

With the Commission’s approval, California American Water expects to receive the remaining customary permits. Construction is expected to begin in 2024 and be in service by the end of 2027. California American Water expects to maximize State Revolving Fund financing and other available grants to help reduce the cost impact to customers.

“This project was conceived a decade ago and has been through extensive review and comment by key stakeholders,” Tilden said. “This was a truly collaborative process that incorporated perspectives and interested parties on the Peninsula whether they be our government partners, community organizations, or individual citizens. We listened and, to the extent reasonably possible, addressed their concerns. Subjects of discussion included water supply needs, affordability, public access, community benefits, saltwater intrusion, equity, and a myriad of other important topics.”

The plant has an initial 4.8 million-gallons-per-day capacity and will rely on greenhouse gas-free renewable energy sources. It is designed, however, to accommodate a phased increase in capacity to provide for future needs for the Peninsula and region, and possible direct public participation in the project. This added flexibility in design was in response to concern regarding future supply needs.

About California American Water: California American Water, a subsidiary of American Water (NYSE: AWK), provides high-quality and reliable water and wastewater services to more than 725,000 people. Information regarding California American Water's service areas can be found on the company's website www.californiaamwater.com.

About American Water: With a history dating back to 1886, American Water is the largest and most geographically diverse U.S. publicly traded water and wastewater utility company. The company employs more than 6,400 dedicated professionals who provide regulated and regulated-like drinking water and wastewater services to more than 14 million people in 24 states. American Water provides safe, clean, affordable, and reliable water services to our customers to help keep their lives flowing. For more information, visit amwater.com and diversityataw.com. Follow American Water on [Twitter](#), [Facebook](#) and [LinkedIn](#).

Media Contacts

[Evan Jacobs](#)

Director, External Affairs

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Email: evan.jacobs@amwater.com

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

Form 8-K

**Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): October 31, 2022

American Water Works Company, Inc.
(Exact name of registrant as specified in its charter)

Commission File Number: 001-34028

Delaware
(State or other jurisdiction
of incorporation)

51-0063696
(IRS Employer
Identification No.)

**1 Water Street
Camden, NJ 08102-1658**
(Address of principal executive offices, including zip code)

(856) 955-4001
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Common stock, par value \$0.01 per share	AWK	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02. Results of Operations and Financial Condition.

On October 31, 2022, the Company issued a press release announcing its financial results for the third quarter and nine months ended September 30, 2022. A copy of the press release has been included as [Exhibit 99.1](#) and is incorporated by reference herein.

The information furnished in this Current Report, including [Exhibit 99.1](#), shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), nor shall it be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended (the “Securities Act”), or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 7.01. Regulation FD Disclosure.

The press release referenced in response to Item 2.02 above and included as [Exhibit 99.1](#) hereto also discussed the Company’s earnings per share guidance for 2022 and initiated earnings per share guidance for 2023, and provided certain other 2023 and long-term guidance with respect to the Company.

The presentation to be used in connection with the Company’s third quarter 2022 earnings call is included as [Exhibit 99.2](#) and is incorporated by reference herein.

The information furnished in Item 7.01 of this Current Report on Form 8-K, including [Exhibit 99.1](#) and [Exhibit 99.2](#), shall not be deemed to be “filed” for purposes of Section 18 of the Exchange Act, nor shall it be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

The following exhibits to this Current Report have been provided herewith (as noted below):

<u>Exhibit</u>	<u>Description</u>
99.1*	Press Release, dated October 31, 2022, issued by American Water Works Company, Inc.
99.2*	American Water Works Company, Inc. Third Quarter 2022 Earnings Call Presentation
104	Cover Page Interactive Data File (the cover page XBRL tags are included and formatted as Inline XBRL)

* Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

Dated: October 31, 2022

By: /s/ JOHN C. GRIFFITH
John C. Griffith
Executive Vice President and Chief Financial Officer

Press Release



October 31, 2022

Investor Contact:

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Maureen Duffy
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**AMERICAN WATER REPORTS THIRD QUARTER 2022 RESULTS
AFFIRMS 2022 GUIDANCE
ANNOUNCES 2023 EPS GUIDANCE, LONG-TERM TARGETS, AND CAPITAL INVESTMENT PLANS**

- **Third quarter 2022 earnings of \$1.63 per share, compared to \$1.53 per share in 2021; Year-to-date 2022 earnings of \$3.70 per share, compared to \$3.40 per share in 2021**
 - **Quarter and year-to-date results as compared to the prior year reflect an estimated favorable impact due to weather of \$0.07 per share and \$0.04 per share, respectively**
 - **Invested \$1.9 billion year-to-date and added 79,300 customer connections year-to-date through closed acquisitions and organic growth; total capital plan on track to invest approximately \$2.5 billion in 2022**
 - **The Company's Pennsylvania subsidiary entered into an agreement to acquire the wastewater system of the Butler Area Sewer Authority, for \$231.5 million, which will add approximately 14,700 equivalent customer connections**
- **2022 earnings guidance range of \$4.39 to \$4.49 per share affirmed, on a weather normalized basis; Year-to-date results include an estimated \$0.06 of favorable weather, as compared to normal**
- **Initiating 2023 earnings guidance range of \$4.72 to \$4.82 per share and affirming long-term EPS growth of 7-9%**

CAMDEN, N.J., October 31, 2022 - American Water Works Company, Inc. (NYSE: AWK) today reported results for the quarter ended September 30, 2022, of \$1.63 per share, compared to \$1.53 per share in 2021. The Company today also announced 2023 earnings per share guidance and long-term targets.

“We made great progress in executing our regulatory and acquisition strategies these last few months,” said Susan Hardwick, president and CEO of American Water. “Achieving settlements in the rate cases in our two largest jurisdictions, New Jersey and Pennsylvania, is a constructive step forward for our customers and our operations in each state.”

“We also announced a few weeks ago an agreement to acquire assets serving another nearly 15,000 wastewater customers in western Pennsylvania. We look forward to completing that transaction in 2023. We remain firmly on track for a strong finish to 2022 and look forward to continuing to deliver on our strategies in 2023,” said Hardwick.

2022 Earnings Guidance Affirmed

The Company affirms its 2022 earnings per share guidance range of \$4.39 to \$4.49 on a weather normalized basis. The Company's earnings forecasts and targets are subject to numerous risks and uncertainties, including, without limitation, those described under "Cautionary Statement Concerning Forward-Looking Statements" below and under "Risk Factors" in its annual, quarterly, and current reports filed with the Securities and Exchange Commission ("SEC"). All statements related to earnings and earnings per share refer to diluted earnings and earnings per share.

Targets Established

Financial

- **2023 earnings** guidance range of **\$4.72 to \$4.82** per share
- Long-term **EPS compound annual growth rate** ("CAGR") of 7-9% unchanged
- Long-term **dividend growth** expectation of 7-9%, narrowed to align with long-term EPS CAGR
- **2023-2027 capital investment** plan increased to **\$14-\$15 billion** and **\$30-\$34 billion** for the 10-year period of 2023-2032

Environmental

- By 2035, reduce absolute **scope 1** and **scope 2** emissions by 50% (2020 baseline)
- Achieve **net zero** scope 1 and scope 2 emissions by 2050
- First time disclosure of **scope 3** emissions estimated at 506,000 metric tons in 2021

Consolidated Results

For the three and nine months ended September 30, 2022, earnings per share were \$1.63 and \$3.70, respectively, compared to \$1.53 and \$3.40 per share in the same periods in 2021. These increases were primarily driven by the implementation of new rates in the Regulated Businesses for the recovery of capital and acquisition investments, offset somewhat by impacts from inflationary pressures on production costs and higher interest costs. Results for the three and nine months ended September 30, 2022, also reflect the favorable impact of weather, estimated at \$0.06 per share, primarily due to hot and dry weather in the third quarter of 2022 as compared to a \$0.01 per share unfavorable impact and \$0.02 per share favorable impact for the three and nine months ended September 30, 2021, respectively. Also, included in the results for the three and nine months ended September 30, 2022, are \$0.06 and \$0.18 per share, respectively, from interest income earned on the seller note and income earned on revenue share agreements, which compares to Homeowner Services Group ("HOS") operating results for the three and nine months ended September 30, 2021, of \$0.09 and \$0.25 per share, respectively. Results for 2021 included \$0.09 and \$0.10 per share for the three and nine months ended September 30, 2021, respectively, related to the operating results of the New York subsidiary (which was sold in January 2022).

The Company is on track to meet its capital investment plan for the year with investments of \$1.9 billion in the first nine months of 2022, including \$1.6 billion for infrastructure improvements and replacements in the Regulated Businesses. The Company plans to invest a total of approximately \$2.5 billion across its footprint in 2022.

Regulated Businesses

In the third quarter of 2022, Regulated Businesses' net income was \$302 million, compared to \$273 million for the same period in 2021. For the first nine months of 2022, Regulated Businesses' net income was \$681 million, compared to \$623 million for the same period in 2021. Net income attributable to the Company's New York subsidiary was \$16 million and \$17 million for the three and nine months ended September 30, 2021, respectively.

Operating revenues increased \$104 million and \$187 million for the three and nine months ended September 30, 2022, respectively, as compared to 2021, when excluding revenues contributed by the Company's New York subsidiary in 2021. The increases in operating revenues were primarily a result of authorized revenue increases resulting from completed general rate cases and infrastructure proceedings to recover incremental capital and acquisition investments.

To date, the Company has been authorized additional annualized revenues of approximately \$111 million from general rate cases in 2022. Further, approximately \$82 million of additional annualized revenues from infrastructure surcharges have been authorized and are effective in 2022. The Company has general rate cases in progress in five jurisdictions, two of which have settlements filed and are awaiting final approval, and has filed for infrastructure surcharges in two jurisdictions, reflecting a total annualized revenue request of approximately \$479 million.

Excluding impacts of the Company's New York subsidiary in 2021, operation and maintenance ("O&M") expenses were higher by \$28 million and \$44 million for the three and nine months ended September 30, 2022, respectively, as compared to 2021, primarily due to increases in production costs from inflationary pressures. Also, depreciation expense was higher by \$10 million and \$24 million in these same periods due to the growing capital investment.

For the three and nine months ended September 30, 2021, results included revenues of \$45 million and \$97 million, respectively, and operating expenses of \$22 million and \$71 million, respectively, for the Company's New York subsidiary that was sold on January 1, 2022.

Market-Based Businesses and Other

In the third quarter of 2022, the net loss in Market-Based Businesses and Other was \$5 million, compared to net income of \$5 million for the same period in 2021. For the first nine months of 2022, the net loss in Market-Based Businesses and Other was \$8 million, compared to net loss of \$5 million for the same period in 2021. The primary driver for the change in both periods is the loss of earnings from HOS operations as a result of the sale of the business in 2021 and incremental interest expense on long-term debt in 2022. The loss of HOS operating results has been partially offset in both periods of 2022 with interest income earned on the seller note from the sale and continuing income earned on revenue share agreements. Year-to-date results in 2022 also reflect a net benefit of \$0.06 per share from post-close adjustments from the sale of HOS and the Company's New York subsidiary.

Dividends

On October 27, 2022, the Company's Board of Directors declared a quarterly cash dividend payment of \$0.6550 per share of common stock, payable on December 1, 2022, to shareholders of record as of November 8, 2022.

2022 Third Quarter Earnings & 2023 Earnings and Long-Term Guidance Conference Call

The conference call to discuss third quarter 2022 earnings, 2023 earnings guidance, and long-term targets will take place on Tuesday, November 1, 2022, at 9 a.m. Eastern Daylight Time. Interested parties may listen to an audio webcast through a link on the Company's Investor Relations website at ir.amwater.com. Presentation slides that will be used in conjunction with the earnings conference call will also be made available online in advance at ir.amwater.com. The Company recognizes its website as a key channel of distribution to reach public investors and as a means of disclosing material non-public information to comply with its obligations under SEC Regulation FD.

Following the earnings conference call, a replay of the audio webcast will be available for one year on American Water's investor relations website at ir.amwater.com/events.

About American Water

With a history dating back to 1886, American Water is the largest and most geographically diverse U.S. publicly traded water and wastewater utility company. The Company employs approximately 6,400 dedicated professionals who provide regulated and market-based drinking water, wastewater and other related services to over 14 million people in 24 states. More information can be found by visiting amwater.com and follow American Water on Twitter, Facebook and LinkedIn.

Throughout this press release, unless the context otherwise requires, references to the "Company" and "American Water" mean American Water Works Company, Inc. and all of its subsidiaries, taken together as a whole.

Cautionary Statement Concerning Forward-Looking Statements

Certain statements in this press release including, without limitation, 2022 and 2023 earnings guidance, the Company's long-term financial, growth and dividend targets, future capital needs, the ability to achieve the Company's strategies and goals, including with respect to its ESG focus and related to the Company's receipt of contingent consideration from the sale of HOS, the repayment of the seller note and the redeployment of the net proceeds from its divestitures, the outcome of the Company's pending acquisition activity, the amount and allocation of projected capital expenditures, and estimated revenues from rate cases and other government agency authorizations, are forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and the Federal securities laws. In some cases, these forward-looking statements can be identified by words with prospective meanings such as "intend," "plan," "estimate," "believe," "anticipate," "expect," "predict," "project," "propose," "assume," "forecast," "outlook," "likely," "uncertain," "future," "pending," "goal," "objective," "potential," "continue," "seek to," "may," "can," "will," "should" and "could" and or the negative of such terms or other variations or similar expressions. These forward-looking statements are predictions based on American Water's current expectations and assumptions regarding future events. They are not guarantees or assurances of any

outcomes, financial results, levels of activity, performance or achievements, and readers are cautioned not to place undue reliance on them. The forward-looking statements are subject to a number of estimates and assumptions, and known and unknown risks, uncertainties and other factors. Actual results may differ materially from those discussed in the forward-looking statements included in this press release as a result of the factors discussed in the Company's Annual Report on Form 10-K for the year ended December 31, 2021, and subsequent filings with the SEC, and because of factors such as: the decisions of governmental and regulatory bodies, including decisions to raise or lower customer rates and regulatory responses to the COVID-19 pandemic; the timeliness and outcome of regulatory commissions' and other authorities' actions concerning rates, capital structure, authorized return on equity, capital investment, system acquisitions and dispositions, taxes, permitting, water supply and management, and other decisions; changes in customer demand for, and patterns of use of, water, such as may result from conservation efforts, impacts of the COVID-19 pandemic, or otherwise; a loss of one or more large industrial or commercial customers due to adverse economic conditions, the COVID-19 pandemic, or other factors; limitations on the availability of the Company's water supplies or sources of water, or restrictions on its use thereof, resulting from allocation rights, governmental or regulatory requirements and restrictions, drought, overuse or other factors; changes in laws, governmental regulations and policies, including with respect to the environment, health and safety, water quality and water quality accountability, contaminants of emerging concern, public utility and tax regulations and policies, and impacts resulting from U.S., state and local elections and changes in federal, state and local executive administrations; the Company's ability to collect, distribute, use, secure and store consumer data in compliance with current or future governmental laws, regulation and policies with respect to data and consumer privacy, security and protection; weather conditions and events, climate variability patterns, and natural disasters, including drought or abnormally high rainfall, prolonged and abnormal ice or freezing conditions, strong winds, coastal and intercoastal flooding, pandemics (including COVID-19) and epidemics, earthquakes, landslides, hurricanes, tornadoes, wildfires, electrical storms, sinkholes and solar flares; the outcome of litigation and similar governmental and regulatory proceedings, investigations or actions; the risks associated with the Company's aging infrastructure, and its ability to appropriately improve the resiliency of, or maintain and replace, current or future infrastructure and systems, including its technology and other assets, and manage the expansion of its businesses; exposure or infiltration of the Company's technology and critical infrastructure systems, including the disclosure of sensitive, personal or confidential information contained therein, through physical or cyber attacks or other means; the Company's ability to obtain permits and other approvals for projects and construction of various water and wastewater facilities; changes in the Company's capital requirements; the Company's ability to control operating expenses and to achieve operating efficiencies; the intentional or unintentional actions of a third party, including contamination of the Company's water supplies or the water provided to its customers; the Company's ability to obtain adequate and cost-effective supplies of pipe, equipment (including personal protective equipment), chemicals, electricity, fuel, water and other raw materials and to address or mitigate supply chain constraints impacting the Company's business operations; the Company's ability to successfully meet its operational growth projections, either individually or in the aggregate, and capitalize on growth opportunities, including, among other things, with respect to acquiring, closing and successfully integrating regulated operations and market-based businesses, the Company's Military Services Group entering into new contracts, price redeterminations and other agreements and contracts, and realizing anticipated benefits and synergies from new acquisitions; risks and uncertainties following the completion of the sale of HOS and the Company's New York subsidiary; risks and uncertainties associated with contracting with the U.S. government, including ongoing compliance with applicable government procurement and security regulations; cost overruns relating to improvements in or the expansion of the Company's operations; the Company's ability to successfully develop and implement new technologies and to protect related intellectual property; the Company's ability to maintain safe work sites; the Company's exposure to liabilities related to environmental laws and similar matters resulting from, among other things, water and wastewater service provided to customers; changes in general economic, political, business and financial market conditions, including without limitation conditions and collateral consequences associated with COVID-19; access to sufficient debt and/or equity capital on satisfactory terms and when and as needed to support operations and capital expenditures; fluctuations in inflation or interest rates and the Company's ability to address or mitigate the impacts thereof; the ability to comply with affirmative or negative covenants in the current or future indebtedness of the Company or any of its subsidiaries, or the issuance of new or modified credit ratings or outlooks or other communications by credit rating agencies with respect to the Company or any of its subsidiaries (or any current or future indebtedness thereof), which could increase financing costs or funding requirements and affect the Company's or its subsidiaries' ability to issue, repay or redeem debt, pay dividends or make distributions; fluctuations in the value of benefit plan assets and liabilities that could increase the Company's cost and funding requirements; changes in federal or state general, income and other tax laws, including (i) future significant tax legislation; (ii) the availability of, or the Company's compliance with, the terms of applicable tax credits and tax abatement programs; and (iii) the Company's ability to utilize its state income tax net operating loss carryforwards; migration of customers into or out of the Company's service territories; the use by municipalities of the power of eminent domain or other authority to condemn the systems of one or more of the Company's utility subsidiaries, or the assertion by private landowners of similar rights against such utility subsidiaries; any difficulty or inability to obtain insurance for the Company, its inability to obtain insurance at acceptable rates and on acceptable terms and conditions, or its inability to obtain reimbursement under existing or future insurance programs and coverages for any losses sustained; the incurrence of impairment charges related to the Company's goodwill or other assets; labor actions, including work stoppages and strikes; the Company's ability to retain and attract qualified employees; civil disturbances or unrest, or terrorist threats or acts, or public apprehension about future disturbances, unrest, or terrorist threats or acts; and the impact of new, and changes to existing, accounting standards.

These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth in the risk factors included in American Water's annual, quarterly and other SEC filings, and readers should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements American Water makes speak only as of the date of this press release. American Water does not have or undertake any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise, except as otherwise required by the federal securities laws. New factors emerge from time to time, and it is not possible for the Company to predict all such factors. Furthermore, it may not be possible to assess the impact of any such factor on the Company's businesses, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.

AWK-IR

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
Operating revenues	\$1,082	\$1,092	\$2,861	\$2,979
Operating expenses:				
Operation and maintenance	416	436	1,156	1,286
Depreciation and amortization	164	161	485	476
General taxes	63	78	208	241
Total operating expenses, net	643	675	1,849	2,003
Operating income	439	417	1,012	976
Other income (expense):				
Interest expense	(111)	(101)	(317)	(300)
Interest income	14	—	39	—
Non-operating benefit costs, net	19	20	58	59
Other, net	6	4	38	11
Total other (expense) income	(72)	(77)	(182)	(230)
Income before income taxes	367	340	830	746
Provision for income taxes	70	62	157	128
Net income attributable to common shareholders	\$ 297	\$ 278	\$ 673	\$ 618
Basic earnings per share:				
Net income attributable to common shareholders	\$ 1.63	\$ 1.53	\$ 3.70	\$ 3.40
Diluted earnings per share:				
Net income attributable to common shareholders	\$ 1.63	\$ 1.53	\$ 3.70	\$ 3.40
Weighted-average common shares outstanding:				
Basic	182	182	182	182
Diluted	182	182	182	182

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

	<u>September 30, 2022</u>	<u>December 31, 2021</u>
ASSETS		
Property, plant and equipment	\$ 29,062	\$ 27,413
Accumulated depreciation	(6,426)	(6,329)
Property, plant and equipment, net	<u>22,636</u>	<u>21,084</u>
Current assets:		
Cash and cash equivalents	77	116
Restricted funds	27	20
Accounts receivable, net of allowance for uncollectible accounts of \$64 and \$75, respectively	358	271
Unbilled revenues	273	248
Materials and supplies	93	57
Assets held for sale	—	683
Other	189	159
Total current assets	<u>1,017</u>	<u>1,554</u>
Regulatory and other long-term assets:		
Regulatory assets	1,075	1,051
Seller promissory note from the sale of the Homeowner Services Group	720	720
Operating lease right-of-use assets	90	92
Goodwill	1,143	1,139
Postretirement benefit assets	208	193
Other	237	242
Total regulatory and other long-term assets	<u>3,473</u>	<u>3,437</u>
Total assets	<u>\$ 27,126</u>	<u>\$ 26,075</u>

	<u>September 30, 2022</u>	<u>December 31, 2021</u>
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock (\$0.01 par value; 500,000,000 shares authorized; 187,169,722 and 186,880,413 shares issued, respectively)	\$ 2	\$ 2
Paid-in-capital	6,813	6,781
Retained earnings	1,359	925
Accumulated other comprehensive loss	(39)	(45)
Treasury stock, at cost (5,342,477 and 5,269,324 shares, respectively)	(377)	(365)
Total common shareholders' equity	<u>7,758</u>	<u>7,298</u>
Long-term debt	10,940	10,341
Redeemable preferred stock at redemption value	3	3
Total long-term debt	<u>10,943</u>	<u>10,344</u>
Total capitalization	<u>18,701</u>	<u>17,642</u>
Current liabilities:		
Short-term debt	634	584
Current portion of long-term debt	265	57
Accounts payable	220	235
Accrued liabilities	610	701
Accrued taxes	69	176
Accrued interest	116	88
Liabilities related to assets held for sale	—	83
Other	216	217
Total current liabilities	<u>2,130</u>	<u>2,141</u>
Regulatory and other long-term liabilities:		
Advances for construction	306	284
Deferred income taxes and investment tax credits	2,372	2,421
Regulatory liabilities	1,614	1,600
Operating lease liabilities	78	80
Accrued pension expense	250	285
Other	186	180
Total regulatory and other long-term liabilities	<u>4,806</u>	<u>4,850</u>
Contributions in aid of construction	1,489	1,442
Commitments and contingencies		
Total capitalization and liabilities	<u>\$ 27,126</u>	<u>\$ 26,075</u>



2022 Third Quarter Earnings & 2023 Outlook Conference Call

November 1, 2022



Aaron Musgrave

Vice President, Investor Relations

Forward-Looking Statements



Safe Harbor

This presentation includes forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and the Federal securities laws. They are not guarantees or assurances of any outcomes, financial results, levels of activity, performance or achievements, and readers are cautioned not to place undue reliance upon them. The forward-looking statements are subject to a number of estimates and assumptions, and known and unknown risks, uncertainties and other factors. Actual results may differ materially from those discussed in the forward-looking statements included in this presentation. The factors that could cause actual results to differ are discussed in the Appendix to this presentation, and in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2022, as filed with the SEC on October 31, 2022.

Non-GAAP Financial Information

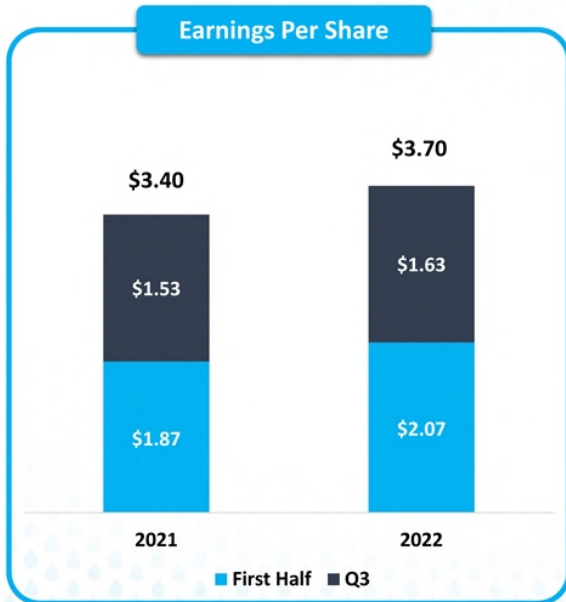
This presentation includes non-GAAP financial measures. Further information regarding these non-GAAP financial measures, including a reconciliation of each of these measures to the most directly comparable GAAP measure, is included in the Appendix to this presentation.



Susan Hardwick

President and Chief Executive Officer

2022: Successfully Executing the Plan



☑ Q3/YTD Highlights

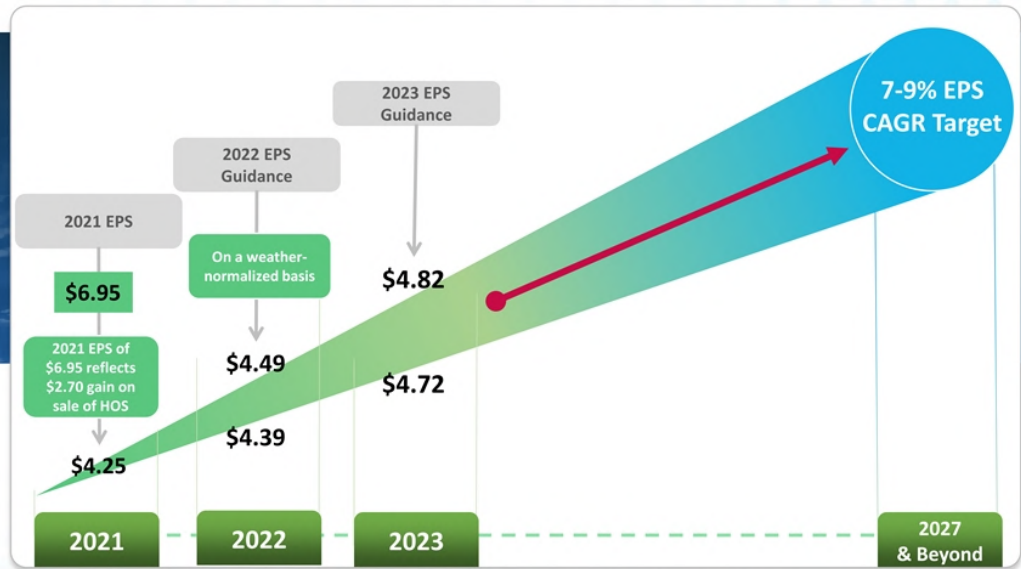
- Achieved solid EPS growth vs. 2021 driven by higher revenue from new rates, mechanisms, and acquisitions
- Invested \$1.9 billion of capital in regulated infrastructure improvements and acquisitions
- New rates effective in NJ; settlements awaiting Commission approval in PA and VA; Proposed Order received in IL; MO and CA cases progressing as expected
- Signed agreement to acquire Butler Area Sewer Authority, PA wastewater system for \$232 million
- Continuing to manage inflationary pressures

EPS Guidance: Affirming 2022, Initiating 2023



7-9% EPS
CAGR Target

2023 EPS Guidance
\$4.72 - \$4.82



High Quality, Top Tier Earnings Growth Outlook Coupled with Strong Long-Term Financial Targets

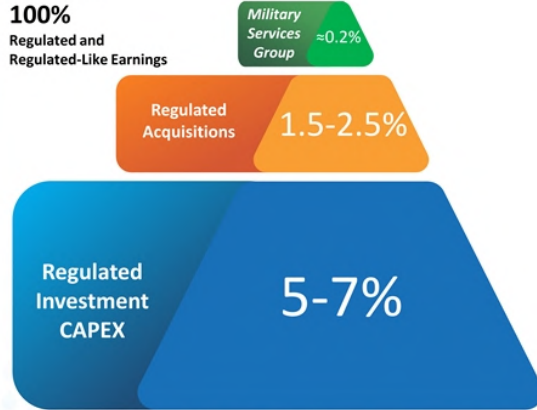


7-9% EPS Growth Outlook

2023–2027 Plan and Beyond

Business Mix

100%
Regulated and
Regulated-Like Earnings



Long-Term Financial Targets

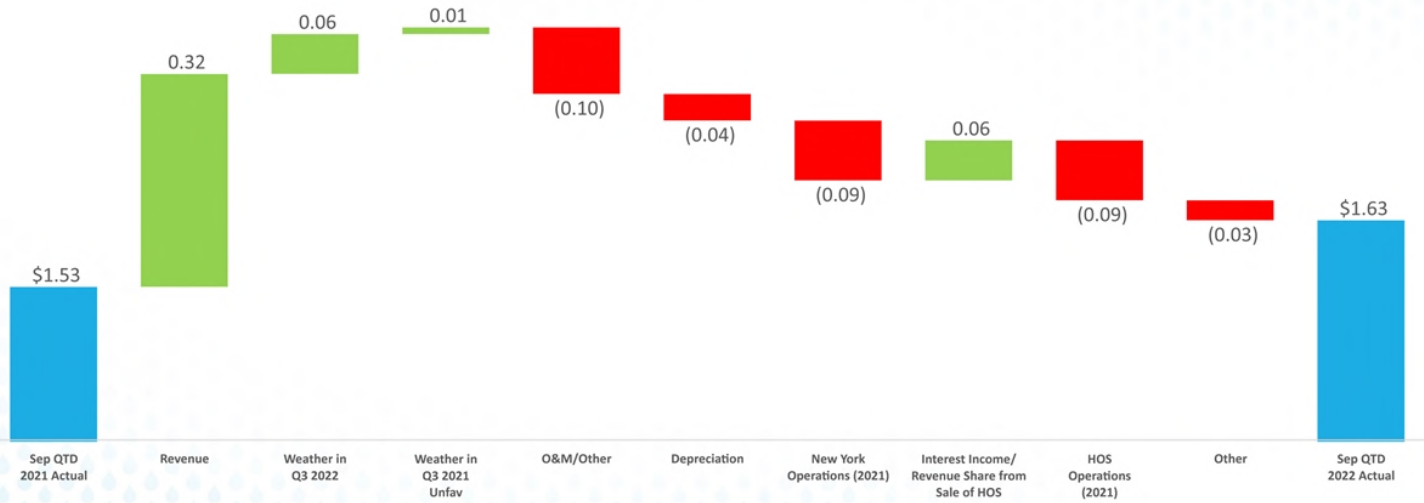
- Attractive, Long-Term Sustainable Shareholder Returns
 - EPS Growth 7-9%
 - Dividend Growth 7-9%
 - ESG Leadership Premium +
 - Customer Affordability +
- Rate Base Growth 8-9%
- Dividend Payout Ratio 55-60%
- Debt to Capital <60%



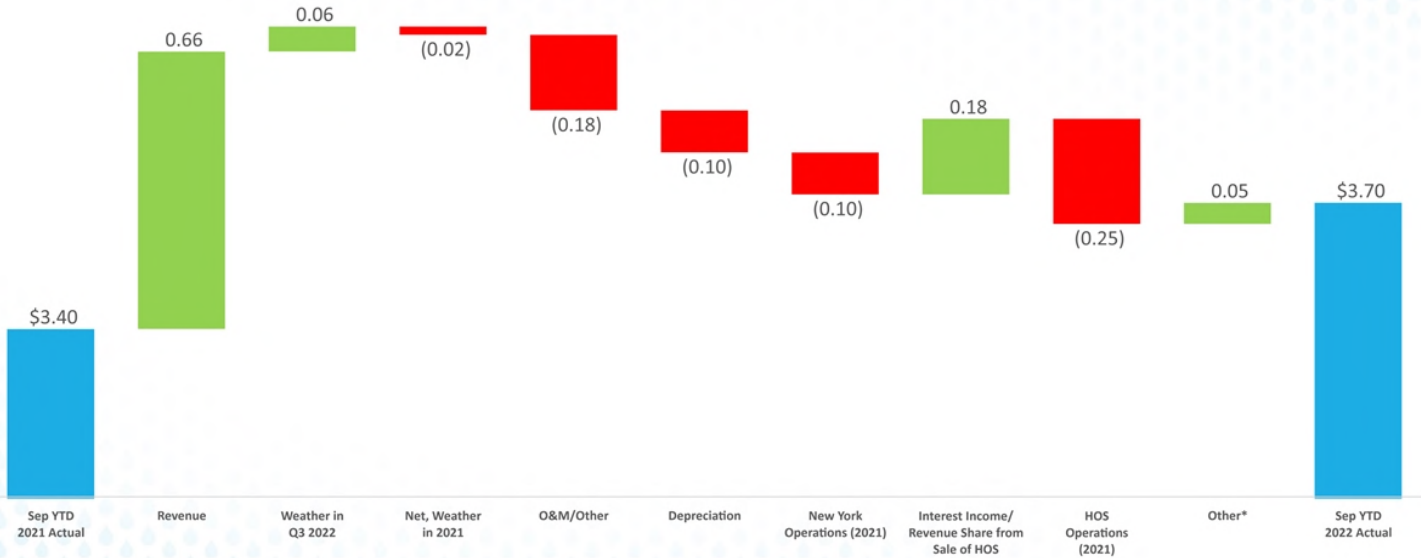
John Griffith

Executive VP & Chief Financial Officer

2022 Third Quarter EPS Detail



2022 Year-To-Date EPS Detail



* Includes \$0.08 EPS of post-close adjustments from the sale of Homeowner Services Group and \$(0.02) EPS loss on sale of the Company's New York subsidiary.

Rate Case and Legislative Updates



Open Rate Cases



- Rate case filed 11/15/21, Settlement filed 9/26/22
- Settlement: additional authorized revenues of \$12M vs. \$15M requested
- Final Order expected Q1 2023 (interim rates began 5/1/22)



- Rate case filed February 10, 2022; updated June 29, 2022
- Proposed Order from ALJs received on 10/28/22; additional revenues of \$69M vs. \$85M requested; ROE of 9.78%; June update included expected higher production/pension costs
- January 2023– Statutory Order date



- Rate case filed 4/29/22, Settlement filed 10/11/22
- Settlement: additional authorized revenues of \$150M vs. \$185M requested; incorporated our request of increased production costs, updated pension cost estimate
- Final Order expected by January 2023
- Rates to become effective January 28, 2023



- Rate case filed July 1, 2022
- Capital Investment of ≈\$462 million (2023-2025)
- Avg. water customer bill increase of \$2-8/mo. (at full ask)
- Rates expected to go into effect January 1, 2024



- Rate case filed July 1, 2022
- Capital Investment of ≈\$700 million
- Avg. water customer bill increase of \$12-13/mo. (at full ask)
- The MoPSC's review is expected to take 11 months

Completed Rate Cases in 2022



- General Rate Case
- Additional authorized revenues of \$15 million
- Effective 2/25/2022



- General Rate Case
- Additional authorized revenues of \$2 million
- Effective 7/1/2022



- General Rate Case
- New rates effective 9/1/2022
- Additional authorized revenues of \$61 million; Our request incorporated updated production cost estimates
- Pension/OPEB deferral authorization

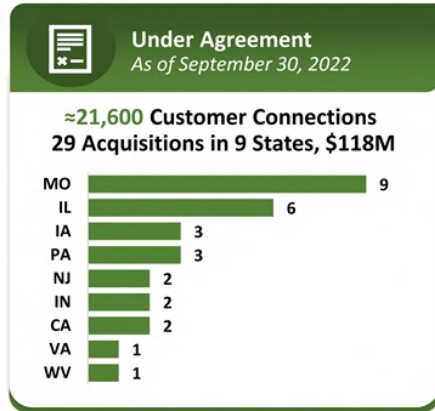
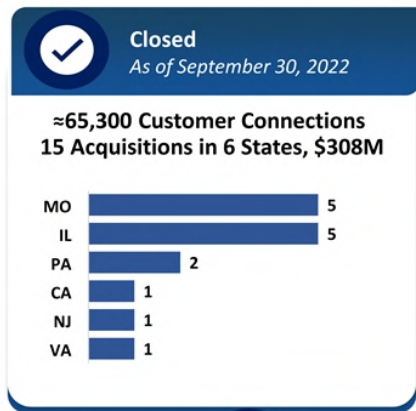
Legislation

California Senate Bill 1469

Signed 9/30/2022

- Allows water companies to apply for water revenue adjustment mechanisms (WRAM) in General Rate Cases, as was previously allowed
- California American Water is grandfathered into the previous WRAM through the end of 2023; in the 2024-26 General Rate Case filed on July 1, 2022, we have asked for the opportunity make a WRAM proposal

Strong Growth through Acquisitions



Butler Area Sewer Authority, PA
Wastewater

- Continues our Wastewater execution in Pennsylvania
- Executed under Act 12 of 2016 fair market value legislation
- \$232 million purchase price
- ≈14,700 equivalent customer connections

Signed October 11, 2022



≈1.3 million Customer Connections in Pipeline

≈\$350M Under Agreement Currently



Regulated Acquisitions: Typical FMV Process

Considerations for 2023 Outlook

Initiating 2023 EPS Guidance of \$4.72 to \$4.82

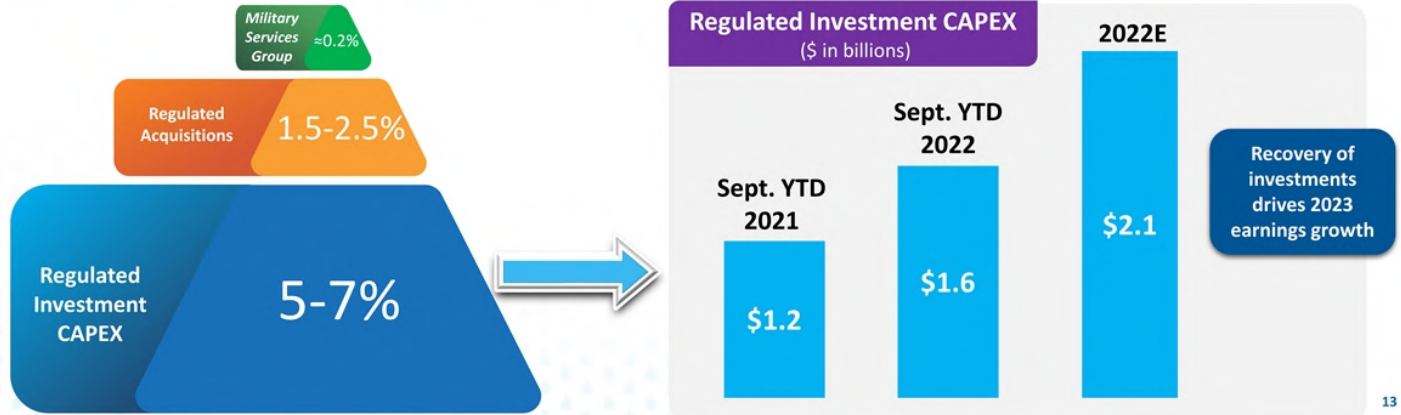


Growth Drivers

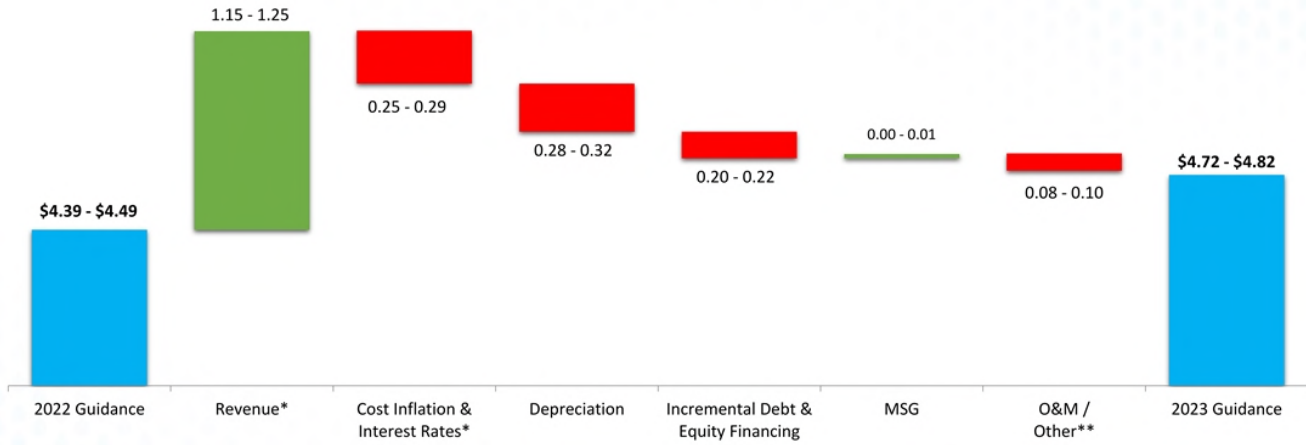
- Revenue growth from infrastructure investments
- Constructive general rate case outcomes expected to mitigate majority of inflationary cost increases and expected higher pension costs
- Regulated acquisitions also driving revenue growth

Headwinds

- Elevated chemical costs likely to persist
- Higher interest rate environment
- Modest unrecovered expected higher pension cost



2023 EPS Detail



* Over 75% of estimated impact of cost inflation and higher interest rates is included in expected higher revenues in 2023. Cost inflation primarily includes expected higher costs in 2023 related to chemicals, fuel, power, and pension/OPEB.
 ** Primarily HOS/NY post-close adjustments in 2022

Strong Balance Sheet and Credit Ratings; Limited Refinancing Needs Next Few Years



AWK Long-Term Senior Unsecured Ratings



S&P Global
A
(Stable Outlook)

Moody's
Baa1
(Stable Outlook)

- ✓ Low risk business profile
- ✓ Strong regulatory jurisdictions
- ✓ Supportive financial plans

Total Debt to Total Capital



Consolidated Debt Maturity Profile

as of September 30, 2022 (Rounded)

(\$ in millions)



Liquidity Profile

(\$ in millions, rounded)

Available Liquidity as of 9/30/22



Credit Facility Amended on 10/26/22

- ✓ Increased Credit Facility capacity by \$500 million to \$2.75 billion from \$2.25 billion
- ✓ Extended maturity to October 2027
- ✓ Increased capacity to support growing business and capital investment plan

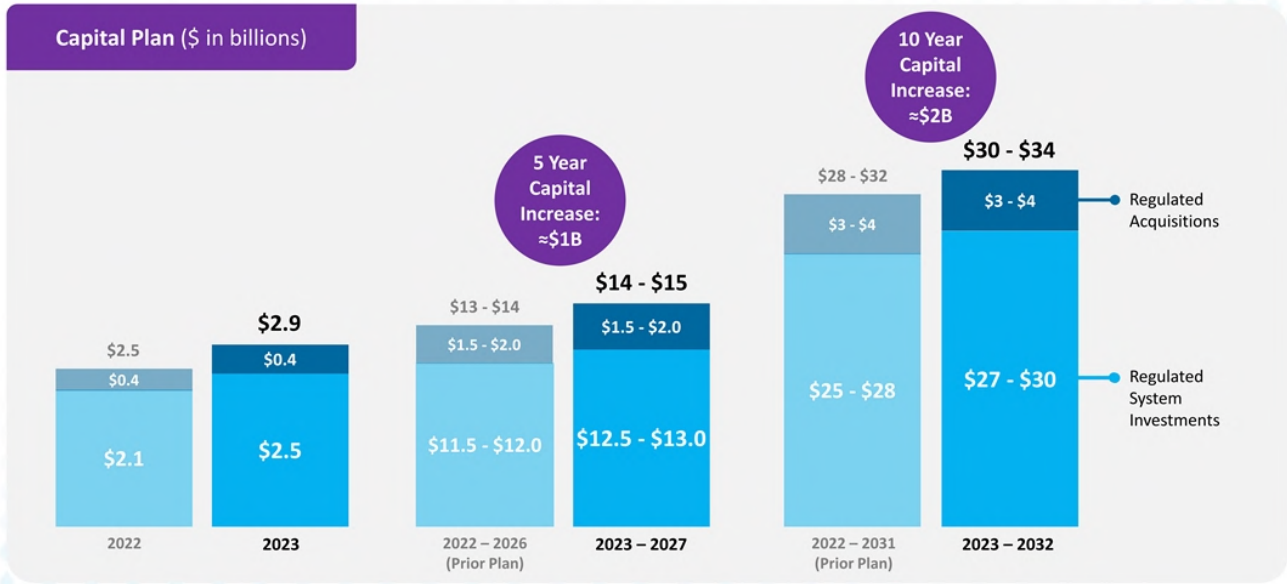
*Includes \$1,475 available commercial paper, \$75 available letters of credit



Cheryl Norton

Executive VP & Chief Operating Officer

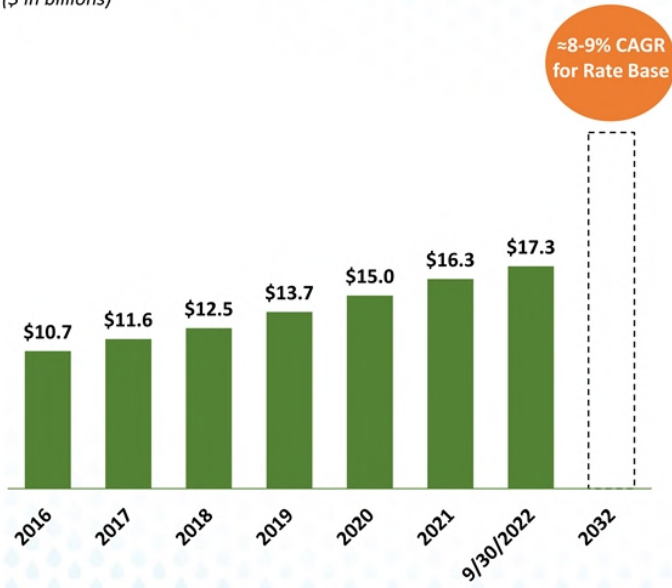
Regulated Investments to Support System Needs



Investments Drive Continued Rate Base Growth – Foundational to Overall Growth



(\$ in billions)



Estimated Rate Base*



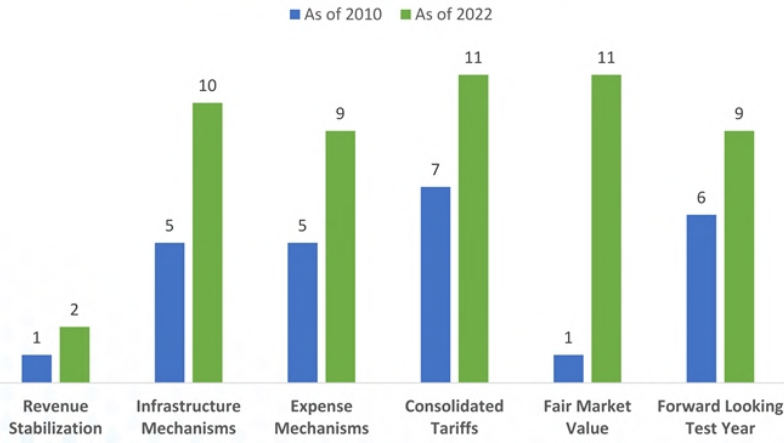
	As of 9/30/2022
Net Utility Plant	\$22.6
<i>Less</i>	
Advances for Construction	\$0.3
CIAC – Contributions in Aid of Construction	\$1.5
Net Deferred Income Taxes	\$3.5
	\$5.3
Total Estimated Rate Base	\$17.3

Note: annual rate base totals include New York American Water through 2021. New York's 2021 rate base was \$0.5 billion.
* An approximation of rate base, which includes Net Utility Plant not yet included in rate base, pending rate case filings/outcomes.

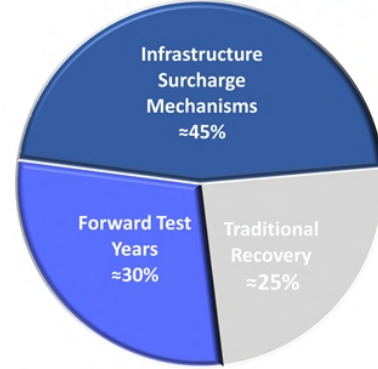
Timely Recovery of Capital and Operating Costs



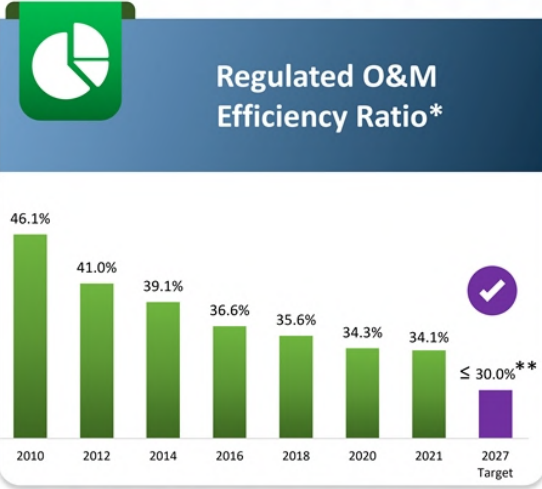
American Water's Jurisdictions



Capital Recovery (2023-2027 Plan)



Revenue Growth and Customer Growth Help Drive Operating Cost Efficiency

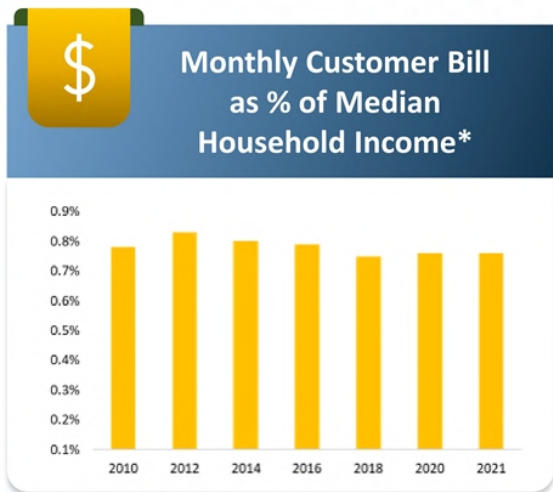


Efficiency Drivers: Growing Revenues & Controlling Costs

- In early years (thru 2016), efficiency gains were steeper as culture of cost management formed
- Recently, more incremental efficiency gains driven by revenue growth, cost management and technology

* Non-GAAP Measure – O&M Efficiency Ratio = Adjusted Regulated O&M Expenses (O&M Expenses is most comparable GAAP measure) / Adjusted Regulated Operating Revenues (Operating Revenues is most comparable GAAP measure). This calculation assumes purchased water revenues approximate purchased water expenses.
** A reconciliation to a most comparable forward-looking GAAP measure is not available without unreasonable effort

Laser Focus on Customer Affordability



- ### Values around Affordability
- Focused on keeping customer bills affordable compared to income (wallet share)
 - Culture of continuous improvement, diligent cost management, and technology enhancements helps drive affordability
 - Supportive of state legislation on consolidated tariffs that allows customers to benefit from efficiencies of scale
 - Continue to promote low-income assistance programs and tariffs

* Figure is estimated based on data from the US Census Bureau American Community Survey based on zip codes served by American Water. American Water does not collect household income data from its customers.

American Water's GHG Emissions Profile

Providing Services to 14M People with a Light GHG Footprint

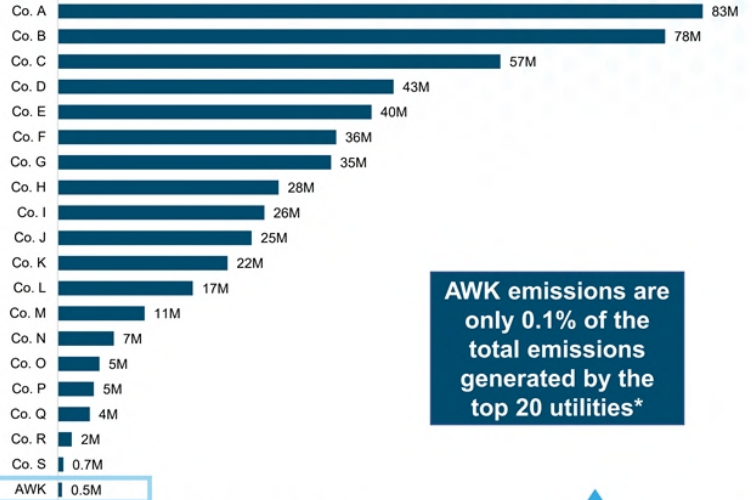
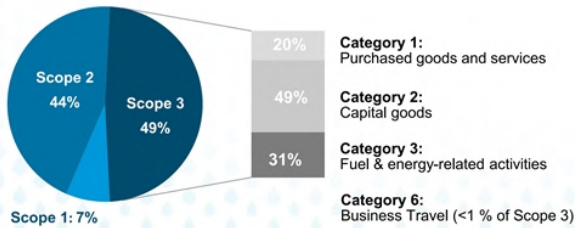


American Water		
Scope 1: <i>Direct Emissions</i>	<ul style="list-style-type: none"> Stationary Fleet Vehicles Refrigerants 	76,000 MT
Scope 2: <i>Indirect Emissions</i>	<ul style="list-style-type: none"> Purchased Power from Electric Providers 	459,000 MT

2021 Scope 1 and 2 Subtotal 535,000 MT

First Time Disclosure		
Scope 3 (2021): <i>Up and Down Value Chain</i>	<ul style="list-style-type: none"> Purchased Goods and Services Capital Goods Fuel & Energy-Related Activities Business Travel 	506,000 MT ¹

¹ Represents initial estimate based upon work with third party consultant, including identification of significant scope 3 categories



AWK emissions are only 0.1% of the total emissions generated by the top 20 utilities*

■ 2021 Scope 1 and Scope 2 MT CO2e (Rounded)
* Chart represents emissions for the top 20 U.S. utilities by market cap, sorted by emissions



New, Science-Based Goals for Scope 1 and 2 GHG Emissions Reductions - Aligned with Paris Agreement



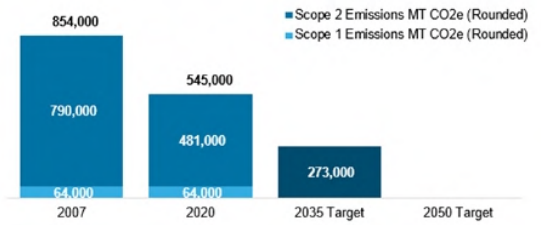
Medium-term: By 2035, reduce absolute Scope 1 and 2 emissions by 50% (2020 baseline¹)
Long-term: Achieve Net Zero Scope 1 and 2 emissions by 2050

- Medium- and long-term goals are science-based and aligned with the Paris Agreement
- Complements existing short-term target of reducing absolute Scope 1 and 2 emissions by 40% by 2025 (2007 baseline)
- **Our focus: invest to improve sustainability while prioritizing customer affordability, resiliency & environmental justice**

American Water's Path to GHG Emissions Reduction in 2035

~\$150M-\$300M Total Capital Investment

+ 6% Customer Growth ¹ & Increased Energy Use	(40 - 45%) Greening of Electric Grid ²	(5 - 7%) Renewable Energy	(5 - 7%) Water Use & Efficiency	(3 - 5%) Pumping & Operational Efficiency	(1 - 3%) Fleet & Building Efficiency



¹ Includes organic growth; annual adjustments to baseline will occur to incorporate growth through acquisitions
² Assumes States' renewable portfolio standards will be achieved and power providers will fulfill stated carbon transition plans

ESG at AWK: Expanded Disclosures



New ID&E Voluntary Disclosures to be added at DiversityatAW.com

- Summary results to be released soon for:
 - Pay Equity Study
 - Internal Labor Market Analysis
- Also to be released soon is 2021 EEO-1 data*, our second annual disclosure of this info
- Complements extensive new diversity-related disclosures for Board and employees earlier this year



Further Aligning Compensation with Sustainability Goals

- Established two new people-related goals in 2022 Annual Performance Plan (APP) meant to:
 - Increase representation of women at American Water
 - Increase ethnic and racial diversity at American Water
- Adds to existing APP sustainability goals for safety and environmental

* The EEO-1 Component 1 report is an annual data collection process that discloses demographic workforce data, including data by race/ethnicity, sex and job categories.



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Q&A Session

—

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Kelley Uyeda

Analyst, Investor Relations & ESG
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Upcoming Event

November 13-15, 2022
EEI Financial Conference



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Appendix

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Forward-Looking Statements



Certain statements made, referred to or relied upon in this presentation including, without limitation, with respect to 2022 and 2023 earnings guidance, the Company's long-term financial, growth and dividend targets, future capital needs and the timing and amount of the Company's future public equity issuances, the ability to achieve the Company's strategies and goals, including with respect to its ESG focus and related to the Company's receipt of contingent consideration from the sale of HOS, the repayment of the seller note and the redeployment of the net proceeds from its divestitures, the outcome of the Company's pending acquisition activity, the amount and allocation of projected capital expenditures; and estimated revenues from rate cases and other government agency authorizations, are forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and the Federal securities laws. In some cases, these forward-looking statements can be identified by words with prospective meanings such as "intend," "plan," "estimate," "believe," "anticipate," "expect," "predict," "project," "propose," "assume," "forecast," "outlook," "likely," "uncertain," "future," "pending," "goal," "objective," "potential," "continue," "seek to," "may," "can," "will," "should" and "could" and or the negative of such terms or other variations or similar expressions. These forward-looking statements are predictions based on American Water's current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, financial results, levels of activity, performance or achievements, and readers are cautioned not to place undue reliance upon them. The forward-looking statements are subject to a number of estimates and assumptions, and known and unknown risks, uncertainties and other factors. Actual results may differ materially from those discussed in the forward-looking statements included in this presentation as a result of the factors discussed in the Company's Annual Report on Form 10-K for the year ended December 31, 2021, and subsequent filings with the SEC, and because of factors such as: the decisions of governmental and regulatory bodies, including decisions to raise or lower customer rates and regulatory responses to the COVID-19 pandemic; the timeliness and outcome of regulatory commissions' and other authorities' actions concerning rates, capital structure, authorized return on equity, capital investment, system acquisitions and dispositions, taxes, permitting, water supply and management, and other decisions; changes in customer demand for, and patterns of use of, water, such as may result from conservation efforts, impacts of the COVID-19 pandemic, or otherwise; a loss of one or more large industrial or commercial customers due to adverse economic conditions, the COVID-19 pandemic, or other factors; limitations on the availability of the Company's water supplies or sources of water, or restrictions on its use thereof, resulting from allocation rights, governmental or regulatory requirements and restrictions, drought, overuse or other factors; changes in laws, governmental regulations and policies, including with respect to the environment, health and safety, water quality and water quality accountability, contaminants of emerging concern, public utility and tax regulations and policies, and impacts resulting from U.S., state and local elections and changes in federal, state and local executive administrations; the Company's ability to collect, distribute, use, secure and store consumer data in compliance with current or future governmental laws, regulation and policies with respect to data and consumer privacy, security and protection; weather conditions and events, climate variability patterns, and natural disasters, including drought or abnormally high rainfall, prolonged and abnormal ice or freezing conditions, strong winds, coastal and intercoastal flooding, pandemics (including COVID-19) and epidemics, earthquakes, landslides, hurricanes, tornadoes, wildfires, electrical storms, sinkholes and solar flares; the outcome of litigation and similar governmental and regulatory proceedings, investigations or actions; the risks associated with the Company's aging infrastructure, and its ability to appropriately improve the resiliency of, or maintain and replace, current or future infrastructure and systems, including its technology and other assets, and manage the expansion of its businesses; exposure or infiltration of the Company's technology and critical infrastructure systems, including the disclosure of sensitive, personal or confidential information contained therein, through physical or cyber attacks or other means; the Company's ability to obtain permits and other approvals for projects and construction of various water and wastewater facilities; changes in the Company's capital requirements; the Company's ability to control operating expenses and to achieve operating efficiencies; the intentional or unintentional actions of a third party, including contamination of the Company's water supplies or the water provided to its customers; the Company's ability to obtain adequate and cost-effective supplies of pipe, equipment (including personal protective equipment), chemicals, electricity, fuel, water and other raw materials and to address or mitigate supply chain constraints impacting the Company's business operations; the Company's ability to successfully meet its operational growth projections, either individually or in the aggregate, and capitalize on growth opportunities, including, among other things, with respect to acquiring, closing and successfully integrating regulated operations and market-based businesses, the Company's Military Services Group entering into new contracts, price redeterminations and other agreements and contracts, and realizing anticipated benefits and synergies from new acquisitions; risks and uncertainties following the completion of the sale of HOS and the Company's New York subsidiary; risks and uncertainties associated with contracting with the U.S. government, including ongoing compliance with applicable government procurement and security regulations; cost overruns relating to improvements in or the expansion of the Company's operations; the Company's ability to successfully develop and implement new technologies and to protect related intellectual property; the Company's ability to maintain safe work sites; the Company's exposure to liabilities related to environmental laws and similar matters resulting from, among other things, water and wastewater service provided to customers; changes in general economic, political, business and financial market conditions, including without limitation conditions and collateral consequences associated with COVID-19; access to sufficient debt and/or equity capital on satisfactory terms and when and as needed to support operations and capital expenditures; fluctuations in inflation or interest rates and the Company's ability to address or mitigate the impacts thereof; the ability to comply with affirmative or negative covenants in the current or future indebtedness of the Company or any of its subsidiaries, or the issuance of new or modified credit ratings or outlooks or other communications by credit rating agencies with respect to the Company or any of its subsidiaries (or any current or future indebtedness thereof), which could increase financing costs or funding requirements and affect the Company's or its subsidiaries' ability to issue, repay or redeem debt, pay dividends or make distributions; fluctuations in the value of benefit plan assets and liabilities that could increase the Company's cost and funding requirements; changes in federal or state general, income and other tax laws, including (i) future significant tax legislation; (ii) the availability of, or the Company's compliance with, the terms of applicable tax credits and tax abatement programs; and (iii) the Company's ability to utilize its state income tax net operating loss carryforwards; migration of customers into or out of the Company's service territories; the use by municipalities of the power of eminent domain or other authority to condemn the systems of one or more of the Company's utility subsidiaries, or the assertion by private landowners of similar rights against such utility subsidiaries; any difficulty or inability to obtain insurance for the Company, its inability to obtain insurance at acceptable rates and on acceptable terms and conditions, or its inability to obtain reimbursement under existing or future insurance programs and coverages for any losses sustained; the incurrence of impairment charges related to the Company's goodwill or other assets; labor actions, including work stoppages and strikes; the Company's ability to retain and attract qualified employees; civil disturbances or unrest, or terrorist threats or acts, or public apprehension about future disturbances, unrest, or terrorist threats or acts; and the impact of new, and changes to existing, accounting standards.

These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above and the risk factors included in American Water's annual, quarterly and other SEC filings, and readers should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements American Water makes speak only as of the date of this presentation. American Water does not have or undertake any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise, except as otherwise required by the federal securities laws. New factors emerge from time to time, and it is not possible for the Company to predict all such factors. Furthermore, it may not be possible to assess the impact of any such factor on the Company's businesses, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.

Non-GAAP Financial Information

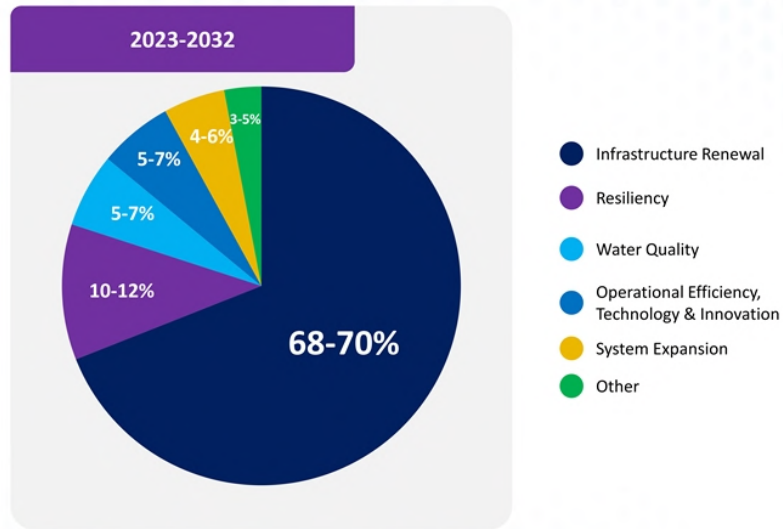


This presentation includes adjusted regulated O&M efficiency ratios, both historical and forward-looking, which exclude from their calculation (i) estimated purchased water and other revenues and purchased water expenses, (ii) the impact of the Freedom Industries chemical spill in 2014 and certain related settlement activities recognized in 2016 and 2018, (iii) the estimated impact in 2012 and 2014 of weather, (iv) as to operating revenues, the amortization of excess accumulated deferred income taxes, and (v) the allocable portion of non-O&M support services costs, mainly depreciation and general taxes. Also, an alternative presentation of these ratios has been provided for each of 2010, 2012, 2014 and 2016, which includes a pro forma adjustment for the impact of the Tax Cuts and Jobs Act of 2017, and includes for 2012, 2014 and 2016 the impact of our implementation of Accounting Standards Update 2017-07, Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Post-retirement Benefit, on January 1, 2018. These items were excluded from the O&M efficiency ratio calculation as they are not reflective of management's ability to increase the efficiency of our regulated businesses. For that reason, these adjusted regulated O&M efficiency ratios constitute "non-GAAP financial measures" under SEC rules. We evaluate our operating performance using these ratios and believe that the presentation of them is useful to investors because the ratios directly measure improvement in the operating performance and efficiency of our regulated businesses. These ratios are derived from our consolidated financial information but are not presented in our consolidated financial statements prepared in accordance with GAAP. These non-GAAP financial measures supplement and should be read in conjunction with our GAAP disclosures and should be considered as an addition to, and not a substitute for, any GAAP measure. These ratios (i) are not accounting measures based on GAAP; (ii) are not based on a standard, objective industry definition or method of calculation; (iii) may not be comparable to other companies' operating measures; and (iv) should not be used in place of the GAAP information provided elsewhere in this presentation. Management is unable to present a reconciliation of adjustments to the components of the forward-looking adjusted regulated O&M efficiency ratio without unreasonable effort because management cannot reliably predict the nature, amount or probable significance of all the adjustments for future periods; however, these adjustments may, individually or in the aggregate, cause each of the non-GAAP financial measure components of the forward-looking ratios to differ significantly from the most directly comparable GAAP financial measure.

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

All references throughout this presentation to EPS or earnings per share refer to diluted EPS attributable to common shareholders.

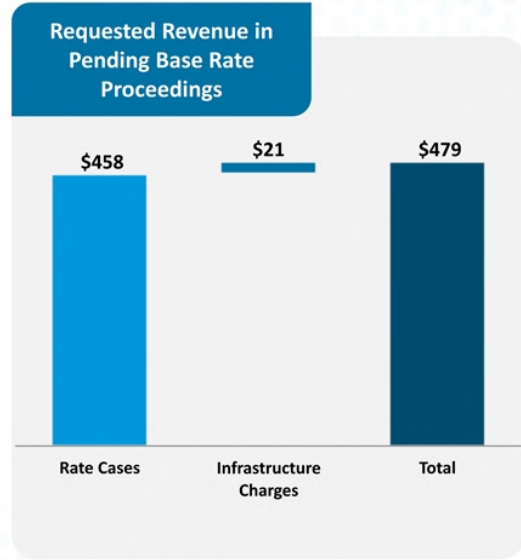
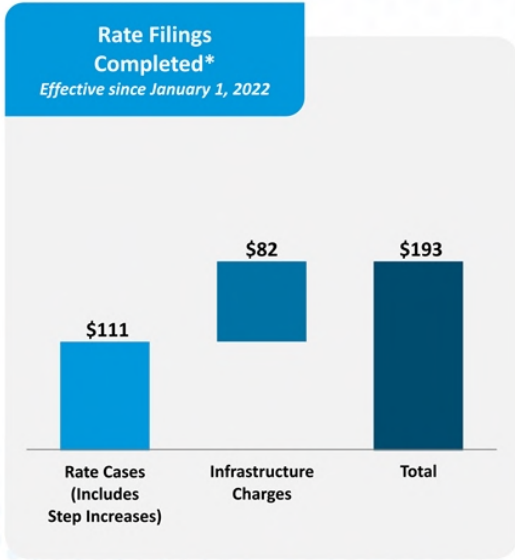
Regulated Capital Expenditures by Purpose



Rate Filings Summary



(\$ in millions)



* Annualized revenue increase for rates effective since January 1, 2022; excludes agreed to revenue reductions for excess accumulated deferred income taxes.

Closed Acquisitions



September 30, 2022

STATE	NUMBER OF SYSTEMS	WATER CUSTOMER CONNECTIONS	WASTEWATER CUSTOMER CONNECTIONS	TOTAL CUSTOMER CONNECTIONS
Illinois	5	2,200	1,500	3,700
Missouri	5	4,500	5,200	9,700
Pennsylvania	2	-	47,300	47,300
California	1	600	-	600
New Jersey	1	-	2,900	2,900
Virginia	1	1,100	-	1,100
Total	15	8,400	56,900	65,300

Acquisitions Under Agreement



📅 September 30, 2022

STATE	NUMBER OF SYSTEMS	WATER CUSTOMER CONNECTIONS	WASTEWATER CUSTOMER CONNECTIONS	TOTAL CUSTOMER CONNECTIONS
California	2	2,800	-	2,800
Iowa	3	100	850	950
Illinois	6	2,350	1,600	3,950
Indiana	2	250	-	250
Missouri	9	900	800	1,700
New Jersey	2	1,600	1,450	3,050
Pennsylvania	3	50	4,600	4,650
Virginia	1	250	-	250
West Virginia	1	3,500	500	4,000
Total	29	11,800	9,800	21,600

Rates Effective Since...



(\$ in millions)

January 1, 2022

Rate Cases & Step Increases	Date Effective	Annualized Revenue Increases
Pennsylvania, Step Increase ^(a)	1/1/2022	\$20
California, Step Increase ^(b)	1/1/2022	13
West Virginia ^(c)	2/25/2022	15
Hawaii ^(d)	7/1/2022	2
New Jersey ^(e)	9/1/2022	61
Sub-Total		\$111

Infrastructure Charges	Date Effective	Annualized Revenue Increases
Illinois (QIP)	1/1/2022	\$6
Missouri (WSIRA)	2/1/2022	12
West Virginia (DSIC)	3/1/2022	3
Indiana (DSIC)	3/21/2022	8
Pennsylvania (DSIC)	4/1/2022	2
New Jersey (DSIC & WSIC)	6/27/2022	10
Kentucky (DSIC)	7/1/2022	3
Pennsylvania (DSIC)	7/1/2022	9
Tennessee (QJP, EDI, SEC)	8/8/2022	3
Missouri (WSIRA)	8/11/2022	18
Pennsylvania (DSIC)	10/1/2022	8
Sub-Total		\$82
2022 Total		\$193

- The Company's Pennsylvania subsidiary was authorized additional annualized revenues of \$90 million, excluding a reduction in revenues for tax savings passed back to customers as a result of the TCJA, over two steps. The EADIT reduction in revenues is \$19.5 million. The overall increase (net of EADIT reductions in revenues) is \$70.5 million in revenues combined over two steps. The first step was effective 1/28/2021 in the amount of \$70 million (\$50.5 million net of EADIT reduction in revenues) and the second step was effective 1/1/2022 in the amount of \$20.0 million.
- On November 18, 2021, the California Public Utilities Commission (the "CPUC") unanimously approved a final decision in the test year 2021 general rate case filed by the Company's California subsidiary. The final decision adopts the comprehensive settlement reached with certain parties to the proceeding. Under the CPUC's final decision, the Company's California subsidiary will be authorized additional annualized water and wastewater revenues of \$21.6 million, excluding a reduction in revenues for tax savings passed back to customers as a result of the TCJA. The decision is retroactive to January 1, 2021. The reduction in revenues for TCJA is \$3.7 million. On February 16, 2022 the Company's California subsidiary received approval to increase rates by \$12.5 million in 2022 escalation increases excluding \$3.7 million in reductions related to TCJA which was retroactive to January 1, 2022.
- The Company's West Virginia subsidiary was authorized additional annualized revenues of \$14.8 million, excluding a reduction in revenues for tax savings passed back to customers as a result of the TCJA and infrastructure surcharges. The excess EADIT reduction in revenues is \$1.6 million and the exclusion for infrastructure surcharges is \$10.2 million.
- The Company's Hawaii subsidiary was authorized additional annualized revenues of \$1.9 million, excluding a reduction in revenues for tax savings passed back to customers as a result of the TCJA. The excess EADIT reduction in revenues is \$1.155 million.
- The Company's New Jersey subsidiary was authorized additional annualized revenues of \$61.2 million, excluding reductions in revenues for tax savings passed back to customers as a result of TCJA and infrastructure surcharges. The reduction in revenues for TCJA is \$15.7 million and the exclusion for infrastructure surcharges is \$35.5 million.

Pending Rate Case Filings



(\$ in millions)

Rate Cases Filed	Docket/Case Number	Date Filed	Requested Revenue Increase	ROE Requested	Rate Base
Virginia ^(a)	Case No. PUR-2021-00255	11/15/2021	\$15	10.9%	\$287
Illinois ^(b)	Docket No. 22-0210	2/10/2022	85	10.25%	1,649
Pennsylvania ^(c)	Docket Nos. R-2022-3031672 & R-2022-3031673	4/29/2022	185	10.80%	5,146
California ^(d)	Case No. A.22-07-001	7/1/2022	57	NA	921
Missouri ^(e)	Docket No. WR-2022-0303	7/1/2022	116	10.50%	2,380
Sub-Total			\$458		\$10,383

Infrastructure Charges Filed

West Virginia (DSIC)	6/30/2022	\$8	\$38
Missouri (WSIRA)	9/9/2022	13	116
Sub-Total		\$21	\$154
Total		\$479	\$10,537

- a) Requested additional annualized revenues of \$15 million, excluding reductions in revenues for tax savings passed back to customers as a result of the TCJA. The EADIT reduction in revenues is \$0.7 million. Interim rates were effective on May 1, 2022, and the difference between interim and final Commission approved rates are subject to refund. On September 26, 2022, a settlement agreement, supported by all parties except one, was filed with the Virginia State Corporation Commission for a \$12 million annual revenue increase excluding agreed to reductions for EADIT as a result of TCJA (\$11 million including EADIT reductions).
- b) In the rebuttal filing on 6/29/22, the Company updated its filed position, with a request for additional annualized revenues of \$84.6 million, excluding reductions in revenues for tax savings passed back to customers as a result of the TCJA and infrastructure surcharges. The reduction in revenues for TCJA is \$1.7 million and the exclusion for infrastructure surcharges is \$18.3 million. The Company's original filed position was a request for additional annualized revenues of \$70.8 million, excluding the TCJA and infrastructure surcharges. On October 28, 2022, the Administrative Law Judges issued a proposed order recommending \$69 million in additional annualized revenues, excluding proposed reductions for EADIT as a result of TCJA and infrastructure surcharges (\$67 million including reductions for EADIT), on a proposed ROE of 9.78%. The final order is expected in late 2022 or early January 2023, with rates effective in January 2023.
- c) Requested additional annualized revenues of \$185.2 million, excluding reductions in revenues for tax savings passed back to customers as a result of TCJA and infrastructure surcharges. The reduction in revenues for TCJA is \$12.0 million and the exclusion for infrastructure surcharges is \$24.3 million. On October 11, 2022, the Company's Pennsylvania subsidiary, the Pennsylvania Public Utility Commission's (the "PaPUC") Bureau of Investigation and Enforcement, the Pennsylvania Office of Consumer Advocate, and certain other parties to the general rate case, jointly filed a petition for settlement with the PaPUC providing for a total annualized revenue increase of \$150 million excluding agreed to reductions for EADIT as a result of the TCJA (\$138 million including EADIT reductions).
- d) Requested additional annualized revenues of \$57.1 million for test year 2024, excluding reductions in revenue for tax savings passed back to customers as a result of TCJA. The reduction in revenues for TCJA is \$1.3 million. This excludes the proposed step rate and attrition rate increase for 2025 and 2026 of \$19.6 million and \$19.9 million, respectively, with reductions of TCJA included. The total revenue requirement request for the three-year rate case cycle is \$95.3 million with reductions of TCJA included or \$99.0 million excluding TCJA.
- e) Requested additional annualized revenues of \$116.2 million, excluding reductions in revenues for tax savings passed back to customers as a result of TCJA and infrastructure surcharges. The reduction in revenues for TCJA is \$11.1 million and the exclusion for infrastructure surcharges is \$40.2 million.

Regulatory Information – Top 10 States



	CALIFORNIA	ILLINOIS	INDIANA	KENTUCKY	MISSOURI
Authorized Rate Base*	\$667,632	\$883,386	\$1,182,170	\$443,654	\$1,703,170 ^(c)
ROE	9.20% ^(a)	9.79%	9.80%	9.70%	9.55% ^(d)
Equity	55.39% ^(a)	49.80%	53.41% ^(b)	48.90%	50.00% ^(e)
Effective Date of Rate Case	1/1/2021	1/1/2017	5/1/2020	6/28/2019	5/28/2021

	NEW JERSEY	PENNSYLVANIA	TENNESSEE	VIRGINIA	WEST VIRGINIA
Authorized Rate Base*	\$4,146,492	\$4,107,143 ^(c)	\$132,015	\$194,165	\$734,028
ROE	9.60%	9.90% ^(d)	10.00%	9.30% ^(f)	9.80%
Equity	54.56%	55.24% ^(e)	34.38%	40.75% ^(e)	47.97%
Effective Date of Rate Case	9/1/2022	1/1/2022	11/1/2012	11/6/2020 ^(g)	2/25/2022

*Rate Base stated in \$000s

- a) On March 22, 2018, Decision 18-03-035 set the authorized cost of capital for 2018 through 2020. A separate Cost of Capital case sets the rate of return outside of a general rate proceeding.
- b) The Authorized Equity excludes cost-free items or tax credit balances at the overall rate of return which lowers the equity percentage as an alternative to the common practice of deducting such items from rate base.
- c) The Authorized Rate Base listed is the Company's view of the Rate Base allowed in the case; the Rate Base was not disclosed in the Order or the applicable settlement agreement.
- d) The ROE is the Company's view of the ROE allowed in the case; however, the ROE was not disclosed in the Order or the applicable settlement agreement.
- e) The equity ratio listed is the Company's view of the equity ratio allowed in the case; the actual equity ratio was not disclosed in the Order or the applicable settlement agreement.
- f) The equity ratio and ROE are the Company's view of each as allowed in the case. The ROE was not disclosed in the Order or the applicable settlement agreement; 9.6% is adopted for future earnings test and WWISC filings per the Order.
- g) Interim rates were effective May 1, 2019 and a final Order was received November 6, 2020.

Reconciliation Table: Regulated Segment O&M Efficiency Ratio



Regulated Segment O&M Efficiency Ratio (A Non-GAAP Unaudited Number) (\$ in millions)	FY 2010	FY 2012	FY 2014	FY 2016	FY 2018	FY 2020	FY 2021
Total operations and maintenance expense	\$1,291	\$1,330	\$1,350	\$1,504	\$1,479	\$1,622	\$1,777
Less:							
Operations and maintenance expense - Market Based Business	257	256	269	372	362	389	482
Operations and maintenance expenses - Other	(61)	(56)	(51)	(64)	(42)	(25)	(30)
Total operations and maintenance expense - Regulated Businesses	\$1,095	\$1,120	\$1,112	\$1,176	\$1,155	\$1,258	\$1,325
Less:							
Regulated purchased water expense	100	110	122	122	133	149	153
Allocation of non-operation and maintenance expenses	29	35	39	30	31	41	34
Impact of Freedom Industries activities	-	-	10	65	(20)	0	0
Estimated impact of weather	-	5	(2)	-	-	0	0
Adjusted operations and maintenance expense - Regulated Businesses (a)	\$966	\$990	\$943	\$959	\$1,015	\$1,068	\$1,138
Total operating revenues	\$2,555	\$2,854	\$3,011	\$3,302	\$3,440	\$3,777	\$3,930
Less:							
Operating Revenues - Market Based Business	296	307	355	451	476	540	563
Operating Revenues - Other	(26)	(17)	(18)	(20)	(20)	(17)	(17)
Total pro forma operating revenues - Regulated Businesses	\$2,286	\$2,564	\$2,674	\$2,871	\$2,984	\$3,254	\$3,384
Less:							
Regulated Purchased Water expense*	100	110	122	122	133	149	153
Other revenue reductions for the amortization of excess accumulated deferred income taxes	-	-	-	-	-	(7)	(104)
Plus:							
Freedom Industries chemical spill in West Virginia	-	-	1	-	-	-	-
Estimated impact of weather	-	(47)	17	-	-	-	-
Adjusted pro forma operating revenues - Regulated Businesses (b)	\$2,186	\$2,407	\$2,570	\$2,749	\$2,851	\$3,112	\$3,335
Adjusted O&M efficiency ratio - Regulated Businesses (a)(b)	44.2%	40.7%	36.7%	34.9%	35.6%	34.3%	34.1%
Adjusted operations and maintenance expense - Regulated Businesses	\$966	\$990	\$943	\$959	* Calculation assumes purchased water revenues approximate purchased water expenses		
Less:					** Includes the impact of the Company's adoption of ASU 2017-07, Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Post-retirement Benefit, on January 1, 2018		
Impact of adoption of ASU 2017-07**	-	38	(8)	12	*** Calculation of Estimated tax reform = Revenue Requirement with new Effective Tax Rate (taxes grossed up) - Revenue Requirement with old Effective Tax Rate		
Adjusted operations and maintenance expense - Regulated Businesses (c)	\$966	\$941	\$951	\$947			
Adjusted operating revenues - Regulated Businesses	\$2,186	\$2,407	\$2,570	\$2,749			
Less pro forma adjustment:							
Pro forma adjustment for impact of the TCJA***	89	112	137	161			
Adjusted pro forma operating revenues - Regulated Businesses (d)	\$2,097	\$2,294	\$2,433	\$2,588			
Adjusted O&M efficiency ratio - Regulated Businesses (c)(d)	46.1%	41.0%	39.1%	36.6%			

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

Form 8-K

**Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): October 11, 2022

American Water Works Company, Inc.

(Exact name of registrant as specified in its charter)

Commission File Number: 001-34028

Delaware
(State or other jurisdiction
of incorporation)

51-0063696
(IRS Employer
Identification No.)

1 Water Street
Camden, NJ 08102-1658
(Address of principal executive offices, including zip code)
(856) 955-4001
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Trading Symbol</u>	<u>Name of Each Exchange on Which Registered</u>
Common stock, par value \$0.01 per share	AWK	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 7.01. Regulation FD Disclosure.

On October 11, 2022, Pennsylvania-American Water Company (“Pennsylvania-American Water”), a subsidiary of American Water Works Company, Inc. (the “Company”), issued a press release announcing that it has entered into an Asset Purchase Agreement, dated as of October 11, 2022 (the “Asset Purchase Agreement”), with the Butler Area Sewer Authority (the “Seller”), with respect to the purchase of the Seller’s public wastewater collection and treatment system assets (the “System Assets”). Additional information regarding the Asset Purchase Agreement and the transactions contemplated thereby is included in response to Item 8.01 to this Current Report on Form 8-K. A copy of the press release has been included as [Exhibit 99.1](#) to this Current Report on Form 8-K and is incorporated by reference in response to this Item 7.01.

The information furnished in response to this Item 7.01, including [Exhibit 99.1](#), shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), nor shall such information be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended (the “Securities Act”), or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 8.01. Other Events.

Agreement to Acquire Wastewater System Assets of the Butler Area Sewer Authority

Effective October 11, 2022, Pennsylvania-American Water entered into the Asset Purchase Agreement with the Seller, whereby Pennsylvania-American Water is to acquire substantially all of the System Assets (the “System Purchase”) for a total purchase price of \$231.5 million in cash, subject to adjustment as provided for in the Asset Purchase Agreement (the “Purchase Price”). The System Assets provide wastewater service for approximately 14,700 customer connections in the City of Butler, the Borough of East Butler, Butler and Center Townships, and portions of Connoquenessing Borough and Oakland, Penn and Summit Townships. The Asset Purchase Agreement was executed under Pennsylvania’s Act 12 of 2016, which permits a municipality to voluntarily sell the assets of its water or wastewater system for the assets’ fair market value, as determined in accordance therewith.

Pennsylvania-American Water is seeking to close the System Purchase by the end of 2023, subject to obtaining the required prior approval of the Pennsylvania Public Utility Commission (the “PaPUC”). If the closing of the System Purchase does not occur one year after the date that an application with the PaPUC to approve the System Purchase is filed and accepted as complete by the PaPUC, and the statutory six-month period for PaPUC final action has been initiated, either the Seller or Pennsylvania-American Water may terminate the Asset Purchase Agreement so long as the terminating party is not in breach of its obligations thereunder. In addition, Pennsylvania-American Water has a right to extend the termination date once by up to 90 days to obtain a governmental approval required by the Asset Purchase Agreement.

Petition for Settlement in Pennsylvania-American Water Company General Rate Case

As previously disclosed, on April 29, 2022, Pennsylvania-American Water filed a general rate case with the PaPUC requesting \$173 million in additional annualized water and wastewater revenues. On October 11, 2022, Pennsylvania-American Water, the PaPUC’s Bureau of Investigation and Enforcement, the Pennsylvania Office of Consumer Advocate, and certain other parties to the general rate case, jointly filed a petition for settlement with the PaPUC providing for a total annualized revenue increase of \$138 million. The annualized revenue increase is driven primarily by the \$1.1 billion of incremental capital investments that will be completed through December 31, 2023 since the last general rate case. In addition, the petition for settlement incorporates updated estimates of pension and other post-employment benefits (“OPEB”) expense, as well as increases in production costs, including chemicals, fuel and power costs. Furthermore, the petition for settlement includes recovery of the COVID-19 deferral balance. An Administrative Law Judge will review the petition for settlement and render a recommended decision to the PaPUC on whether it should approve the settlement. After its review of the matter, the PaPUC will issue a final order, which Pennsylvania-American Water currently expects to occur by January 2023, with new rates to be effective as of January 28, 2023.

Cautionary Statement Concerning Forward-Looking Statements

Certain statements included in this Current Report on Form 8-K (or the exhibits thereto) are forward-looking statements within the meaning of Section 27A of the Securities Act, Section 21E of the Exchange Act and the Private Securities Litigation Reform Act of 1995. In some cases, these forward-looking statements can be identified by words with prospective meanings such as “intend,” “plan,” “estimate,” “believe,” “anticipate,” “expect,” “predict,” “project,” “propose,” “assume,” “forecast,” “outlook,” “future,” “pending,” “goal,” “objective,” “potential,” “continue,” “seek to,” “may,” “can,” “will,” “should” and “could,” or the negative of such terms or other variations or similar expressions. These forward-looking statements are predictions based on the Company’s current expectations and assumptions regarding future events. They are not guarantees or

assurances of any outcomes, performance or achievements, and readers are cautioned not to place undue reliance upon them. The forward-looking statements are subject to a number of estimates and assumptions, and known and unknown risks, uncertainties and other factors. Actual results may differ materially from those discussed in the forward-looking statements included in this Current Report on Form 8-K as a result of the factors discussed in the Company's Annual Report on Form 10-K for the year ended December 31, 2021, as filed with the Securities and Exchange Commission (the "SEC") on February 16, 2022, and other filings with the SEC, and additional risks and uncertainties, including with respect to (1) obtaining the regulatory and other approvals and consents required to complete the System Purchase, including without limitation the prior approval of the PaPUC; (2) the result of the fair market value appraisal of the System Assets required by Act 12; (3) satisfying other conditions to the closing of the System Purchase; (4) the timing of, and the terms and conditions that may be included in, the Administrative Law Judge's recommended decision, which may differ from the terms set forth in the petition for settlement (including, without limitation, as to the amount of any recommended total annualized revenue increase); (5) the terms of the general rate case as reflected in the PaPUC's final order (including, without limitation, with respect to any total annualized revenue increase approved by the PaPUC), and the timing of such ruling; (6) the amount and timing of incremental future capital expenditures and investments to be made by Pennsylvania-American Water; (7) the occurrence of benefits to Pennsylvania-American Water and synergies expected or predicted to occur as a result of the completion of the System Purchase, and the occurrence of benefits to Pennsylvania-American Water arising from the PaPUC's final rate case order; (8) unexpected costs, liabilities or delays associated with the System Purchase, the integration of the System Assets or the resolution of Pennsylvania-American Water's general rate case; (9) regulatory, legislative, local or municipal actions affecting the water and wastewater industries, which could adversely affect Pennsylvania-American Water; and (10) other economic, business and other factors.

These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above and the risk factors included in the Company's annual and quarterly reports as filed with the SEC, and readers should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements speak only as of the date of this Current Report on Form 8-K. The Company does not have any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise, except as otherwise required by the federal securities laws. New factors emerge from time to time, and it is not possible for us to predict all such factors. Furthermore, it may not be possible to assess the impact of any such factor on the Company's or Pennsylvania-American Water's business, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

The following exhibits to this Current Report have been provided herewith as noted below:

Exhibit No.	Description
99.1*	Press Release, dated October 11, 2022, issued by Pennsylvania-American Water, with respect to the System Purchase.
104	Cover Page Interactive Data File (the cover page XBRL tags are included and formatted as Inline XBRL).

* Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

Dated: October 11, 2022

By: /s/ JOHN C. GRIFFITH
John C. Griffith
Executive Vice President and Chief Financial Officer

Press Release



Pennsylvania American Water Signs Agreement to Purchase Butler Area Sewer Authority Wastewater System

BUTLER, Pa. (Oct. 11, 2022) – Pennsylvania American Water, a subsidiary of American Water (NYSE: AWK), announced today that it has signed an agreement with the Butler Area Sewer Authority (BASA) to purchase its wastewater system for \$231.5 million. The system serves nearly 15,000 customers over 32.5 square miles, including the City of Butler; Butler and Center townships; East Butler Borough; and parts of Connoquenessing Borough, Summit and Oakland townships, and a small portion of Penn Township. Pennsylvania American Water is already the drinking water service provider to approximately 19,500 customers in the region, and its predecessor companies have served the Butler area since the late 1800s.

“We are pleased that BASA and other community leaders recognized the value we provide to our water customers and are entrusting us with the future ownership of their wastewater system,” said Pennsylvania American Water President Mike Doran. “This agreement was achieved through a collaborative process between all parties and tailored to meet the specific needs of residents, BASA employees, and infrastructure of the wastewater system. Pennsylvania American Water is well positioned to step in and assume responsibility for the community’s wastewater needs by using the existing expertise of current employees, leveraged by the resources we can provide as the Commonwealth’s largest water and wastewater utility. We are confident that this proposal offers the best long-term solution for BASA, its customers, the City of Butler and Butler Township.”

As part of the agreement, Pennsylvania American Water will offer employment to all of BASA’s employees, maintain the existing BASA operations center for a minimum of 10 years, assume BASA’s planned capital improvement projects utilizing qualified Butler area contractors, and adopt BASA’s rates at closing with a minimum 1-year rate freeze. The company will also petition the Pennsylvania Public Utility Commission (PUC) for approval to initiate a pilot program allowing the company to replace broken customer sewer laterals.

“Since the beginning of this process, our board prioritized the needs of our employees and customers,” said Paul Sybert, Chairman of BASA’s Board of Directors. “Without BASA’s dedicated and hardworking employees, this facility would not run. They, and our customers, always remained at the forefront of our minds. This acquisition is the right decision, and we are confident that the upcoming months will bring forward a seamless transition as we continue to work with Pennsylvania American Water.”

Upon taking ownership, Pennsylvania American Water will make necessary treatment and collection system upgrades to improve the wastewater system, which are expected to total more than \$75 million. Specifically, the company plans to make significant investments in improving and replacing pump stations, making electrical, safety and treatment improvements at the treatment plant, conducting a systemwide infiltration & inflow assessment, conducting a systemwide inspection and cleaning of sewer collection mains and manholes, and replacing certain sewer mains, among other projects.

Press Release



“We spent a lot of time analyzing how this acquisition would impact our community,” said Butler Township Commissioner President Dave Zarnick. “As infrastructure ages, it becomes more costly to maintain and repair. Pennsylvania American Water has vast resources and is equipped to make the \$75 million in improvements that the BASA’s facility requires. We hosted several open houses that enabled us to solicit feedback from residents, and while some had questions, many I talked to were in support of this sale. Our residents should remain confident and know that they will receive the highest quality wastewater services from Pennsylvania American Water.”

The City of Butler and Butler Township, as the sole owners of BASA, will receive the proceeds from this proposed sale. Both municipalities are proposing to use the proceeds of the sale to support essential services for residents, meet future financial obligations, and make various other community improvements.

“We have done our due diligence and we are firmly united,” said City of Butler Mayor Bob Dandoy. “For nearly an entire year, we looked at every aspect of what this sale would mean to those in BASA’s service territory. From Pennsylvania American Water’s commitment to petition the PUC for approval on a lateral pilot program to a one-year rate freeze to low-income customers having the ability to access the company’s grant programs—our residents are the ones who will reap the extensive benefits that this acquisition provides.”

Pennsylvania American Water will seek all necessary approvals from its regulators and expects to close the transaction by the end of 2023. The company’s rates are set by the PUC, and any future rate changes would have to be reviewed and approved by the PUC.

About Pennsylvania American Water

Pennsylvania American Water, a subsidiary of American Water (NYSE: AWK), is the largest investor-owned water utility in the state, providing high-quality and reliable water and wastewater services to approximately 2.4 million people.

About American Water

With a history dating back to 1886, American Water is the largest and most geographically diverse U.S. publicly traded water and wastewater utility company. The company employs more than 6,400 dedicated professionals who provide regulated and regulated-like drinking water and wastewater services to more than 14 million people in 24 states. American Water provides safe, clean, affordable and reliable water services to our customers to help keep their lives flowing. For more information, visit amwater.com and diversityataw.com. Follow American Water on [Twitter](https://twitter.com/AmWater), [Facebook](https://www.facebook.com/AmWater) and [LinkedIn](https://www.linkedin.com/company/american-water)

AWK-IR

Media Contact:

Gary Lobaugh
Senior Manager, Government and External Affairs, Western PA
724.873.3674
gary.lobaugh@amwater.com

###

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

Form 8-K

**Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): August 17, 2022

American Water Works Company, Inc.
(Exact name of registrant as specified in its charter)

Commission File Number: 001-34028

Delaware
(State or other jurisdiction
of incorporation)

51-0063696
(IRS Employer
Identification No.)

**1 Water Street
Camden, NJ 08102-1658**
(Address of principal executive offices, including zip code)
(856) 955-4001
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Trading Symbol</u>	<u>Name of Each Exchange on Which Registered</u>
Common stock, par value \$0.01 per share	AWK	New York Stock Exchange

Item 8.01. Other Events.

New Jersey Board of Public Utilities (the “NJBPU”) Order Approving Stipulation and Settlement of New Jersey-American Water Company, Inc. (“NJAWC”) General Rate Case

On August 17, 2022, the NJBPU issued an order approving a stipulation and settlement (the “Settlement”) of a general rate case filed on January 14, 2022 by NJAWC, a wholly owned subsidiary of American Water Works Company, Inc., seeking \$94.7 million of increased annualized revenues. The Settlement was entered into among NJAWC, the staff of the NJBPU, the New Jersey Division of Rate Counsel, and several intervenors in the general rate case. The order approves a \$45.5 million annualized increase in water and wastewater revenues, effective as of September 1, 2022, based on an authorized return on equity (“ROE”) of 9.6%, authorized rate base of \$4.15 billion, a common equity ratio of 54.6% and a long-term debt ratio of 45.4%, compared to an authorized ROE of 9.6%, authorized rate base of \$3.57 billion, a common equity ratio of 54.6% and a long-term debt ratio of 45.4%, as approved in NJAWC’s last general rate case in 2020. NJAWC’s request incorporated updated estimates of production costs, including chemicals, fuel and power costs. Beginning January 1, 2023, NJAWC will defer as a regulatory asset or liability, as appropriate, the difference between its pension expense and other post-employment benefits (OPEB) expense included in base rates. The deferral period for this regulatory asset or liability will be two years or, if earlier, will end at the conclusion of NJAWC’s next general rate case. NJAWC also withdrew its request, without prejudice, to recover its existing authorized COVID-19-related regulatory asset in the general rate case and will seek recovery in a separate proceeding within the process established in the NJBPU’s generic COVID-19 proceeding.

A copy of the press release issued by NJAWC on August 17, 2022 to announce the issuance of the NJBPU’s order has been filed as [Exhibit 99.1](#) hereto and is incorporated herein by reference. References and links to websites and other information contained in the press release are not provided as active hyperlinks, and the information contained in or accessed through these hyperlinks shall not be incorporated into, or form a part of, this Current Report on Form 8-K.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

The following exhibits to this Current Report have been provided herewith as noted below:

Exhibit No.	Description of Exhibit
99.1*	Press Release, dated August 17, 2022, issued by NJAWC.
104	Cover Page Interactive Data File (the cover page XBRL tags are included and formatted as Inline XBRL).

* Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

Dated: August 17, 2022

By: /s/ JOHN C. GRIFFITH

John C. Griffith

Executive Vice President and Chief Financial Officer

Press Release



New Jersey American Water Granted New Rates by New Jersey Board of Public Utilities

Increase Driven by Over \$985 Million in System Investments; Water Service Remains About One Penny Per Gallon

CAMDEN, N.J. (August 17, 2022) – The New Jersey Board of Public Utilities (BPU) today approved a settlement between New Jersey American Water and the N.J. Division of Rate Counsel, BPU Staff, and several intervenors for new water and wastewater rates for New Jersey American Water. The approved rates represent a total annualized revenue increase of approximately \$45.5 million.

The company's rate request was filed on January 14, 2022, and was primarily driven by more than \$985 million in infrastructure investment in treatment system and distribution upgrades since its last rate filing.

The new rates will become effective September 1, 2022. With the approved rate increase, the monthly bill for an average water customer using 5,520 gallons will increase approximately \$2.93, and the monthly bill for an average wastewater customer will increase approximately \$3.74. Even with the new rates, the cost of high-quality, reliable, water and wastewater service continues to be about one penny per gallon and remains among the lowest household utility bills.

"We are proud of the level of investment we are able to make into our systems to continue to provide high-quality, reliable service, even through extreme weather and other challenges including the pandemic, while maximizing efficiencies to balance the impact to customers," said Mark McDonough, President, New Jersey American Water. "The combination of effective capital planning and sound business management helps keep water and wastewater service both reliable and affordable for the 2.8 million people we proudly serve."

Press Release



Customers will receive information about the new rates in their next New Jersey American Water bill. This information will also be available on the company's website at www.newjerseyamwater.com under Customer Service & Billing, Your Water and Wastewater Rates, or by calling 800-272-1325, Monday through Friday, 7 a.m. to 7 p.m.

New Jersey American Water also wants to remind its customers about the variety of bill paying assistance programs that are available. Customers who are having difficulty paying their water and/or wastewater bills are encouraged to arrange for payment arrangements or budget billing directly through the MyWater customer portal or by calling the company's Customer Service Center at 800-272-1325. Customers who meet low-income requirements may also apply for assistance through the company's H2O Help to Others program, which provides water and wastewater service charge discounts of up to 100 percent. Additionally, customers who are behind on their bills may also qualify for the new LIHWAP program, administered by the N.J. Department of Community Affairs. More information about all of these programs can be found at www.newjerseyamwater.com under Customer Service & Billing, Bill Paying Assistance.

About New Jersey American Water New Jersey American Water, a subsidiary of American Water (NYSE: AWK), is the largest investor-owned water utility in the state, providing high-quality and reliable water and/or wastewater services to approximately 2.8 million people. For more information, visit www.newjerseyamwater.com and follow New Jersey American Water on Twitter and Facebook.

About American Water With a history dating back to 1886, American Water is the largest and most geographically diverse U.S. publicly traded water and wastewater utility company. The company employs more than 6,400 dedicated professionals who provide regulated and regulated-like drinking water and wastewater services to more than 14 million people in 24 states. American Water provides safe, clean, affordable and reliable water services to our customers to help keep their lives flowing. For more information, visit amwater.com and diversityataw.com. Follow American Water on Twitter, Facebook and LinkedIn.

AWK-IR

Press Release



Media Contact:

Denise Venuti Free
Director of Communications & External Affairs
New Jersey American Water
denise.free@amwater.com

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

Form 8-K

**Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): July 27, 2022

American Water Works Company, Inc.
(Exact name of registrant as specified in its charter)

Commission File Number: 001-34028

Delaware
(State or other jurisdiction
of incorporation)

51-0063696
(IRS Employer
Identification No.)

**1 Water Street
Camden, NJ 08102-1658**
(Address of principal executive offices, including zip code)
(856) 955-4001
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Trading Symbol</u>	<u>Name of Each Exchange on Which Registered</u>
Common stock, par value \$0.01 per share	AWK	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02. Results of Operations and Financial Condition.

On July 27, 2022, the Company issued a press release announcing its financial results for the second quarter ended June 30, 2022. A copy of the press release has been included as Exhibit 99.1 and is incorporated by reference herein.

The information furnished in this Current Report, including Exhibit 99.1, shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), nor shall it be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

The following exhibits to this Current Report have been provided herewith (as noted below):

<u>Exhibit</u>	<u>Description</u>
99.1*	Press Release, dated July 27, 2022, issued by American Water Works Company, Inc.
104	Cover Page Interactive Data File (the cover page XBRL tags are included and formatted as Inline XBRL)

* Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

Dated: July 27, 2022

By: /s/ JOHN C. GRIFFITH

John C. Griffith

Executive Vice President and Chief Financial Officer

Press Release



July 27, 2022

Investor Contact:

Aaron Musgrave
Vice President, Investor Relations
856-955-4029
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AMERICAN WATER REPORTS SECOND QUARTER 2022 RESULTS AFFIRMS 2022 EARNINGS GUIDANCE AND LONG-TERM TARGETS

- Second quarter 2022 diluted earnings of \$1.20 per share, compared to \$1.14 per share in 2021; Year-to-date 2022 diluted earnings of \$2.07 per share, compared to \$1.87 per share in 2021
- 2022 earnings guidance range of \$4.39 to \$4.49 per share affirmed; long-term targets also affirmed
- Invested \$1.25 billion in the first half of the year; capital plan on track to invest approximately \$2.5 billion in 2022
- Added 59,200 customer connections year-to-date through closed acquisitions and organic growth; completion of the acquisition of the wastewater system of the City of York, Pa., which added more than 45,000 equivalent customer connections

CAMDEN, N.J., July 27, 2022 - American Water Works Company, Inc. (NYSE: AWK) today reported results for the quarter ended June 30, 2022 of \$1.20 per share, compared to \$1.14 per share in 2021.

“The company delivered solid results in the first half of the year, keeping us on track to achieve our 2022 earnings expectations,” said Susan Hardwick, president and CEO of American Water.

“In the first six months of 2022, we invested \$1.25 billion with the majority dedicated to needed infrastructure improvements to better serve our customers,” said Hardwick. “We are also proud that our Military Services Group was awarded our first U.S. Navy contract at Naval Station Mayport in Jacksonville, Florida, where we’ll provide wastewater services for the service members, their families and civilians at that installation.”

2022 Earnings Guidance and Long-Term Financial Targets Affirmed

The Company affirms its 2022 earnings per share guidance range of \$4.39 to \$4.49. The Company also affirms its long-term financial targets, including its EPS compound annual growth rate target range of 7-9%. The Company’s earnings forecasts are subject to numerous risks and uncertainties, including, without limitation, those described under “Forward-Looking Statements” below and under “Risk Factors” in its annual, quarterly, and current reports filed with the Securities and Exchange Commission (“SEC”).

Consolidated Results

For the three and six months ended June 30, 2022, earnings per share were \$1.20 and \$2.07, respectively, compared to \$1.14 and \$1.87 per share in the same periods in 2021. These increases were primarily driven by the implementation of new rates in the Regulated Businesses from infrastructure investments, offset somewhat by impacts from inflationary pressures estimated at \$0.06 to \$0.08 per share for the year-to-date period. Also, included in the results for the three and six months ended June 30, 2022, are \$0.06 and \$0.12 per share, respectively, from interest income earned on the seller note and income earned on revenue share agreements, which compares to Homeowner Services Group (“HOS”) operating results for the three and six months ended June 30, 2021, of \$0.08 and \$0.16 per share, respectively. 2022 results also include \$0.04 and \$0.08 per share for the three and six months, respectively, from the final post-close adjustments from the sale of HOS in 2021.

The Company is on track with its capital investment plan for the first six months of 2022 with investments of \$1.25 billion, including \$1.0 billion for infrastructure improvements in the Regulated Businesses. The Company plans to invest a total of approximately \$2.5 billion across its footprint in 2022.

Regulated Businesses

In the second quarter of 2022, Regulated Businesses’ net income was \$219 million, compared to \$215 million for the same period in 2021. For the first six months of 2022, the Regulated Businesses’ net income was \$379 million, compared to \$350 million for the same period in 2021. Net income attributable to the Company’s New York subsidiary was \$3 million and \$1 million for the three and six months ended June 30, 2021, respectively.

Operating revenues increased \$37 million and \$83 million in the three and six months ended June 2022, respectively, as compared to 2021, when excluding revenues contributed by the Company’s New York subsidiary in 2021. The increases in operating revenues were primarily a result of authorized revenue increases resulting from completed general rate cases and infrastructure proceedings to recover incremental capital and acquisition investments.

To date, the Company has been authorized additional annualized revenues, excluding agreed to reductions for excess accumulated deferred income taxes (“EADIT”), of approximately \$50 million from general rate cases in 2022. In addition, approximately \$53 million of additional annualized revenues from infrastructure surcharges have been authorized and are effective in 2022. The Company has general rate cases in progress in six jurisdictions and has filed for infrastructure surcharges in three jurisdictions, reflecting a total annualized revenue request of approximately \$598 million.

Excluding impacts of the Company’s New York subsidiary in 2021, operation and maintenance (“O&M”) expenses were higher by \$8 million and \$15 million in the three and six months ended June 2022, respectively, as compared to 2021, primarily due to increases in production costs from inflationary pressure. Also, depreciation expense was higher by \$6 million and \$14 million in these same periods due to the growing capital investment.

For the three and six months ended June 30, 2022, results included revenues of \$29 million and \$52 million, respectively, and operating expenses of \$24 million and \$49 million, respectively, for the Company’s New York subsidiary that was sold on January 1, 2022.

For the 12-month period ended June 30, 2022, the Company’s adjusted regulated O&M efficiency ratio (a non-GAAP financial measure) was 33.7%, a decrease from 33.9% for the 12-month period ended June 30, 2021. The ratio reflects an increase in operating revenues for the Regulated Businesses, after considering the adjustment for the amortization of the EADIT shown below, as well as the continued focus on operating costs.

Market-Based Businesses and Other

In the second quarter of 2022, the net loss in Market-Based Businesses and Other was \$1 million, compared to \$8 million for the same period in 2021. For the first six months of 2022, the net loss in Market-Based Businesses and Other was \$3 million, compared to \$10 million for the same period in 2021. The primary driver for the net loss in all periods is interest expense on long-term debt financing. Results in 2022 for both periods include interest income earned on the seller note, income earned on revenue share agreements and post-close adjustments from the sale of HOS in 2021. Results in 2021 for both periods include earnings from HOS.

Dividends

On July 27, 2022, the Company’s Board of Directors declared a quarterly cash dividend payment of \$0.6550 per share of common stock, payable on September 1, 2022 to shareholders of record as of August 9, 2022.

Non-GAAP Financial Measures

This press release includes a presentation of adjusted regulated O&M efficiency ratio, a “non-GAAP financial measure” under SEC rules, which excludes from its calculation estimated purchased water revenues and purchased water expenses, reductions for the amortization of EADIT, and the allocable portion of non-O&M support services costs, mainly depreciation and general taxes. These items were excluded from the O&M efficiency ratio calculation as they do not reflect management’s ability to increase the efficiency of the Regulated Businesses. This item is derived from American Water’s consolidated financial information but is not presented in its financial statements prepared in accordance with GAAP. This non-GAAP financial measure supplements and should be read in conjunction with the Company’s GAAP disclosures and should be considered as an addition to, and not a substitute for, any GAAP measure.

Management evaluates its operating performance using this ratio and believes that this non-GAAP financial measure is useful to the Company’s investors because it directly measures improvement in the operating performance and efficiency of the Company’s Regulated Businesses. The Company’s adjusted regulated O&M efficiency ratio (i) is not an accounting measure that is based on GAAP; (ii) is not based on a standard, objective industry definition or method of calculation; (iii) may not be comparable to other companies’ operating measures; and (iv) should not be used in place of the GAAP information provided elsewhere in this press release.

Set forth in this release is a table that calculates the Company’s adjusted regulated O&M efficiency ratio and reconciles each of the components used to calculate this ratio to the most directly comparable GAAP financial measure.

Second Quarter 2022 Earnings Conference Call

The second quarter 2022 earnings conference call will take place on Thursday, July 28, 2022, at 9 a.m. Eastern Daylight Time. Interested parties may listen to an audio webcast through a link on the Company’s Investor Relations website at ir.amwater.com. Presentation slides that will be used in conjunction with the earnings conference call will also be made available online in advance at ir.amwater.com. The Company recognizes its website as a key channel of distribution to reach public investors and as a means of disclosing material non-public information to comply with its obligations under SEC Regulation FD.

Following the earnings conference call, a replay of the audio webcast will be available for one year on American Water’s investor relations website at ir.amwater.com/events.

About American Water

With a history dating back to 1886, American Water is the largest and most geographically diverse U.S. publicly traded water and wastewater utility company. The Company employs approximately 6,400 dedicated professionals who provide regulated and market-based drinking water, wastewater and other related services to over 14 million people in 24 states. More information can be found by visiting amwater.com and follow American Water on Twitter, Facebook and LinkedIn.

Throughout this press release, unless the context otherwise requires, references to the “Company” and “American Water” mean American Water Works Company, Inc. and all of its subsidiaries, taken together as a whole.

Cautionary Statement Concerning Forward-Looking Statements

Certain statements in this press release including, without limitation, 2022 earnings guidance, the Company’s long-term financial, growth and dividend targets, future capital needs, the ability to achieve the Company’s strategies and goals, including with respect to its ESG focus and related to the Company’s receipt of contingent consideration from the sale of HOS, the repayment of the seller note and the redeployment of the net proceeds from its divestitures, the outcome of the Company’s pending acquisition activity, the amount and allocation of projected capital expenditures, and estimated revenues from rate cases and other government agency authorizations, are forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and the Federal securities laws. In some cases, these forward-looking statements can be identified by words with prospective meanings such as “intend,” “plan,” “estimate,” “believe,” “anticipate,” “expect,” “predict,” “project,” “propose,” “assume,” “forecast,” “outlook,” “likely,” “uncertain,” “future,” “pending,” “goal,” “objective,” “potential,” “continue,” “seek to,” “may,” “can,” “will,” “should” and “could” and or the negative of such terms or other variations or similar expressions. These forward-looking statements are predictions based on American Water’s current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, financial results of levels of activity, performance or achievements, and readers are cautioned not to place undue reliance upon them. The forward-looking statements are subject to a number of estimates and assumptions, and known and unknown risks, uncertainties and other factors. Actual results may differ materially from those discussed in the forward-looking statements included in this press release as a result of the factors discussed in the Company’s Annual Report on Form 10-K for

the year ended December 31, 2021, and subsequent filings with the SEC, and because of factors such as: the decisions of governmental and regulatory bodies, including decisions to raise or lower customer rates and regulatory responses to the COVID-19 pandemic; the timeliness and outcome of regulatory commissions' and other authorities' actions concerning rates, capital structure, authorized return on equity, capital investment, system acquisitions and dispositions, taxes, permitting, water supply and management, and other decisions; changes in customer demand for, and patterns of use of, water, such as may result from conservation efforts, impacts of the COVID-19 pandemic, or otherwise; a loss of one or more large industrial or commercial customers due to adverse economic conditions, the COVID-19 pandemic, or other factors; limitations on the availability of the Company's water supplies or sources of water, or restrictions on its use thereof, resulting from allocation rights, governmental or regulatory requirements and restrictions, drought, overuse or other factors; changes in laws, governmental regulations and policies, including with respect to the environment, health and safety, water quality and water quality accountability, contaminants of emerging concern, public utility and tax regulations and policies, and impacts resulting from U.S., state and local elections and changes in federal, state and local executive administrations; the Company's ability to collect, distribute, use, secure and store consumer data in compliance with current or future governmental laws, regulation and policies with respect to data and consumer privacy, security and protection; weather conditions and events, climate variability patterns, and natural disasters, including drought or abnormally high rainfall, prolonged and abnormal ice or freezing conditions, strong winds, coastal and intercoastal flooding, pandemics (including COVID-19) and epidemics, earthquakes, landslides, hurricanes, tornadoes, wildfires, electrical storms, sinkholes and solar flares; the outcome of litigation and similar governmental and regulatory proceedings, investigations or actions; the risks associated with the Company's aging infrastructure, and its ability to appropriately improve the resiliency of, or maintain and replace, current or future infrastructure and systems, including its technology and other assets, and manage the expansion of its businesses; exposure or infiltration of the Company's technology and critical infrastructure systems, including the disclosure of sensitive, personal or confidential information contained therein, through physical or cyber attacks or other means; the Company's ability to obtain permits and other approvals for projects and construction of various water and wastewater facilities; changes in the Company's capital requirements; the Company's ability to control operating expenses and to achieve operating efficiencies; the intentional or unintentional actions of a third party, including contamination of the Company's water supplies or the water provided to its customers; the Company's ability to obtain adequate and cost-effective supplies of pipe, equipment (including personal protective equipment), chemicals, electricity, fuel, water and other raw materials and to address or mitigate supply chain constraints impacting the Company's business operations; the Company's ability to successfully meet its operational growth projections, either individually or in the aggregate, and capitalize on growth opportunities, including, among other things, with respect to acquiring, closing and successfully integrating regulated operations and market-based businesses, the Company's Military Services Group entering into new contracts, price redeterminations and other agreements and contracts, and realizing anticipated benefits and synergies from new acquisitions; risks and uncertainties following the completion of the sale of HOS and the Company's New York subsidiary; risks and uncertainties associated with contracting with the U.S. government, including ongoing compliance with applicable government procurement and security regulations; cost overruns relating to improvements in or the expansion of the Company's operations; the Company's ability to successfully develop and implement new technologies and to protect related intellectual property; the Company's ability to maintain safe work sites; the Company's exposure to liabilities related to environmental laws and similar matters resulting from, among other things, water and wastewater service provided to customers; changes in general economic, political, business and financial market conditions, including without limitation conditions and collateral consequences associated with COVID-19; access to sufficient debt and/or equity capital on satisfactory terms and when and as needed to support operations and capital expenditures; fluctuations in inflation or interest rates; the ability to comply with affirmative or negative covenants in the current or future indebtedness of the Company or any of its subsidiaries, or the issuance of new or modified credit ratings or outlooks or other communications by credit rating agencies with respect to the Company or any of its subsidiaries (or any current or future indebtedness thereof), which could increase financing costs or funding requirements and affect the Company's or its subsidiaries' ability to issue, repay or redeem debt, pay dividends or make distributions; fluctuations in the value of benefit plan assets and liabilities that could increase the Company's cost and funding requirements; changes in federal or state general, income and other tax laws, including (i) future significant tax legislation; (ii) the availability of, or the Company's compliance with, the terms of applicable tax credits and tax abatement programs; and (iii) the Company's ability to utilize its state income tax net operating loss carryforwards; migration of customers into or out of the Company's service territories; the use by municipalities of the power of eminent domain or other authority to condemn the systems of one or more of the Company's utility subsidiaries, or the assertion by private landowners of similar rights against such utility subsidiaries; any difficulty or inability to obtain insurance for the Company, its inability to obtain insurance at acceptable rates and on acceptable terms and conditions, or its inability to obtain reimbursement under existing or future insurance programs and coverages for any losses sustained; the incurrence of impairment charges related to the Company's goodwill or other assets; labor actions, including work stoppages and strikes; the Company's ability to retain and attract qualified employees; civil disturbances or unrest, or terrorist threats or acts, or public apprehension about future disturbances, unrest, or terrorist threats or acts; and the impact of new, and changes to existing, accounting standards.

These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above and the risk factors included in American Water's annual, quarterly and other SEC filings, and readers should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements American Water makes speak only as of the date of this press release. American Water does not have or undertake any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise, except as otherwise required by the federal securities laws. New factors emerge from time to time, and it is not possible for the Company to predict all such factors. Furthermore, it may not be possible to assess the impact of any such factor on the Company's businesses, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.

AWK-IR

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
Operating revenues	\$ 937	\$ 999	\$ 1,779	\$ 1,887
Operating expenses:				
Operation and maintenance	376	431	740	850
Depreciation and amortization	163	158	321	315
General taxes	71	80	145	163
Total operating expenses, net	610	669	1,206	1,328
Operating income	327	330	573	559
Other income (expense):				
Interest expense	(106)	(101)	(206)	(199)
Interest income	12	—	25	—
Non-operating benefit costs, net	20	19	39	39
Other, net	17	3	32	7
Total other (expense) income	(57)	(79)	(110)	(153)
Income before income taxes	270	251	463	406
Provision for income taxes	52	44	87	66
Net income attributable to common shareholders	\$ 218	\$ 207	\$ 376	\$ 340
Basic earnings per share: (a)				
Net income attributable to common shareholders	\$ 1.20	\$ 1.14	\$ 2.07	\$ 1.87
Diluted earnings per share: (a)				
Net income attributable to common shareholders	\$ 1.20	\$ 1.14	\$ 2.07	\$ 1.87
Weighted-average common shares outstanding:				
Basic	182	182	182	181
Diluted	182	182	182	182

(a) Amounts may not calculate due to rounding.

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

	June 30, 2022	December 31, 2021
ASSETS		
Property, plant and equipment	\$ 28,531	\$ 27,413
Accumulated depreciation	(6,429)	(6,329)
Property, plant and equipment, net	<u>22,102</u>	<u>21,084</u>
Current assets:		
Cash and cash equivalents	71	116
Restricted funds	26	20
Accounts receivable, net of allowance for uncollectible accounts of \$67 and \$75, respectively	383	271
Unbilled revenues	284	248
Materials and supplies	85	57
Assets held for sale	—	683
Other	169	159
Total current assets	<u>1,018</u>	<u>1,554</u>
Regulatory and other long-term assets:		
Regulatory assets	1,053	1,051
Seller promissory note from the sale of the Homeowner Services Group	720	720
Operating lease right-of-use assets	91	92
Goodwill	1,143	1,139
Postretirement benefit assets	207	193
Other	240	242
Total regulatory and other long-term assets	<u>3,454</u>	<u>3,437</u>
Total assets	<u>\$ 26,574</u>	<u>\$ 26,075</u>

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

	June 30, 2022	December 31, 2021
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock (\$0.01 par value; 500,000,000 shares authorized; 187,127,525 and 186,880,413 shares issued, respectively)	\$ 2	\$ 2
Paid-in-capital	6,804	6,781
Retained earnings	1,181	925
Accumulated other comprehensive loss	(40)	(45)
Treasury stock, at cost (5,342,229 and 5,269,324 shares, respectively)	(377)	(365)
Total common shareholders' equity	7,570	7,298
Long-term debt	11,023	10,341
Redeemable preferred stock at redemption value	3	3
Total long-term debt	11,026	10,344
Total capitalization	18,596	17,642
Current liabilities:		
Short-term debt	420	584
Current portion of long-term debt	178	57
Accounts payable	196	235
Accrued liabilities	593	701
Accrued taxes	27	176
Accrued interest	93	88
Liabilities related to assets held for sale	—	83
Other	221	217
Total current liabilities	1,728	2,141
Regulatory and other long-term liabilities:		
Advances for construction	294	284
Deferred income taxes and investment tax credits	2,430	2,421
Regulatory liabilities	1,533	1,600
Operating lease liabilities	79	80
Accrued pension expense	262	285
Other	177	180
Total regulatory and other long-term liabilities	4,775	4,850
Contributions in aid of construction	1,475	1,442
Commitments and contingencies		
Total capitalization and liabilities	\$ 26,574	\$ 26,075

American Water Works Company, Inc. and Subsidiary Companies
Adjusted Regulated Operation and Maintenance Efficiency Ratio (A Non-GAAP, unaudited measure)

(Dollars in millions)	For the Twelve Months Ended June 30,	
	2022	2021
Total operation and maintenance expenses	\$ 1,668	\$ 1,698
Less:		
Operation and maintenance expenses—Market-Based Businesses and Other	352	392
Total operation and maintenance expenses—Regulated Businesses	1,316	1,306
Less:		
Regulated purchased water expenses	152	156
Allocation of non-operation and maintenance expenses	32	45
Adjusted operation and maintenance expenses—Regulated Businesses (i)	\$ 1,132	\$ 1,105
Total operating revenues	\$ 3,822	\$ 3,890
Less:		
Operating revenues—Market-Based Businesses and Other	408	546
Total operating revenues—Regulated Businesses	3,414	3,344
Less:		
Regulated purchased water revenues (a)	152	156
Revenue reductions from the amortization of EADIT	(97)	(69)
Adjusted operating revenues—Regulated Businesses (ii)	\$ 3,359	\$ 3,257
Adjusted O&M efficiency ratio—Regulated Businesses (i) / (ii)	33.7 %	33.9 %

(a) The calculation assumes regulated purchased water revenues approximate regulated purchased water expenses.

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

Form 8-K

**Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): July 1, 2022

American Water Works Company, Inc.

(Exact name of registrant as specified in its charter)

Commission File Number: 001-34028

Delaware
(State or other jurisdiction
of incorporation)

51-0063696
(IRS Employer
Identification No.)

1 Water Street
Camden, NJ 08102-1658
(Address of principal executive offices, including zip code)
(856) 955-4001
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Trading Symbol</u>	<u>Name of Each Exchange on Which Registered</u>
Common stock, par value \$0.01 per share	AWK	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 8.01. Other Events.

Filing of General Rate Cases by California-American Water Company and Missouri-American Water Company

On July 5, 2022, California-American Water Company (“California-American Water”), a wholly owned subsidiary of American Water Works Company, Inc. (the “Company”), announced that on July 1, 2022 it filed an application with the California Public Utilities Commission (“CPUC”) to set new rates in each of its service areas for 2024 through 2026. The application is seeking an increase in 2024 revenue of \$57.1 million and a total increase in revenue over the 2024 to 2026 period of \$99.0 million. The requested increase excludes proposed reductions of \$1.3 million in 2024 and \$3.7 million over the 2024 to 2026 period for excess accumulated deferred income taxes (“EADIT”) as a result of the Tax Cuts and Jobs Act of 2017 (the “TCJA”). If approved by the CPUC, the new rates would take effect on January 1, 2024.

On July 5, 2022, Missouri-American Water Company (“Missouri-American Water”), a wholly owned subsidiary of the Company, announced that on July 1, 2022 it filed a request with the Missouri Public Service Commission (“MoPSC”) to review its water and wastewater rates. The request seeks annualized incremental revenue of \$116.2 million based on a requested return on equity of 10.5% and a capital structure with an equity component of 50.4%. The requested increase excludes a proposed reduction of \$11.1 million for EADIT as a result of the TCJA. If approved by the MoPSC, the new rates would be expected to take effect in mid-2023.

A copy of the press release issued by each of California-American Water and Missouri-American Water on July 5, 2022 has been filed as [Exhibit 99.1](#) and [Exhibit 99.2](#) hereto, respectively, and is incorporated herein by reference. References and links to websites and other information contained in these press releases are not provided as active hyperlinks, and the information contained in or accessed through these hyperlinks shall not be incorporated into, or form a part of, this Current Report on Form 8-K.

Cautionary Statement Concerning Forward-Looking Statements

Certain statements included in this Current Report on Form 8-K (or the exhibits thereto) are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, Section 21E of the Securities Exchange Act of 1934, and the Private Securities Litigation Reform Act of 1995. In some cases, these forward-looking statements can be identified by words with prospective meanings such as “intend,” “plan,” “estimate,” “believe,” “anticipate,” “expect,” “predict,” “project,” “propose,” “assume,” “forecast,” “outlook,” “future,” “pending,” “goal,” “objective,” “potential,” “continue,” “seek to,” “may,” “can,” “will,” “should” and “could,” or the negative of such terms or other variations or similar expressions. These forward-looking statements are predictions based on the Company’s current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, performance or achievements, and readers are cautioned not to place undue reliance upon them. The forward-looking statements are subject to a number of estimates and assumptions, and known and unknown risks, uncertainties and other factors. Actual results may differ materially from those discussed in the forward-looking statements included in this Current Report on Form 8-K as a result of the factors discussed in the Company’s Annual Report on Form 10-K for the year ended December 31, 2021, as filed with the Securities and Exchange Commission (the “SEC”) on February 16, 2022, and other filings with the SEC, and additional risks and uncertainties, including with respect to (1) the terms of any settlement agreement or stipulation, and/or final order of the CPUC and/or the MoPSC, with respect to the above-referenced general rate cases; (2) the timing of the implementation of new rates under each such general rate case; (3) regulatory, legislative, local or municipal actions affecting the water and wastewater industries, which could adversely affect the Company, California-American Water and/or Missouri American Water; and (4) other economic, financial, political, business and other factors that may impact or affect the water and wastewater industries generally or the Company, California-American Water or Missouri-American Water specifically.

These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above and the risk factors included in the Company’s annual and quarterly reports as filed with the SEC, and readers should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements speak only as of the date of this Current Report on Form 8-K. The Company does not have any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise, except as otherwise required by the federal securities laws. New factors emerge from time to time, and it is not possible for us to predict all such factors. Furthermore, it may not be possible to assess the impact of any such factor on the Company’s, California-American Water’s or Missouri-American Water’s business, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

The following exhibits to this Current Report have been provided herewith as noted below:

<u>Exhibit No.</u>	<u>Description</u>
99.1*	Press Release, dated July 5, 2022, issued by California-American Water.
99.2*	Press Release, dated July 5, 2022, issued by Missouri-American Water.
104	Cover Page Interactive Data File (the cover page XBRL tags are included and formatted as Inline XBRL).

* Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

Dated: July 5, 2022

By: /s/ JOHN C. GRIFFITH

John C. Griffith

Executive Vice President and Chief Financial Officer

Press Release



CALIFORNIA AMERICAN WATER APPLIES FOR NEW REVENUE TO FUND INFRASTRUCTURE AND SERVICE IMPROVEMENTS

SAN DIEGO (July 5, 2022) – California American Water has filed an application to set new rates in each of its service areas for 2024 through 2026. The new rates would take effect January 1, 2024, pending approval by the California Public Utilities Commission. The application includes infrastructure renewals, wildfire mitigation, climate resiliency efforts and strengthening affordability programs.

The application seeks a request from California American Water for \$462 million for infrastructure improvements and investment between 2023-25. The request provides funding to renew and replace water treatment facilities, pumps, and pipelines in our systems around the state. This application is seeking to raise revenue by approximately \$95 million over three years, beginning with a \$56 million increase proposed for January 1, 2024. This increase is based on 2024 authorized revenues calculated at current rates. The average impact to customer bills on January 1, 2024 will be between approximately \$2.45 and \$7.87 per month, depending on region. Specific increases for each service area vary and are detailed in the filing.

“This filing marks the beginning of an 18-month regulatory approval process during which our customers will be notified and have the opportunity for input several times before a decision is made” said California American Water President Kevin Tilden. “Our application balances the infrastructure investment and operations needed to support sustainable water and wastewater systems while addressing affordability and climate resiliency. This proposal seeks to continue to provide customers with excellent value for their service and maintain our systems to supply high-quality water and wastewater service.”

One particular focus of the request is to improve the climate change resiliency of our systems. These measures include fire assessment analysis at company facilities around the state as well as active mitigation measures undertaken in some high-risk zones. The activities also include the bolstering of back-up generator power for use during emergencies like wildfires or Public Safety Power Shutoffs.

Press Release



California American Water also continues its commitment to affordability with proposals for rate consolidation, increased funding for customer assistance programs and additional hardship funds.

The increased rates proposed in the rate petition are a request only. The CPUC will make the final decision regarding the actual increase. The CPUC will hold Public Participation Hearings on this request to get input from customers and the public. California American Water will notify customers of the time, date and location once the hearings are set. Rates will not be adjusted until this request undergoes extensive public scrutiny by the CPUC. This process will include extensive independent review and public evidentiary hearings. The process is expected to conclude in late 2023, with new rates taking effect by January 1, 2024.

About California American Water: California American Water, a subsidiary of American Water (NYSE: AWK), provides high-quality and reliable water and wastewater services to more than 725,000 people. Information regarding California American Water's service areas can be found on the company's website www.californiaamwater.com.

About American Water: With a history dating back to 1886, American Water (NYSE: AWK) is the largest and most geographically diverse U.S. publicly traded water and wastewater utility company. The company employs more than 6,400 dedicated professionals who provide regulated and regulated-like drinking water and wastewater services to more than 14 million people in 24 states. American Water provides safe, clean, affordable and reliable water services to our customers to help keep their lives flowing. For more information, visit amwater.com and diversityataw.com. Follow American Water on Twitter, Facebook and LinkedIn.

Media Contacts

Evan Jacobs
Director of External Affairs
Phone: 707-495-6135
Email: evan.jacobs@amwater.com

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Press Release



Missouri American Water Submits Rate Review Request to Missouri Public Service Commission

Request driven by nearly \$770 million investment in water and wastewater systems from 2021 through mid-2023

ST. LOUIS, Mo. (July 5, 2022) – On Friday, July 1, 2022, Missouri American Water filed a request with the Missouri Public Service Commission (MoPSC) to review its water and wastewater rates. The request is driven by nearly \$770 million in completed or planned investments from January 2021 to May 2023.

The MoPSC's review of the company's request is expected to take 11 months. Any new rates approved by the MoPSC are not expected to become effective until mid-2023.

"Our proactive investments are a critical component to providing safe, clean and reliable service to families and businesses across the state," said Rich Svindland, president of Missouri American Water. "Many of our pipes and treatment plants were built 50-100 years ago, and our continued investments are key to protecting customers, the communities we serve and the environment."

Investments in the rate review include the replacement or installation of 280 miles of aging water and wastewater pipelines – about the distance from St. Louis to Joplin – to help reduce main breaks and sewer overflows. Improvement projects also include the upgrading of treatment plants, storage tanks, wells, pumping and lift stations, fire hydrants, meters and more.

Key water projects include:

- **St. Louis County** – Replacement of the 1970s electrical switchgear at the Central Treatment Plant to prevent electrical failure to the pumping station and replacement of the electrical, mechanical and controls equipment at the North Treatment Plant primary flocculation basin that was installed in 1964
- **St. Charles County** – Construction of a new two-million-gallon elevated storage tank to stabilize water pressure and enhance fire protection
- **Joplin** – Replacement of the pre-1900 high service pump station building and its pumps
- **St. Joseph** – Replacement of key components of the water softening basin at the treatment plant
- **Jefferson City** – Replacement of 6,500 feet of cast-iron pipe, installed in 1954, with PVC along Industrial Drive
- **Mexico and Warrensburg** – Replacement of the chlorine gas systems with sodium hypochlorite systems

Key wastewater projects include:

- **Incline Village** – Replacement and expansion of the wastewater treatment plant
-

Press Release



- **Arnold** – Replacement of more than 4,300 feet of wastewater pipe to reduce inflow and infiltration
- **Rogue Creek and Maplewood** – Replacement of aging lift stations
- **El Chaparral** – Connection to the Cedar Hill lagoon system to maintain regulatory compliance

Missouri American Water is also targeting the replacement of lead service lines.

“We are meeting and surpassing new federal regulations to remove all lead service lines by 2030 in communities we serve, including the customer-owned portion of the service line,” said Rebecca Losli, Vice President of Engineering and Business Development. “Many lead service lines are located in older, underserved areas of our community, and we are replacing the entire lead service line at no direct cost to our customers.”

If the request is approved by regulators as proposed, the bill for a typical volumetric water customer using an average of 4,200 gallons monthly would increase about \$12 or \$13 per month. The bill for a typical volumetric wastewater customer would stay about the same, and the bill for flat rate wastewater customers would increase by \$3 to \$10 per month, depending on the service area. Current bills include an adjustment for the Water and Sewer Infrastructure Act to help pay for certain completed improvement projects. Under the rate review process, these projects are reviewed and may be included in any new rates set by the MoPSC.

For more information on the company’s rate review, visit www.missouriamwater.com and select “Your Water and Wastewater Rates” under the Customer Service menu.

Missouri American Water

Missouri American Water, a subsidiary of American Water (NYSE: AWK), is the largest investor-owned water utility in the state, providing high-quality and reliable water and wastewater services to approximately 1.5 million people. For more, visit missouriamwater.com and follow Missouri American Water on Twitter, Facebook, LinkedIn and Instagram.

American Water

With a history dating back to 1886, American Water is the largest and most geographically diverse U.S. publicly traded water and wastewater utility company. The company employs approximately 6,400 dedicated professionals who provide regulated and regulated-like drinking water and wastewater services to an estimated 14 million people in 24 states. American Water provides safe, clean, affordable and reliable water services to our customers to help keep their lives flowing. For more, visit amwater.com and diversityataw.com. Follow American Water on Twitter, Facebook and LinkedIn.

Media Contact:

Samantha E. Williams
External Affairs Manager
314-437-8738
Samantha.williams@amwater.com

###

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

Form 8-K

**Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): June 30, 2022

American Water Works Company, Inc.

(Exact name of registrant as specified in its charter)

Commission File Number: 001-34028

Delaware
(State or other jurisdiction
of incorporation)

51-0063696
(IRS Employer
Identification No.)

1 Water Street
Camden, NJ 08102-1658
(Address of principal executive offices, including zip code)
(856) 955-4001
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Trading Symbol</u>	<u>Name of Each Exchange on Which Registered</u>
Common stock, par value \$0.01 per share	AWK	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 8.01. Other Events.

On June 30, 2022, the Military Services Group of American Water Works Company, Inc. (the “Company”) was awarded a contract for the ownership, operation, maintenance and replacement of the wastewater utility system assets at Naval Station Mayport in Jacksonville, Florida. The contract is effective July 1, 2022 and its total value is approximately \$341 million over a 50-year period, subject to an annual economic price adjustment. The Military Services Group operates and maintains water and/or wastewater systems and related capital programs as part of the U.S. government’s Utilities Privatization Program. This contract represents the 18th installation in the Military Services Group’s footprint and the first contract with respect to a U.S. Navy installation.

A copy of the press release issued by the Company on July 1, 2022 has been filed as [Exhibit 99.1](#) hereto and is incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

The following exhibits to this Current Report have been provided herewith as noted below:

Exhibit No.	Description
99.1*	Press Release, dated July 1, 2022, issued by American Water Works Company, Inc.
104	Cover Page Interactive Data File (the cover page XBRL tags are included and formatted as Inline XBRL).

* Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

Dated: July 1, 2022

By: /s/ JOHN C. GRIFFITH

John C. Griffith

Executive Vice President and Chief Financial Officer

Press Release



American Water Selected for Naval Station Mayport Wastewater Contract

Military Services Group expands footprint to 18 installations

CAMDEN, N.J. – JULY 1, 2022 – American Water (NYSE: AWK), the largest publicly traded U.S. water and wastewater utility company, announced today its Military Services Group has been awarded a contract for ownership, operation, maintenance and replacement of the wastewater utility system assets at Naval Station Mayport (“NS Mayport”) in Jacksonville, Fla.

American Water’s Military Services Group provides water and wastewater services to military installations across the country as part of the federal government’s Utilities Privatization (“UP”) Program. American Water was selected for the NS Mayport wastewater UP contract by the Defense Logistics Agency (“DLA”), which operates as the primary UP contracting agency for the Department of Defense.

“American Water is honored to be awarded our first Navy contract,” said Susan Hardwick, American Water President and CEO. “With the addition of Naval Station Mayport, this expands our water and wastewater footprint across all military branches and continues to demonstrate our leading position as a trusted partner for the Department of Defense. We are proud to provide safe, clean and reliable water and wastewater treatment services for service members, families and civilians at 18 installations.”

NS Mayport is one of three major Navy installations in the Jacksonville area and has grown to become the third-largest fleet concentration area in the U.S. It is home to a daily population of over 32,000 sailors, families, and civilians, and the Navy’s 4th Fleet. The mission of NS Mayport is to sustain and enhance warfighter readiness.

The total contract value awarded is approximately \$341 million over a 50-year period and will be subject to an annual economic price adjustment.

About American Water

With a history dating back to 1886, American Water (NYSE: AWK) is the largest and most geographically diverse U.S. publicly traded water and wastewater utility company. The company employs more than 6,400 dedicated professionals who provide regulated and regulated-like drinking water and wastewater services to more than 14 million people in 24 states. American Water provides safe, clean, affordable and reliable water services to our customers to help keep their lives flowing. For more information, visit amwater.com and diversityataw.com. Follow American Water on Twitter, Facebook and LinkedIn.

Press Release



About Military Services Group

Military Services Group, a subsidiary of American Water, provides water and wastewater services to military installations across the country as part of the federal government's Utilities Privatization program. Including Naval Station Mayport, Jacksonville, Fla., the Military Services Group will own, operate and maintain water and wastewater assets at 18 military installations: Fort Rucker, Ala.; Vandenberg Space Force Base, Calif.; Scott Air Force Base, Ill.; Fort Leavenworth, Kan.; Fort Polk, La.; Fort Meade, Md.; Fort Leonard Wood, Mo.; Picatinny Arsenal, N.J.; U.S. Army Garrison West Point, N.Y.; Wright-Patterson Air Force Base, Ohio; Fort Sill, Okla.; Fort Hood, Texas; Joint Base San Antonio, Texas; Hill Air Force Base, Utah; Fort A.P. Hill, Va.; Fort Belvoir, Va.; and Joint Base Lewis-McChord, Wash.

AWK-IR

Investor Contact:

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Media Contact:

Alicia Barbieri
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alicia.barbieri@amwater.com

###

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

Form 8-K

**Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): June 16, 2022

American Water Works Company, Inc.

(Exact name of registrant as specified in its charter)

Commission File Number: 001-34028

Delaware
(State or other jurisdiction
of incorporation)

51-0063696
(IRS Employer
Identification No.)

1 Water Street
Camden, NJ 08102-1658
(Address of principal executive offices, including zip code)
(856) 955-4001
(Registrant's telephone number, including area code)

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Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Trading Symbol</u>	<u>Name of Each Exchange on Which Registered</u>
Common stock, par value \$0.01 per share	AWK	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 8.01. Other Events.

Approval of Hawaii-American Water Company General Rate Case

On June 16, 2022, the Public Utilities Commission of the State of Hawaii (the “HPUC”) issued an order approving a stipulation of settlement with respect to a general rate case filed on August 18, 2021 by Hawaii-American Water Company (“Hawaii-American Water”), a wholly owned subsidiary of American Water Works Company, Inc. Under the HPUC’s order, Hawaii-American Water’s Hawaii Kai District has been authorized additional annualized wastewater revenues of \$1.7 million, based on an authorized return on equity (“ROE”) of 9.92%, an aggregate authorized rate base of \$38.4 million, and authorized capital structure with an equity component of 50.0%. New rates will be effective upon subsequent approval by the HPUC of final tariffs.

A copy of the press release issued by Hawaii-American Water on June 21, 2022 has been filed as [Exhibit 99.1](#) hereto and is incorporated herein by reference.

Item 9.01 Financial Statement and Exhibits.

(d) Exhibits.

The following exhibits to this Current Report have been provided herewith as noted below:

Exhibit No.	Description
99.1*	Press Release, dated June 21, 2022, issued by Hawaii-American Water Company.
104	Cover Page Interactive Data File (the cover page XBRL tags are included and formatted as Inline XBRL).

* Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

Dated: June 21, 2022

By: /s/ M. SUSAN HARDWICK
M. Susan Hardwick
President and Chief Executive Officer

Press Release



HAWAII PUBLIC UTILITIES COMMISSION ISSUES RATE ORDER TO REFLECT INFRASTRUCTURE AND SERVICE IMPROVEMENTS

Decision supports reliable wastewater service

Honolulu, HI (June 21, 2022) - The Hawaii Public Utilities Commission (HPUC) has issued its order for Hawaii American Water to implement new rates for its Hawaii Kai customers. This is the first time Hawaii American Water has adjusted rates since 2011 and the updated rates are effective upon subsequent approval of final tariffs.

The new rates will provide approximately \$1.7 million in additional annualized revenue and reflect the more than \$32 million in investments to improve wastewater treatment and services that Hawaii American Water has made since 2011. Major projects have included the installation of ultraviolet disinfection treatment, a sludge de-watering facility, solar energy upgrades, upgrading pumps at its lift stations and treatment plant and other process improvements.

The typical increase for customers in single family homes will be \$11.52. For the average single family customer monthly rates would increase from \$67.08 to \$78.60, for multi-family customers the cost for monthly service would increase from \$57.08 to \$66.88.

“This decision completes a vital process to sustain high-quality wastewater infrastructure and service,” said Lee Mansfield, Manager of Hawaii American Water. “We look forward to continuing to improve wastewater services for our Hawaii Kai customers.”

About Hawaii American Water: Hawaii American Water, a subsidiary of American Water, provides quality wastewater services to approximately 25,000 people.

About American Water: With a history dating back to 1886, American Water (NYSE: AWK) is the largest and most geographically diverse U.S. publicly traded water and wastewater utility company. The company employs more than 6,400 dedicated professionals who provide regulated and regulated-like drinking water and wastewater services to more than 14 million people in 24 states. American Water provides safe, clean, affordable and reliable water services to our customers to help keep their lives flowing. For more information, visit amwater.com and diversityataw.com. Follow American Water on Twitter, Facebook and LinkedIn.

Hawaii American Water Media Contact

Evan Jacobs
Hawaii American Water
Director of External Affairs
Phone: 707-495-6135
Email: evan.jacobs@amwater.com

###

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

Form 8-K

**Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): May 27, 2022

American Water Works Company, Inc.

(Exact name of registrant as specified in its charter)

Commission File Number: 001-34028

Delaware
(State or other jurisdiction
of incorporation)

51-0063696
(IRS Employer
Identification No.)

1 Water Street
Camden, NJ 08102-1658
(Address of principal executive offices, including zip code)
(856) 955-4001
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Trading Symbol</u>	<u>Name of Each Exchange on Which Registered</u>
Common stock, par value \$0.01 per share	AWK	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 7.01. Regulation FD Disclosure.

On May 27, 2022, Pennsylvania-American Water Company (“Pennsylvania-American Water”), a subsidiary of American Water Works Company, Inc. (the “Company”), issued a press release announcing that Pennsylvania-American Water has completed the acquisition (the “System Purchase”) of the public wastewater collection and treatment system assets (the “System Assets”) of the York City Sewer Authority (the “Seller”) from the Seller and the City of York (the “City”).

A copy of the press release has been included as [Exhibit 99.1](#) to this Current Report on Form 8-K and is incorporated by reference in response to this Item 7.01.

The information furnished in response to this Item 7.01, including [Exhibit 99.1](#), shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), nor shall it be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended (the “Securities Act”), or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 8.01. Other Events.

Completion of Acquisition of York City Sewer Authority Wastewater Assets

On May 27, 2022 (the “Closing Date”), Pennsylvania-American Water completed the System Purchase pursuant to the terms and conditions of that certain Asset Purchase Agreement, dated April 6, 2021, by and among Pennsylvania-American Water, the Seller and the City. Pennsylvania-American Water acquired the System Assets for an aggregate purchase price of \$235.3 million, which equals the stated purchase price of \$235 million plus an amount of average daily revenue calculated for the period between the final meter reading and the Closing Date. The System Assets serve, directly and indirectly through bulk contracts, more than 45,000 customers. The sale was approved by the Pennsylvania Public Utility Commission on April 14, 2022.

Cautionary Statement Concerning Forward-Looking Statements

Certain statements included in this Current Report on Form 8-K (or the exhibits thereto) are forward-looking statements within the meaning of Section 27A of the Securities Act, Section 21E of the Exchange Act and the Private Securities Litigation Reform Act of 1995. In some cases, these forward-looking statements can be identified by words with prospective meanings such as “intend,” “plan,” “estimate,” “believe,” “anticipate,” “expect,” “predict,” “project,” “propose,” “assume,” “forecast,” “outlook,” “future,” “pending,” “goal,” “objective,” “potential,” “continue,” “seek to,” “may,” “can,” “will,” “should” and “could,” or the negative of such terms or other variations or similar expressions. These forward-looking statements are predictions based on the Company’s current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, performance or achievements, and readers are cautioned not to place undue reliance upon them. The forward-looking statements are subject to a number of estimates and assumptions, and known and unknown risks, uncertainties and other factors. Actual results may differ materially from those discussed in the forward-looking statements included in this Current Report on Form 8-K as a result of the factors discussed in the Company’s Annual Report on Form 10-K for the year ended December 31, 2021, as filed with the Securities and Exchange Commission (the “SEC”) on February 16, 2022, and other filings with the SEC, and additional risks and uncertainties, including with respect to (1) the occurrence of the benefits and synergies expected or predicted to occur as a result of the completion of the acquisition of the System Assets; (2) unexpected costs, liabilities or delays associated with the integration of the System Assets; (3) regulatory, legislative, local or municipal actions affecting the water and wastewater industries, which could adversely affect Pennsylvania-American Water; and (4) other economic, political, business and other factors.

These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above and the risk factors included in the Company’s annual and quarterly reports as filed with the SEC, and readers should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements speak only as of the date of this Current Report on Form 8-K. The Company does not have any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise, except as otherwise required by the federal securities laws. New factors emerge from time to time, and it is not possible for us to predict all such factors. Furthermore, it may not be possible to assess the impact of any such factor on the Company’s or Pennsylvania-American Water’s business, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

The following exhibits to this Current Report have been provided herewith as noted below:

Exhibit No.	Description
99.1*	Press Release, dated May 27, 2022, issued by Pennsylvania-American Water Company.
104	Cover Page Interactive Data File (the cover page XBRL tags are included and formatted as Inline XBRL).

* Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

Dated: May 27, 2022

By: /s/ M. SUSAN HARDWICK
M. Susan Hardwick
President and Chief Executive Officer

Press Release



Pennsylvania American Water, City of York Complete Historic Wastewater System Deal

Represents Pennsylvania American Water's largest wastewater system acquisition to date; welcomes 23 employees and plans to invest \$17.5 million to improve reliability, safety and environmental compliance

MECHANICSBURG, Pa. (May 27, 2022) – Pennsylvania American Water, a subsidiary of American Water, announced today that it has completed a deal with the City of York to acquire the City's wastewater system assets, making it Pennsylvania American Water's largest wastewater system acquisition to date. The newly acquired wastewater system in York County serves more than 45,000 customer connections, including approximately 14,000 direct customers in the city and bulk service to indirect customers in the neighboring Townships of Spring Garden, Manchester, West Manchester, York and Springettsbury and the Boroughs of North York and West York.

"Pennsylvania American Water is proud to become the wastewater service provider for the City of York and surrounding communities, and to deliver safe, reliable service that protects public health and the environment," said Pennsylvania American Water President Mike Doran. "We remain committed to being an excellent community partner and delivering on our infrastructure investment, technical expertise and decades of wastewater experience."

Over the next five years, Pennsylvania American Water plans to invest approximately \$17.5 million in wastewater system improvements in the York area. These include wastewater treatment process improvements, technology and control system upgrades and wastewater main rehabilitation projects. The company has a long and successful track record of improving water and wastewater systems facing significant capital investment needs and making the necessary investments to meet current and future environmental regulations. Following today's acquisition, Pennsylvania American Water will be the wastewater service provider for more than 220,000 customers across the Commonwealth.

The city agreed to sell its wastewater system to Pennsylvania American Water in April 2021, citing that the proposed sale was important to improve the city's infrastructure, provide for resilient and responsive municipal services, and support the city's future. With the acquisition, Pennsylvania American Water also welcomed 23 of the system's employees to its local team.

"This is a transformative moment for the City of York," said York Mayor Michael Helfrich. "Today is the start of a new day for our city. With this sale now complete, we can clear all of York's long-standing debts and build a nest egg for the city's long-term fiscal health. For our residents and businesses who are proud to call York home, this sale brings stability and hope for our future."

The \$235.3 million purchase was approved on April 14, 2022 by the Pennsylvania Public Utility Commission (PUC). As part of the PUC's approval, Pennsylvania American Water will adopt the existing City of York wastewater rates for three years and will continue billing customers on a monthly basis. The PUC regulates the company's rates, rules and regulations of service;

Press Release



therefore, any future rate changes will require review and approval by the PUC. The rates for bulk agreements with neighboring municipalities will also remain in place for three years.

Pennsylvania American Water offers multiple customer programs including assistance through the company's longstanding H2O Help to Others program. For qualifying wastewater customers, the company offers grants of up to \$500 per year and a 30 percent discount on the total wastewater charges. The Pennsylvania Department of Human Services' Low Income Household Water Assistance Program (LIHWAP) is an additional resource that can help customers.

About Pennsylvania American Water

Pennsylvania American Water, a subsidiary of American Water (NYSE: AWK), is the largest investor-owned water utility in the state, providing high-quality and reliable water and wastewater services to approximately 2.4 million people.

About American Water

With a history dating back to 1886, American Water is the largest and most geographically diverse U.S. publicly traded water and wastewater utility company. The company employs more than 6,400 dedicated professionals who provide regulated and regulated-like drinking water and wastewater services to more than 14 million people in 24 states. American Water provides safe, clean, affordable and reliable water services to our customers to help keep their lives flowing. For more information, visit amwater.com and follow American Water on Twitter, Facebook and LinkedIn.

Cautionary Statement Concerning Forward-Looking Statements

Certain statements in this press release are forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements relate to, among other things, planned capital investments and system improvements and the ability to achieve certain benefits, synergies and goals relating to the transaction and the acquired operations. These statements are based on the current expectations of management of Pennsylvania American Water. There are a number of risks and uncertainties that could cause actual results to differ materially from these forward-looking statements, including with respect to (1) the occurrence of the benefits and synergies expected or predicted to occur as a result of the acquisition of the system assets; (2) unexpected costs, liabilities or delays associated with the integration of the acquired system assets; (3) regulatory, legislative, local or municipal actions affecting the water and wastewater industries, which could adversely affect Pennsylvania American Water; and (4) other economic, political, business and other factors. Forward-looking statements are not guarantees or assurances of future performance or results, and Pennsylvania American Water and its affiliates do not undertake any duty to update any forward-looking statement.

Media Contact:

David Misner
External Affairs Manager
717-261-7525
david.misner@amwater.com

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

Form 8-K

**Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): May 20, 2022

American Water Works Company, Inc.
(Exact name of registrant as specified in its charter)

Commission File Number: 001-34028

Delaware
(State or other jurisdiction
of incorporation)

51-0063696
(IRS Employer
Identification No.)

**1 Water Street
Camden, NJ 08102-1658**
(Address of principal executive offices, including zip code)

(856) 955-4001
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Common stock, par value \$0.01 per share	AWK	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Resignations of Directors or Certain Officers; Arrangements of Certain Officers.

(b) On May 20, 2022, Adam Noble, the Chief Technology and Innovation Officer of American Water Works Company, Inc. (the “Company”), notified the Company of his intent to resign his employment effective June 10, 2022. Effective as of Mr. Noble’s resignation, Nicholas Santillo Jr., currently serving as Vice President, Digital Infrastructure and Security, will serve as the interim head of the Company’s Innovation and Technology team.

Item 7.01. Regulation FD Disclosure.

American Water Works Company, Inc. (the “Company”) is furnishing with this Current Report on Form 8-K its May 2022 investor presentation, which covers, among other things, the Company’s first quarter 2022 financial results and an affirmation of its 2022 earnings guidance and long-term financial targets. This investor presentation will be used by the Company’s management team commencing on May 26, 2022 for presentations to and meetings with investors and others.

A copy of the investor presentation has been furnished as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated herein by reference. The investor presentation will also be made available on the Company’s Investor Relations web site at *ir.amwater.com*.

The information furnished in Item 7.01 of this Current Report on Form 8-K, including Exhibit 99.1, shall not be deemed to be “filed” for purposes of Section 18 of the Exchange Act, nor shall it be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

The following exhibits to this Current Report have been provided herewith as noted below:

<u>Exhibit No.</u>	<u>Description</u>
99.1*	American Water Works Company, Inc. May 2022 investor presentation.
104	Cover Page Interactive Data File (the cover page XBRL tags are included and formatted as Inline XBRL).

* Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

Dated: May 25, 2022

By: /s/ M. SUSAN HARDWICK

M. Susan Hardwick

President and Chief Executive Officer



Investor Presentation

May 2022

Forward-Looking Statements



Safe Harbor

This presentation includes forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and the Federal securities laws. They are not guarantees or assurances of any outcomes, financial results, levels of activity, performance or achievements, and readers are cautioned not to place undue reliance upon them. The forward-looking statements are subject to a number of estimates and assumptions, and known and unknown risks, uncertainties and other factors. Actual results may differ materially from those discussed in the forward-looking statements included in this presentation. The factors that could cause actual results to differ are discussed in the Appendix to this presentation, and in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2022, as filed with the SEC on April 27, 2022.

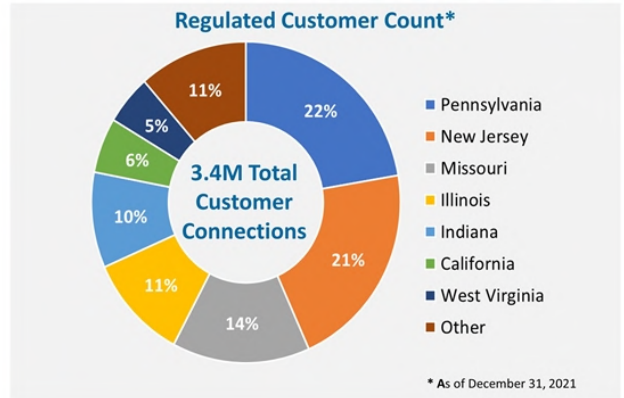
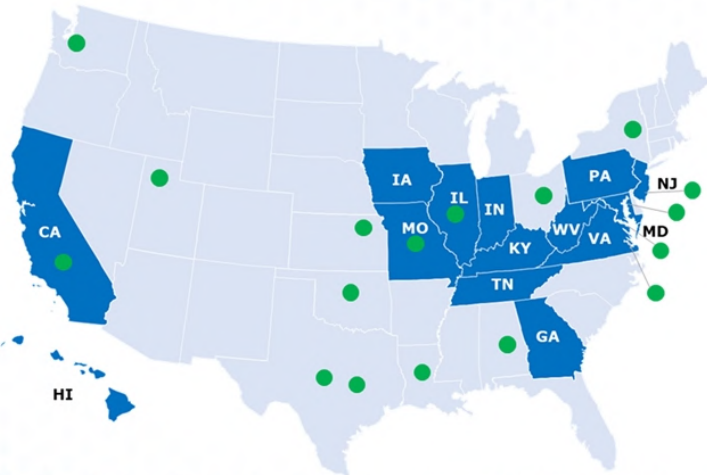
Non-GAAP Financial Information

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



Business Review

Pure-Play Regulated Water and Wastewater Utility Business



Regulated Operations*

- > 52,500 miles of pipe
- > 560 water treatment plants
- > 160 wastewater treatment plants
- > 1,100 wells and 76 dams



Military Services Group

- > Regulated-like earnings
- > Serves 17 military installations
 - 12 Army
 - 5 Air Force

Focused on Executing the Plan and Building on Our Strengths



Safety

Safety is both a strategy & core company value.

Safety is More Than
"the Right Thing to Do"



Performance

Going beyond the minimum requirement to solidify our position as a leader in O&M excellence.

Excellence is Getting the **Fundamentals** Right



People

Inclusion & empowerment pave a path for employee & company success.

Employees are the **Heart** of Our Business



Growth

Growth enables investment in critical infrastructure and communities and leads to improved affordability.

Industry Leaders in Customer **Growth**



ESG

ESG affirms the values we have upheld for decades.

Leading by Example



Our Compelling Growth Outlook



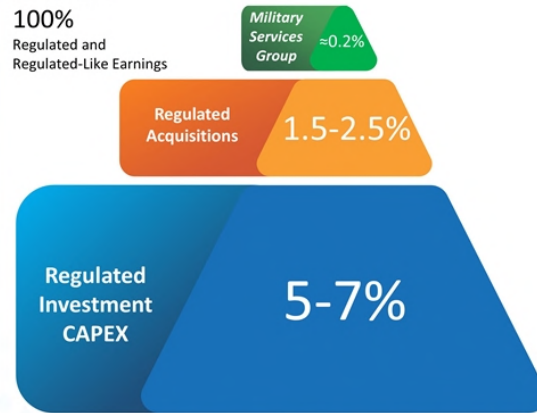
7-9% EPS CAGR target

2022-2026 Plan

Business Mix

100%

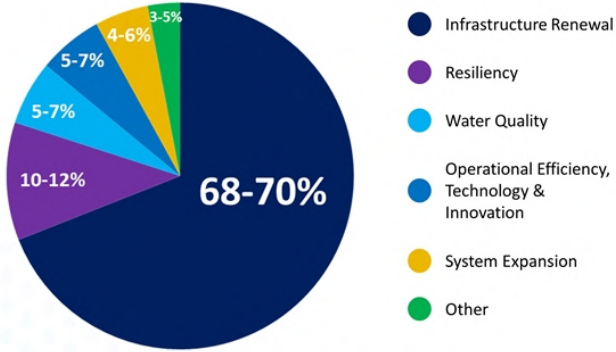
Regulated and
Regulated-Like Earnings



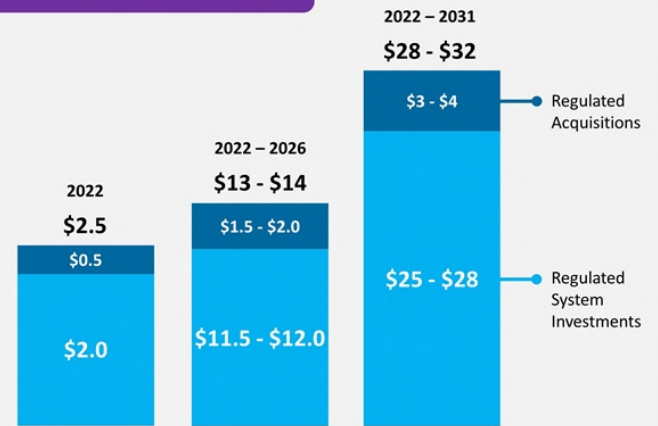
Accelerating Capital Investment



2022-2031 Average Regulated Capital Expenditures by Purpose



Capital Plan (\$ in billions)



Investment in Rate Base is the Foundation of Our Growth



(\$ in billions)



Estimated Rate Base*



	As of 12/31/2021
Net Utility Plant	\$21.5
<i>Less</i>	
Advances for Construction	\$0.3
CIAC – Contributions in Aid of Construction	\$1.4
Net Deferred Income Taxes	\$3.5
	\$5.2
Total Estimated Rate Base	\$16.3

*An approximation of rate base, which includes Net Utility Plant not yet included in rate base pending rate case filings/outcomes. Includes New York American Water.

State Legislation & Regulation Enable Growth



Utility Valuation Legislation & Regulation

12

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

Consolidated Tariffs

11

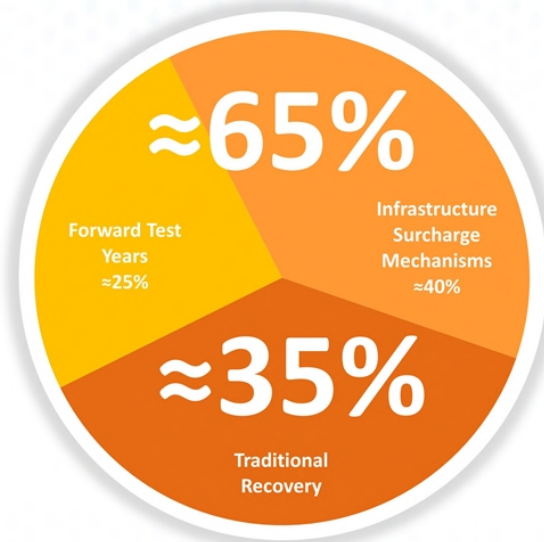
CA	MO
IA	NJ
IL	PA
IN	VA
KY	WV
MD	

Water Quality Accountability Legislation

3

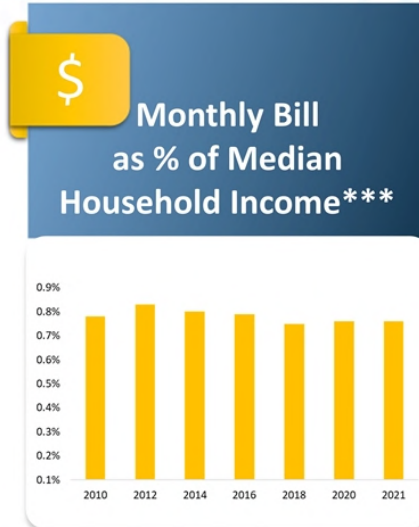
NJ
IN
MO

Timely Recovery Through Regulatory Mechanisms



2022-2026 Capital Plan
(average)

Focus on Customer Affordability Continues



* Non-GAAP Measure – O&M Efficiency Ratio = Adjusted Regulated O&M Expenses (O&M Expenses is most comparable GAAP measure) / Adjusted Regulated Operating Revenues (Operating Revenues is most comparable GAAP measure). This calculation assumes purchased water revenues approximate purchased water expenses.
 ** A reconciliation to a most comparable forward-looking GAAP measure is not available without unreasonable effort
 *** Figure is estimated based on data from the US Census Bureau American Community Survey based on zip codes served by American Water. American Water does not collect household income data from its customers.

Strategies for Growth thru Regulated Acquisitions



AWK Growth Outlook

7-9% EPS CAGR Target (2022-2026 Plan)



Regulated Acquisition Strategy Fundamentals

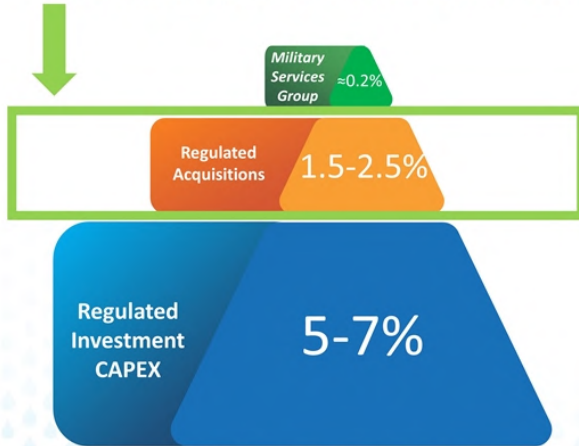
- Continued focus on acquisitions in the target range of 5,000 to 50,000 customers; larger acquisitions where appropriate
- Achieve (on avg.) 55,000 to 85,000 new customer connections annually; \$300-400M/year avg. investment
- Leverage water footprint to acquire wastewater systems
- Leadership in legislative/regulatory policy to benefit customers and advance solutions to industry challenges
- Continue to build robust pipeline of opportunities

American Water's High Growth Outlook and ESG Leadership Widely Recognized; Long Runway Ahead



"Our investments in community systems that we acquire through our regulated business will drive significant ESG impacts for decades to come."

- Susan Hardwick, American Water President & CEO



S&P Global Ratings ESG Evaluation Score of 87 (out of 100); **Highest Score Given to a U.S. Utility and 3rd Highest Globally**



Included in the Bloomberg Gender Equality Index for the **4th Consecutive Year**



Ranked #6 on Corporate Knight's Global 100 Most Sustainable Corporations; **Top Ranked Water Utility Company in the World**



American Water **Ranked #19** on Barron's 100 Most Sustainable Companies

Military Services Group Provides Strategic Value



AWK Growth Outlook
7-9% EPS CAGR Target (2022-2026 Plan)



Military Services Group

- Serving 17 installations; 50-yr contracts
- 3 active bids currently being pursued:
 - Naval Station Mayport (FL)
 - Naval Air Station Pax River (MD)
 - Joint Solicitation: Cape Canaveral and Patrick Air Force Bases (FL)
- Opportunity for upgrades on existing bases



Value Add of Military Services Group

- Regulated-like
- Capital light/Cash flow positive
- Favorable ROI opportunity
- Aligns with ESG values
- Positive branding
- Leverage core competencies

Strong Balance Sheet and Industry-Leading Credit Ratings



AWK Long-Term Issuer Ratings



S&P Global
A
(Stable Outlook)

Moody's
Baa1
(Stable Outlook)

Ratings affirmed at both agencies following Nov. 2021 Investor Day

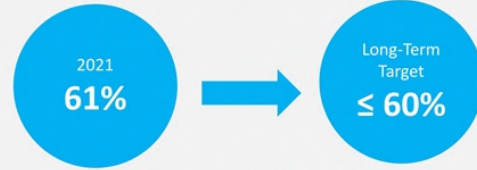


- ✓ Low risk business profile
- ✓ Strong regulatory jurisdictions
- ✓ Supportive financial plans

Consolidated Debt Maturity Profile as of December 31, 2021



Total Debt to Total Capital



Note: 2021 adds back to short-term debt \$480M of HOS sale proceeds that will be redeployed in the Regulated Business.

Liquidity Available as of December 31, 2021



*Includes \$1,500 available commercial paper, \$100 available letters of credit

Strong and Sustainable Growth Outlook for Future



Rate Base Growth

Affirmed Target

Targeting 8-9% rate base growth in our 2022-2031 plan



Earnings Growth

Affirmed Target

Targeting 7-9% EPS growth in our 2022-2026 plan and beyond



Dividend Growth

Affirmed Target

Targeting high end of 7-10% dividend growth* in our 2022-2026 plan



ESG Leadership and ESG Opportunities Adds to TSR

Exceptional 185% Total Shareholder Return over last 5 years**

* Future dividends are subject to approval of the American Water Board of Directors.
** As of 12/31/21 end date. Source: FactSet.



First Quarter 2022 Results

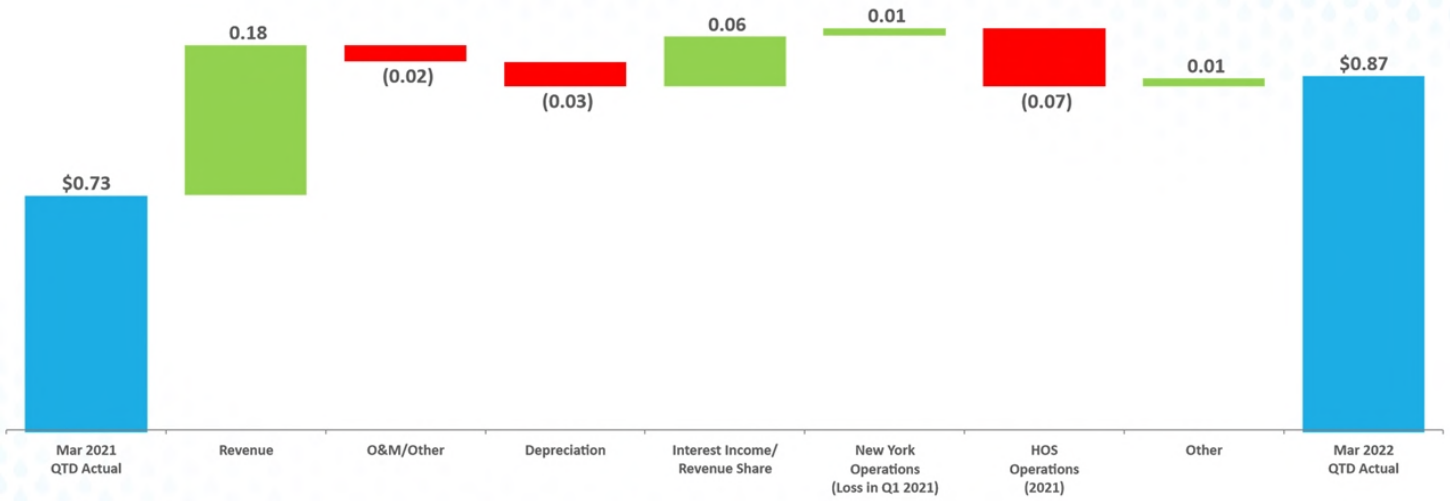
Executing the Plan



☑ Q1/YTD Highlights

- Achieved 19% EPS growth vs. Q1 2021 driven by higher revenue on increased infrastructure investment
- Invested \$437 million of capital in regulated infrastructure improvements and acquisitions
- Executed on our regulatory, rate case, and growth strategies, including cases filed in NJ, IL, and PA
- ESG leadership and transparency continues - 2nd annual ID&E report and ESG Data Summary published in May
- Raised dividend for 14th consecutive year in April; up nearly 9%
- Managed inflationary pressures well across the business as focus on affordability continues

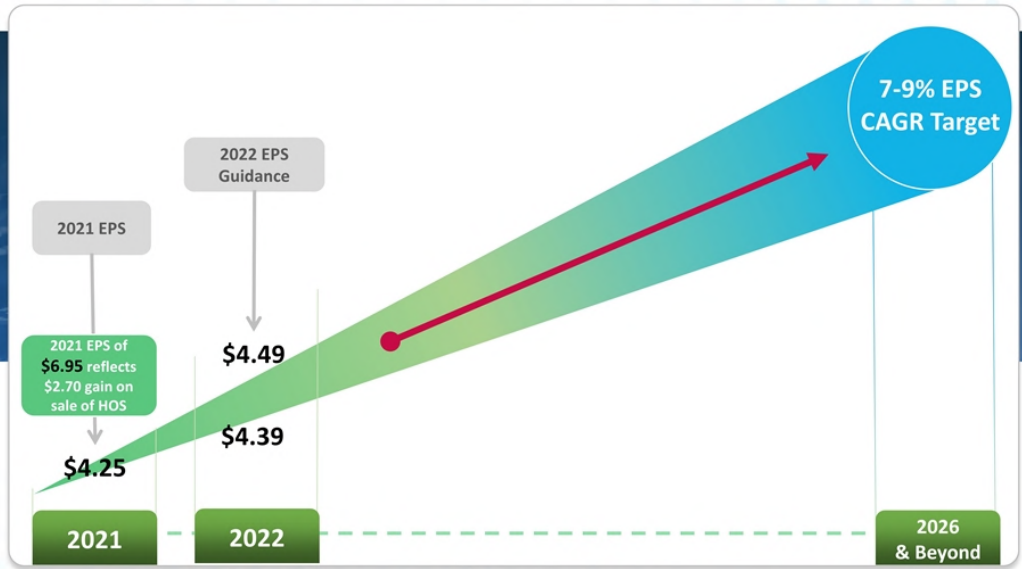
First Quarter 2022 EPS Detail By Business



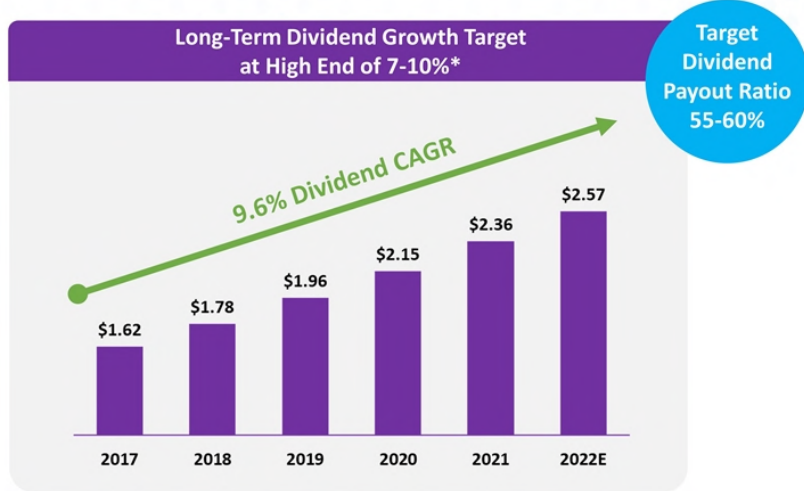
2022 Earnings Guidance and Long-Term Targets Affirmed



2022 EPS Guidance
\$4.39 - \$4.49



Excellent Dividend Growth



* Future dividends are subject to approval of the American Water Board of Directors

ESG at AWK: Continued Focus on Transparency and Stakeholder Engagement

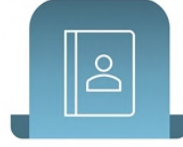


Publications in May 2022; Review of GHG Target Underway



ESG Data Summary

- Published 2nd annual ESG Data Disclosure with 2021 actuals
- ~70 environmental, social, and governance material topics
- Demonstrates continued progress to achieving current GHG reduction target



Inclusion, Diversity & Equity Metrics Report

- Published 2nd annual Inclusion, Diversity & Equity Report; also launched ID&E website
- Features 200+ data points related to our culture of inclusion
- Includes EEO-1 data*



GHG Emissions Target

- Updating Scope 1 and 2 GHG emissions target
- Evaluating Scope 3 GHG emissions and possible target
- Studying Science Based Target initiative and Paris Agreement alignment

* The EEO-1 Component 1 report is an annual data collection process that discloses demographic workforce data, including data by race/ethnicity, sex and job categories.

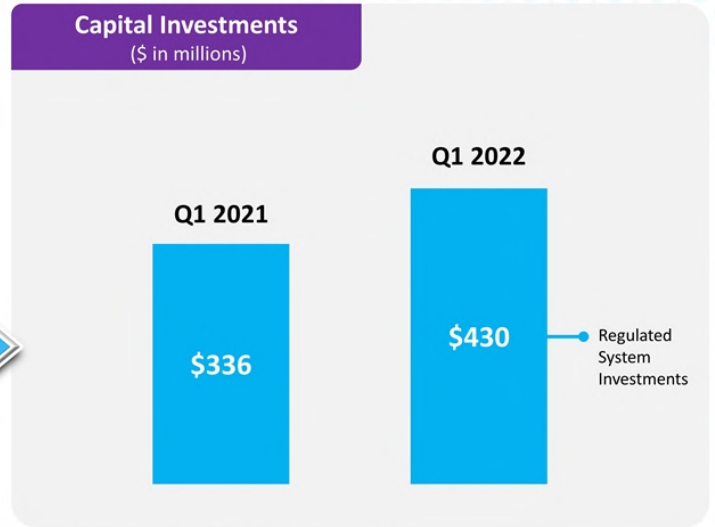




Strong Cap Ex Growth to Start 2022

AWK Growth Outlook

7-9% EPS CAGR Target (2022-2026 Plan)



Legislative and Rate Case Updates



Legislative

Indiana

Senate Enrolled Act 272

Effective 7/1/2022

- Requires public reporting of a non-jurisdictional utility's asset management program
- Establishes oversight for non-jurisdictional utilities with violations that create environmental or human health and safety issues

Senate Enrolled Act 273

Effective 7/1/2022

- Authorizes the recovery of property tax in DSIC filings
- Allows recovery for changes in property tax and for costs attributable to referenda or action by elected or appointed individuals

Virginia

House Bill 182 / Senate Bill 500

Effective 7/1/2022

- Requires ratemaking proceeding to evaluate investor-owned water/wastewater utilities on a stand-alone basis and utilize the utility's actual end-of-test period capital structure and cost of capital without regard to affiliated entities

Completed Rate Cases in 2022



- Step Increase
- Additional authorized revenues of \$20 million
- Effective 1/1/2022



- Step Increase
- Additional authorized revenues of \$13 million
- Effective 1/1/2022



- General Rate Case
- Additional authorized revenues of \$15 million
- Effective 2/25/2022

Rate Cases filed in 2022



- Rate case filed January 14, 2022
- Capital Investment of ≈\$985 million



- Rate case filed February 10, 2022
- Capital Investment of ≈\$1.1 billion

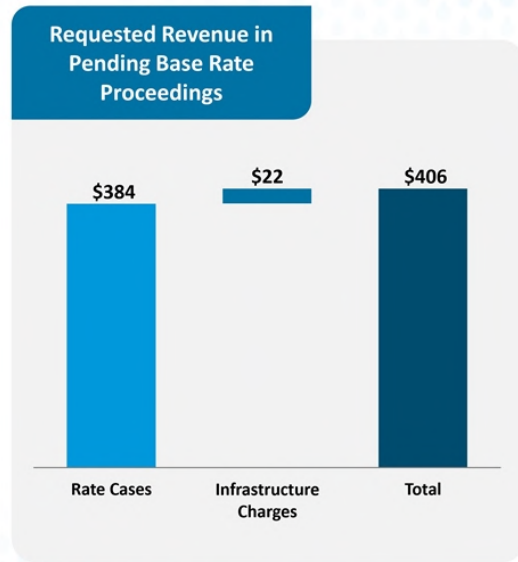
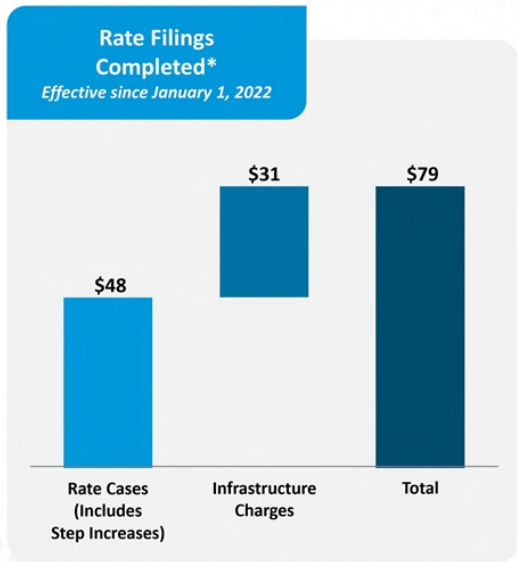


- Rate case filed April 29, 2022
- Capital Investment of ≈\$1.1 billion

Rate Filings Summary



(\$ in millions)



* Annualized revenue increase for rates effective since January 1, 2022; excludes agreed to revenue reductions for excess accumulated deferred income taxes.

Good Momentum in 2022 as Acquisitions Under Agreement now 77,300 Customers



Closed
As of March 31, 2022

≈1,800 Customer Connections
4 Acquisitions in 2 States

MO	3
IL	1

Under Agreement
As of March 31, 2022

≈77,300 Customer Connections
32 Acquisitions in 7 States

MO	9
IL	7
PA	5
NJ	3
IA	3
CA	3
VA	2

City of York, PA
Wastewater

By June 2022 Expected Close

- Largest acquisition in Pennsylvania American Water History
- Executed under Act 12 of 2016 fair market value legislation
- \$235 million purchase price
- ≈45,000 equivalent customer connections

2H 2022 Expected Close

Egg Harbor City, NJ
Water & Wastewater

- First sale being executed through New Jersey's Water Infrastructure Protection Act (WIPA)
- \$21.8 million purchase price
- ≈3,000 customer connections



Experienced and Skilled Executive Management Team Additions



John Griffith
Executive Vice President
and Chief Financial Officer

- Joined American Water on May 16, 2022.
- Most recently served as a Managing Director in Bank of America Securities' Mergers & Acquisitions group, leading the firm's practice for regulated utilities and renewables. In the role, John served as the lead investment banker on major U.S. and international utility transactions. He also advised on a large number of public and private renewables transactions globally.
- Prior to joining Bank of America in 2014, Griffith served as CEO of HighWave Energy, a start-up renewable fuels company.
- John also held multiple positions during a fourteen-year career with Merrill Lynch & Co., culminating as Managing Director.
- Received a Bachelor's degree in Economics from Davidson College and an MBA in Finance from Columbia University, where he graduated with honors.



James Gallegos
Executive Vice President
and General Counsel

- Joined American Water on April 1, 2022.
- Most recently served as Executive Vice President, General Counsel and Corporate Secretary at Alliant Energy Corporation.
- Prior to joining Alliant Energy in 2010, served as the Vice President and Corporate General Counsel for Burlington Northern and Santa Fe Corporation, one of North America's leading freight transportation companies.
- Began his legal career as a trial attorney with the U.S. Department of Justice and law clerk for a Federal District Court Judge.
- Received a Bachelor of Science degree in Business from the University of Colorado and a law degree from the University of Minnesota Law Center, where he graduated Cum Laude.



Appendix



Forward-Looking Statements



Certain statements made, referred to or relied upon in this presentation including, without limitation, with respect to 2022 earnings guidance, the Company's long-term financial, growth and dividend targets, future capital needs, the ability to achieve the Company's strategies and goals, including with respect to its ESG focus and related to the sale of HOS, the Company's receipt of contingent consideration, the repayment of the seller note, and the redeployment of the net proceeds from its divestitures, the outcome of the Company's pending acquisition activity, including the proposed acquisition of the York, Pennsylvania wastewater system assets, the amount and allocation of projected capital expenditures; and estimated revenues from rate cases and other government agency authorizations, are forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and the Federal securities laws. In some cases, these forward-looking statements can be identified by words with prospective meanings such as "intend," "plan," "estimate," "believe," "anticipate," "expect," "predict," "project," "propose," "assume," "forecast," "likely," "uncertain," "outlook," "future," "pending," "goal," "objective," "potential," "continue," "seek to," "may," "can," "will," "should" and "could" and/or the negative of such terms or other variations or similar expressions. These forward-looking statements are predictions based on American Water's current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, financial results of levels of activity, performance or achievements, and readers are cautioned not to place undue reliance upon them. The forward-looking statements are subject to a number of estimates and assumptions, and known and unknown risks, uncertainties and other factors. Actual results may differ materially from those discussed in the forward-looking statements included in this presentation as a result of the factors discussed in the Company's Annual Report on Form 10-K for the year ended December 31, 2021, and subsequent filings with the SEC, and because of factors such as: the decisions of governmental and regulatory bodies, including decisions to raise or lower customer rates and regulatory responses to the COVID-19 pandemic; the timeliness and outcome of regulatory commissions' and other authorities' actions concerning rates, capital structure, authorized return on equity, capital investment, system acquisitions and dispositions, taxes, permitting, water supply and management, and other decisions; changes in customer demand for, and patterns of use of, water, such as may result from conservation efforts, impacts of the COVID-19 pandemic, or otherwise; a loss of one or more large industrial or commercial customers due to adverse economic conditions, the COVID-19 pandemic, or other factors; limitations on the availability of the Company's water supplies or sources of water, or restrictions on its use thereof, resulting from allocation rights, governmental or regulatory requirements and restrictions, drought, overuse or other factors; changes in laws, governmental regulations and policies, including with respect to the environment, health and safety, water quality and water quality accountability, contaminants of emerging concern, public utility and tax regulations and policies, and impacts resulting from U.S., state and local elections and changes in federal, state and local executive administrations; the Company's ability to collect, distribute, use, secure and store consumer data in compliance with current or future governmental laws, regulation and policies with respect to data and consumer privacy, security and protection; weather conditions and events, climate variability patterns, and natural disasters, including drought or abnormally high rainfall, prolonged and abnormal ice or freezing conditions, strong winds, coastal and intercoastal flooding, pandemics (including COVID-19) and epidemics, earthquakes, landslides, hurricanes, tornadoes, wildfires, electrical storms, sinkholes and solar flares; the outcome of litigation and similar governmental and regulatory proceedings, investigations or actions; the risks associated with the Company's aging infrastructure, and its ability to appropriately improve the resiliency of, or maintain and replace, current or future infrastructure and systems, including its technology and other assets, and manage the expansion of its businesses; exposure or infiltration of the Company's technology and critical infrastructure systems, including the disclosure of sensitive, personal or confidential information contained therein, through physical or cyber attacks or other means; the Company's ability to obtain permits and other approvals for projects and construction of various water and wastewater facilities; changes in the Company's capital requirements; the Company's ability to control operating expenses and to achieve operating efficiencies; the intentional or unintentional actions of a third party, including contamination of the Company's water supplies or the water provided to its customers; the Company's ability to obtain adequate and cost-effective supplies of pipe, equipment (including personal protective equipment), chemicals, electricity, fuel, water and other raw materials and to address or mitigate supply chain constraints impacting the Company's business operations; the Company's ability to successfully meet its operational growth projections, either individually or in the aggregate, and capitalize on growth opportunities, including, among other things, with respect to acquiring, closing and successfully integrating regulated operations and market-based businesses, the Company's Military Services Group entering into new contracts, price redeterminations and other agreements and contracts, and realizing anticipated benefits and synergies from new acquisitions; risks and uncertainties following the completion of the sale of HOS and the Company's New York subsidiary; risks and uncertainties associated with contracting with the U.S. government, including ongoing compliance with applicable government procurement and security regulations; cost overruns relating to improvements in or the expansion of the Company's operations; the Company's ability to successfully develop and implement new technologies and to protect related intellectual property; the Company's ability to maintain safe work sites; the Company's exposure to liabilities related to environmental laws and similar matters resulting from, among other things, water and wastewater service provided to customers; changes in general economic, political, business and financial market conditions, including without limitation conditions and collateral consequences associated with COVID-19; access to sufficient debt and/or equity capital on satisfactory terms and when and as needed to support operations and capital expenditures; fluctuations in inflation or interest rates; the ability to comply with affirmative or negative covenants in the current or future indebtedness of the Company or any of its subsidiaries, or the issuance of new or modified credit ratings or outlooks or other communications by credit rating agencies with respect to the Company or any of its subsidiaries (or any current or future indebtedness thereof), which could increase financing costs or funding requirements and affect the Company's or its subsidiaries' ability to issue, repay or redeem debt, pay dividends or make distributions; fluctuations in the value of benefit plan assets and liabilities that could increase the Company's cost and funding requirements; changes in federal or state general, income and other tax laws, including (i) future significant tax legislation; (ii) the availability of, or the Company's compliance with, the terms of applicable tax credits and tax abatement programs; and (iii) the Company's ability to utilize its state income tax net operating loss carryforwards; migration of customers into or out of the Company's service territories; the use by municipalities of the power of eminent domain or other authority to condemn the systems of one or more of the Company's utility subsidiaries, or the assertion by private landowners of similar rights against such utility subsidiaries; any difficulty or inability to obtain insurance for the Company, its inability to obtain insurance at acceptable rates and on acceptable terms and conditions, or its inability to obtain reimbursement under existing or future insurance programs and coverages for any losses sustained; the incurrence of impairment charges related to the Company's goodwill or other assets; labor actions, including work stoppages and strikes; the Company's ability to retain and attract qualified employees; civil disturbances or unrest, or terrorist threats or acts, or public apprehension about future disturbances, unrest, or terrorist threats or acts; and the impact of new, and changes to existing, accounting standards.

These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above and the risk factors included in American Water's annual, quarterly and other SEC filings, and readers should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements American Water makes speak only as of the date of this presentation. American Water does not have or undertake any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise, except as otherwise required by the federal securities laws. New factors emerge from time to time, and it is not possible for the Company to predict all such factors. Furthermore, it may not be possible to assess the impact of any such factor on the Company's businesses, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.

Non-GAAP Financial Information

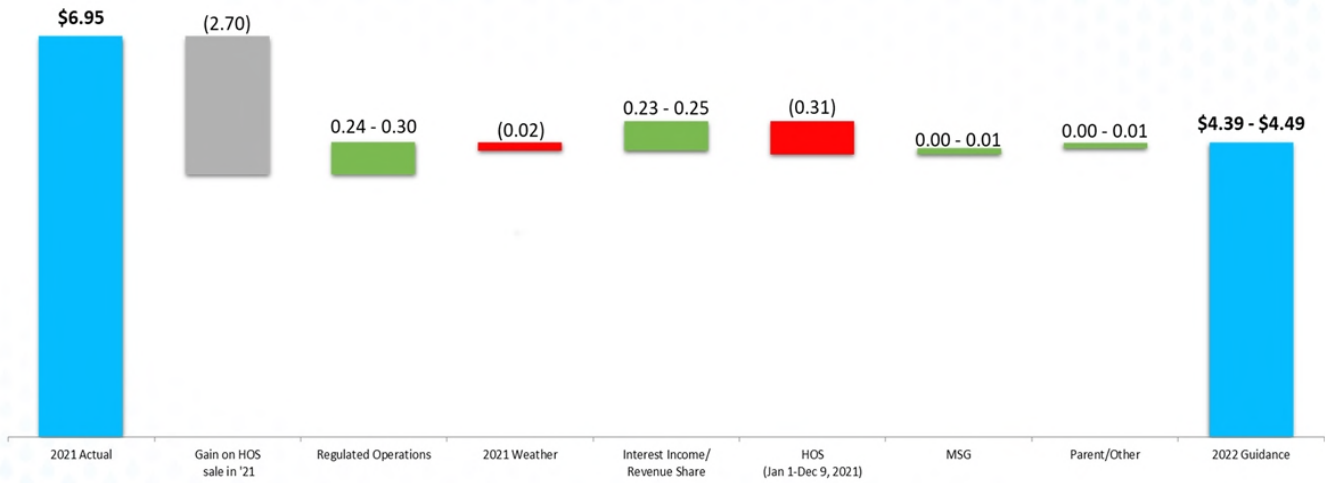


This presentation includes adjusted regulated O&M efficiency ratios, both historical and forward-looking, which exclude from their calculation (i) estimated purchased water and other revenues and purchased water expenses, (ii) the impact of the Freedom Industries chemical spill in 2014 and certain related settlement activities recognized in 2016 and 2018, (iii) the estimated impact in 2012 and 2014 of weather, (iv) as to operating revenues, the amortization of excess accumulated deferred income taxes, and (v) the allocable portion of non-O&M support services costs, mainly depreciation and general taxes. Also, an alternative presentation of these ratios has been provided for each of 2010, 2012, 2014 and 2016, which includes a pro forma adjustment for the impact of the Tax Cuts and Jobs Act of 2017, and includes for 2012, 2014 and 2016 the impact of our implementation of Accounting Standards Update 2017-07, Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Post-retirement Benefit, on January 1, 2018. These items were excluded from the O&M efficiency ratio calculation as they are not reflective of management's ability to increase the efficiency of our regulated businesses. For that reason, these adjusted regulated O&M efficiency ratios constitute "non-GAAP financial measures" under SEC rules. We evaluate our operating performance using these ratios and believe that the presentation of them is useful to investors because the ratios directly measure improvement in the operating performance and efficiency of our regulated businesses. These ratios are derived from our consolidated financial information but are not presented in our consolidated financial statements prepared in accordance with GAAP. These non-GAAP financial measures supplement and should be read in conjunction with our GAAP disclosures and should be considered as an addition to, and not a substitute for, any GAAP measure. These ratios (i) are not accounting measures based on GAAP; (ii) are not based on a standard, objective industry definition or method of calculation; (iii) may not be comparable to other companies' operating measures; and (iv) should not be used in place of the GAAP information provided elsewhere in this presentation. Management is unable to present a reconciliation of adjustments to the components of the forward-looking adjusted regulated O&M efficiency ratio without unreasonable effort because management cannot reliably predict the nature, amount or probable significance of all the adjustments for future periods; however, these adjustments may, individually or in the aggregate, cause each of the non-GAAP financial measure components of the forward-looking ratios to differ significantly from the most directly comparable GAAP financial measure.

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

All references throughout this presentation to EPS or earnings per share refer to diluted EPS attributable to common shareholders.

2022 EPS Detail by Business



Closed Acquisitions



 *March 31, 2022*

STATE	NUMBER OF SYSTEMS	WATER CUSTOMER CONNECTIONS	WASTEWATER CUSTOMER CONNECTIONS	TOTAL CUSTOMER CONNECTIONS
Illinois	1	250	-	250
Missouri	3	400	1,150	1,550
Total	4	650	1,150	1,800

Acquisitions Under Agreement



March 31, 2022

STATE	NUMBER OF SYSTEMS	WATER CUSTOMER CONNECTIONS	WASTEWATER CUSTOMER CONNECTIONS	TOTAL CUSTOMER CONNECTIONS
California	3	3,450	-	3,450
Iowa	3	100	850	1,000
Illinois	7	2,600	1,850	4,450
Missouri	9	4,750	4,650	9,400
New Jersey	3	1,600	4,300	5,900
Pennsylvania	5	50	51,900	51,900
Virginia	2	1,200	-	1,200
Total	32	13,700	63,550	77,300

Rates Effective Since...



(\$ in millions)

January 1, 2022

Rate Cases & Step Increases	Date Effective	Annualized Revenue Increases	Infrastructure Charges	Date Effective	Annualized Revenue Increases
Pennsylvania, Step Increase ^(a)	1/1/2022	\$20	Illinois (QIP)	1/1/2022	\$6
California, Step Increase ^(b)	1/1/2022	13	Missouri (WSIRA)	2/1/2022	12
West Virginia ^(c)	2/25/2022	15	West Virginia (DSIC)	3/1/2022	3
			Indiana (DSIC)	3/21/2022	8
			Pennsylvania (DSIC)	4/1/2022	2
			Sub-Total		\$31
			2022 Total		\$79

- (a) The Company's Pennsylvania subsidiary was authorized additional annualized revenues of \$90 million, excluding agreed-to revenue excess accumulated taxes, over two steps. The EADIT reduction in revenues is \$19.5 million. The overall increase (net of EADIT reductions in revenues) is \$70.5 million in revenues combined over two steps. The first step was effective 1/28/2021 in the amount of \$70 million (\$50.5 million net of EADIT reduction in revenues) and the second step was effective 1/1/2022 in the amount of \$20.0 million.
- (b) On November 18, 2021, the California Public Utilities Commission (the "CPUC") unanimously approved a final decision in the test year 2021 general rate case filed by the Company's California subsidiary. The final decision adopts the comprehensive settlement reached with certain parties to the proceeding. Under the CPUC's final decision, the Company's California subsidiary will be authorized additional annualized water and wastewater revenues of \$21.6 million, excluding a reduction in revenues for tax savings passed back to customers as a result of the TCJA. The decision is retroactive to January 1, 2021. The reduction in revenues for the TCJA is \$3.7 million. On January 18, 2022, the Company's California subsidiary filed for approval of \$12.5 million in 2022 escalation increases excluding \$3.7 million in reductions related to the TCJA. This filing, which is retroactive to January 1, 2022, is subject to CPUC approval with a 45-day review period.
- (c) The Company's West Virginia subsidiary was authorized additional annualized revenues of \$14.8 million, excluding a reduction in revenues for tax savings passed back to customers as a result of the TCJA and infrastructure surcharges. The excess EADIT reduction in revenues is \$1.6 million and the exclusion for infrastructure surcharges is \$10.2 million.

Pending Rate Case Filings



(\$ in millions)

Rate Cases Filed	Docket/Case Number	Date Filed	Requested Revenue Increase	ROE Requested	Rate Base
Hawaii ^(a)	Docket No. 2021-0063	8/18/2021	\$2	10.3%	\$40
Virginia ^(b)	Case No. PUR-2021-00255	11/15/2021	15	10.9%	287
Kentucky Wastewater ^(c)	Docket No. 2021-00434	12/1/2021	1	NA	7
New Jersey ^(d)	Docket No. WR22010019	1/14/2022	110	10.5%	4,267
Illinois ^(e)	Docket No. 22-0210	2/10/2022	71	10.25%	1,668
Pennsylvania ^(f)	Docket Nos. R-2022-3031672 & R-2022-3031673	4/29/2022	185	10.80%	922
Sub-Total			\$384		\$7,191

Infrastructure Charges Filed

Kentucky (QIP)	3/1/2022	\$3	\$8
Missouri (WSIRA)	3/4/2022	19	108
Sub-Total		\$22	\$116
Total		\$406	\$7,307

- (a) Requested additional annualized revenues of \$2.3 million, excluding reductions in revenues for tax savings passed back to customers as a result of the TCJA. The EADIT reduction in revenues is \$0.16 million.
- (b) Requested additional annualized revenues of \$15 million, excluding reductions in revenues for tax savings passed back to customers as a result of the TCJA. The EADIT reduction in revenues is \$0.7 million.
- (c) Requested additional revenues of \$0.968 million, excluding reductions in revenues for tax savings passed back to customers as a result of the TCJA. The Company filed their wastewater case under the Alternative Rate Filing process for smaller utilities which calculates an Operating Ratio of 88% rather than a ROE.
- (d) Requested additional annualized revenues of \$110.3 million, excluding reductions in revenues for tax savings passed back to customers as a result of the TCJA and infrastructure surcharges. The reduction in revenues for TCJA is \$15.6 million and the exclusion for infrastructure surcharges is \$38.2 million.
- (e) Requested additional annualized revenues of \$70.8 million, excluding reductions in revenues for tax savings passed back to customers as a result of the TCJA and infrastructure surcharges. The reduction in revenues for TCJA is \$1.7 million and the exclusion for infrastructure surcharges is \$18.3 million.
- (f) Requested additional annualized revenues of \$185.2 million, excluding reductions in revenues for tax savings passed back to customers as a result of TCJA and infrastructure surcharges. The reduction in revenues for TCJA is \$12.0 million and the exclusion for infrastructure surcharges is \$24.3 million.

Regulatory Information – Top 10 States



	CALIFORNIA	ILLINOIS	INDIANA	KENTUCKY	MISSOURI
Authorized Rate Base*	\$667,632	\$883,386	\$1,182,170	\$443,654	\$1,703,170 ^(c)
ROE	9.20% ^(a)	9.79%	9.80%	9.70%	9.55% ^(d)
Equity	55.39% ^(a)	49.80%	53.41% ^(b)	48.90%	50.00% ^(e)
Effective Date of Rate Case	1/1/2021 ^(a)	1/1/2017	5/1/2020	6/28/2019	5/28/2021

	NEW JERSEY	PENNSYLVANIA	TENNESSEE	VIRGINIA	WEST VIRGINIA
Authorized Rate Base*	\$3,573,450	\$4,107,143 ^(c)	\$132,015	\$194,165	\$734,028
ROE	9.60%	9.90% ^(d)	10.00%	9.30% ^(f)	9.80%
Equity	54.56%	55.24% ^(e)	34.38%	40.75% ^(f)	47.97%
Effective Date of Rate Case	11/1/2020	1/1/2022	11/1/2012	11/6/2020 ^(a)	2/25/2022

*Rate Base stated in \$000s

- (a) On March 22, 2018, Decision 18-03-035 set the authorized cost of capital for 2018 through 2020. A separate Cost of Capital case sets the rate of return outside of a general rate proceeding.
- (b) The Authorized Equity excludes cost-free items or tax credit balances at the overall rate of return which lowers the equity percentage as an alternative to the common practice of deducting such items from rate base.
- (c) The Authorized Rate Base listed is the Company's view of the Rate Base allowed in the case; the Rate Base was not disclosed in the Order or the applicable settlement agreement.
- (d) The ROE is the Company's view of the ROE allowed in the case; however, the ROE was not disclosed in the Order or the applicable settlement agreement.
- (e) The equity ratio listed is the Company's view of the equity ratio allowed in the case; the actual equity ratio was not disclosed in the Order or the applicable settlement agreement.
- (f) The equity ratio and ROE are the Company's view of each as allowed in the case. The ROE was not disclosed in the Order or the applicable settlement agreement; 9.6% is adopted for future earnings test and WWISC filings per the Order.
- (g) Interim rates were effective May 1, 2019 and a final Order was received November 6, 2020.

Reconciliation Table: Regulated Segment O&M Efficiency Ratio



Regulated Segment O&M Efficiency Ratio (A Non-GAAP Unaudited Number) (\$ in millions)	FY 2010	FY 2012	FY 2014	FY 2016	FY 2018	FY 2020	FY 2021
Total operations and maintenance expense	\$1,291	\$1,300	\$1,350	\$1,504	\$1,479	\$1,622	\$1,777
Less:							
Operations and maintenance expense - Market Based Business	257	256	289	372	362	389	482
Operation and maintenance expenses—Other	(61)	(56)	(51)	(64)	(42)	(25)	(30)
Total operations and maintenance expense - Regulated Businesses	\$1,095	\$1,139	\$1,112	\$1,176	\$1,159	\$1,258	\$1,325
Less:							
Regulated purchased water expense	100	110	122	122	133	149	153
Allocation of non operation and maintenance expenses	29	35	39	30	31	41	34
Impact of Freedom Industries activities	-	-	10	65	(20)	0	0
Estimated impact of weather	-	5	(2)	-	-	0	0
Adjusted operations and maintenance expense - Regulated Businesses (a)	\$966	\$990	\$943	\$959	\$1,015	\$1,068	\$1,138
Total operating revenues	\$2,555	\$2,854	\$3,011	\$3,302	\$3,440	\$3,777	\$3,930
Less:							
Operating Revenues - Market Based Business	295	307	355	451	476	540	563
Operating Revenues - Other	(26)	(17)	(18)	(20)	(20)	(17)	(17)
Total pro forma operating revenues - Regulated Businesses	\$2,286	\$2,564	\$2,674	\$2,871	\$2,984	\$3,254	\$3,384
Less:							
Regulated Purchased Water expense*	100	110	122	122	133	149	153
Other revenue reductions for the amortization of excess accumulated deferred income taxes	-	-	-	-	-	(7)	(104)
Plus:							
Freedom Industries chemical spill in West Virginia	-	-	1	-	-	-	-
Estimated impact of weather	-	(47)	17	-	-	-	-
Adjusted pro forma operating revenues—Regulated Businesses (b)	\$2,186	\$2,407	\$2,570	\$2,749	\$2,851	\$3,112	\$3,355
Adjusted O&M efficiency ratio—Regulated Businesses (a)(b)	44.2%	40.7%	36.7%	34.9%	35.6%	34.3%	34.1%
Adjusted operations and maintenance expense - Regulated Businesses	\$966	\$990	\$943	\$959			
Less:							
Impact of adoption of ASU 2017-07**	-	39	(8)	12			
Adjusted operations and maintenance expense - Regulated Businesses (c)	\$966	\$941	\$951	\$947			
Adjusted operating revenues—Regulated Businesses	\$2,186	\$2,407	\$2,570	\$2,749			
Less pro forma adjustment:							
Pro forma adjustment for impact of the TCJA***	89	112	137	161			
Adjusted pro forma operating revenues—Regulated Businesses (d)	\$2,037	\$2,294	\$2,433	\$2,588			
Adjusted O&M efficiency ratio—Regulated Businesses (c)(d)	46.1%	41.0%	39.1%	36.6%			

* Calculation assumes purchased water revenues approximate purchased water expenses
 ** Includes the impact of the Company's adoption of ASU 2017-07, Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Post-retirement Benefit, on January 1, 2018
 *** Calculation of Estimated tax reform = Revenue Requirement with new Effective Tax Rate (taxes grossed up) - Revenue Requirement with old Effective Tax Rate

Recent Stories of ESG at AWK

MSG Constructs Net Zero Operations Center



AWK Impact

Our Military Services Group constructed a net zero operations center at Hill Air Force Base to enhance energy efficiency and reduce emissions that contribute to climate variability.

- Reduced energy usage through decentralized heating and cooling
- Offset energy usage with solar panels
- Met all power supply needs during first three years of operation
- Provided 585 kilowatt-hours of clean energy back to the grid
- 15–20 year anticipated payback



American Water solar installation at Hill Air Force Base in Ogden, Utah

Our Acquisition Pipeline: Continued Growth and Community Impact for Decades to Come



≈1,300,000 Customer Connections in Pipeline



Ribbon cutting ceremony in Sheridan, IN after \$9M capital investment

Sheridan, IN

Prior to Acquisition

- Environmental compliance challenges with the U.S. EPA
- Consistent sewer overflow events during wet weather
- Community growth restrictions stemming from non-compliance

Post Acquisition Accomplishments

- Partnered with state environmental agency to develop compliance plan
- Invested \$9M in capital improvements
- Zero compliance violations since capital improvements
- Significant community growth following plant improvements
- New revenue stream for city from property taxes
- Long-term rate stability for customers

Value of American Water's Resiliency Investments Demonstrated During Hurricane Ida



- The river outside our Raritan-Millstone Plant in New Jersey crested at record height of 44.87', three feet below the top of the recently heightened flood wall
- Flood doors at our Norristown Water Treatment Plant in Pennsylvania withstood 5' of floodwater
- Recently reinforced Scranton, PA dam withstood heavy rains
- Maryland received 8" of rain, raising the turbidity of the typical water supply; our operations switched to alternate water source
- In New York, emergency sump pumps & post-Hurricane Sandy upgrades handled floodwaters



Raritan-Millstone Water Treatment Plant



Investor Relations: Contacts



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Janelle McNally

Senior Manager, Investor Relations & ESG
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Upcoming Events

July 28, 2022 (projected)
Q2 2022 Earnings Call

November 1, 2022 (projected)
Q3 2022 Earnings Call

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

Form 8-K

**Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): May 11, 2022

American Water Works Company, Inc.

(Exact name of registrant as specified in its charter)

Commission File Number: 001-34028

Delaware
(State or other jurisdiction
of incorporation)

51-0063696
(IRS Employer
Identification No.)

1 Water Street
Camden, NJ 08102-1658
(Address of principal executive offices, including zip code)
(856) 955-4001
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Trading Symbol</u>	<u>Name of Each Exchange on Which Registered</u>
Common stock, par value \$0.01 per share	AWK	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 5.07. Submission of Matters to a Vote of Security Holders.

The 2022 Annual Meeting of Shareholders (the “2022 Annual Meeting”) of American Water Works Company, Inc., a Delaware corporation (the “Company”), was held on May 11, 2022. An aggregate of 157,091,225 shares, or 86.4% of the Company’s issued and outstanding common stock as of March 17, 2022, the record date for the 2022 Annual Meeting, was represented in person or by proxy at the 2022 Annual Meeting, constituting a quorum. The results of voting at the 2022 Annual Meeting on each of the matters submitted to a vote of the Company’s shareholders thereat is as set forth below.

1. The following nine nominees were elected as directors of the Company for a term expiring at the 2023 Annual Meeting of Shareholders, and until their successors are duly elected and qualified, and received the votes set forth adjacent to their names below:

<u>Director Nominee</u>	<u>For</u>	<u>Against</u>	<u>Abstain</u>	<u>Broker Non-Votes</u>
Jeffrey N. Edwards	136,075,322	5,694,999	133,833	15,187,071
Martha Clark Goss	130,105,011	11,672,795	126,348	15,187,071
M. Susan Hardwick	140,407,901	1,369,282	126,971	15,187,071
Kimberly J. Harris	137,449,950	4,324,912	129,292	15,187,071
Julia L. Johnson	133,091,848	8,685,112	127,194	15,187,071
Patricia L. Kampling	139,188,280	2,588,239	127,635	15,187,071
Karl F. Kurz	139,464,793	2,306,247	133,114	15,187,071
George MacKenzie	127,605,631	14,156,364	142,159	15,187,071
James G. Stavridis	130,081,428	11,686,153	136,573	15,187,071

2. The shareholders approved, on an advisory basis, the compensation of the Company’s named executive officers by the following vote:

<u>For</u>	<u>Against</u>	<u>Abstain</u>	<u>Broker Non-Votes</u>
128,305,010	13,213,868	385,276	15,187,071

3. The ratification of the appointment, by the Audit, Finance and Risk Committee of the Board of Directors (the “Board”), of PricewaterhouseCoopers LLP as the Company’s independent registered public accounting firm for 2022, was approved by the following vote:

<u>For</u>	<u>Against</u>	<u>Abstain</u>
141,788,377	15,087,924	214,924

4. The following non-binding shareholder proposal was not approved by the following vote:

<u>Shareholder Proposal</u>	<u>For</u>	<u>Against</u>	<u>Abstain</u>	<u>Broker Non-Votes</u>
Racial Justice Audit	66,804,395	71,592,017	3,507,742	15,187,071

As previously disclosed, on April 27, 2022, the non-binding shareholder proposal on climate transition plan reporting was withdrawn by its proponent, and, as a result, the proposal was not presented for consideration at the 2022 Annual Meeting and all votes cast on that proposal were disregarded for voting purposes.

Item 8.01. Other Events.

Appointment of Chairman and Board Committee Members

Following the 2022 Annual Meeting, at the Board’s annual meeting, the Board appointed director Karl F. Kurz to continue to serve as Chairman of the Board and the following directors to serve as members of the Board’s four standing committees, each effective as of May 11, 2022 and until the 2023 Annual Meeting of Shareholders, or until his or her earlier death, resignation or removal:

Committee

Audit, Finance and Risk

Executive Development and Compensation

Nominating/Corporate Governance

Safety, Environmental, Technology and Operations

Members

Jeffrey N. Edwards (Chair), Martha Clark Goss, Patricia L. Kampling and George MacKenzie

Patricia L. Kampling (Chair), Martha Clark Goss, Kimberly J. Harris and Julia L. Johnson

Kimberly J. Harris (Chair), Jeffrey N. Edwards, Julia L. Johnson, George MacKenzie and Admiral James G. Stavridis

Admiral James G. Stavridis (Chair), Kimberly J. Harris and Patricia L. Kampling

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

Dated: May 12, 2022

By: /s/ M. SUSAN HARDWICK

M. Susan Hardwick

President, Chief Executive Officer and Chief Financial Officer

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

Form 8-K

**Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): May 2, 2022

American Water Works Company, Inc.
(Exact name of registrant as specified in its charter)

Commission File Number: 001-34028

Delaware
(State or other jurisdiction
of incorporation)

51-0063696
(IRS Employer
Identification No.)

**1 Water Street
Camden, NJ 08102-1658**
(Address of principal executive offices, including zip code)

(856) 955-4001
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
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- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Common stock, par value \$0.01 per share	AWK	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 8.01. Other Events.

On May 2, 2022, American Water Capital Corp. (“AWCC”), a wholly owned finance subsidiary of American Water Works Company, Inc. (“American Water”), agreed to sell \$800.0 million aggregate principal amount of its 4.450% Senior Notes due 2032 (the “Notes”) pursuant to an Underwriting Agreement, dated May 2, 2022, among AWCC, American Water, and BofA Securities, Inc., Mizuho Securities USA LLC, MUFG Securities Americas Inc. and RBC Capital Markets, LLC, as representatives of the several underwriters named therein. The Notes have the benefit of a support agreement, dated June 22, 2000 and amended as of July 26, 2000, from American Water (the “Support Agreement”).

The Notes and the obligations of American Water represented by the Support Agreement were registered under the Securities Act of 1933, as amended, pursuant to a Registration Statement on Form S-3 (File Nos. 333-253484-01 and 333-253484). At the closing of this offering on May 5, 2022, AWCC received, after deduction of underwriting discounts and before deduction of offering expenses, net proceeds of approximately \$792.3 million. AWCC intends to use the net proceeds of the offering (1) to lend funds to American Water and its subsidiaries in its Regulated Businesses segment (which is comprised of utilities that provide water and wastewater services and are generally subject to regulation by state utility commissions or other entities engaged in utility regulation); (2) to repay AWCC’s commercial paper obligations; and (3) for general corporate purposes.

The Notes were issued pursuant to the Indenture, dated as of December 4, 2009, by and between AWCC and Computershare Trust Company, N.A., as successor to Wells Fargo Bank, National Association, as trustee, as supplemented by an officers’ certificate establishing the terms of the Notes.

This Current Report on Form 8-K is being filed to report the closing of the offering summarized herein and to include, as exhibits, certain documents executed in connection with the sale of the Notes.

Item 9.01. Financial Statements and Exhibits

(d) Exhibits

The following exhibits to this Current Report have been provided herewith as noted below:

<u>Exhibit No.</u>	<u>Description</u>
1.1*	<u>Underwriting Agreement, dated May 2, 2022, by and among AWCC, American Water, BofA Securities, Inc., Mizuho Securities USA LLC, MUFG Securities Americas Inc. and RBC Capital Markets, LLC, as representatives of the several underwriters named therein.</u>
4.1*	<u>Officers’ Certificate of AWCC, dated May 5, 2022, establishing the terms of the Notes.</u>
5.1*	<u>Opinion of Morgan, Lewis & Bockius LLP.</u>
23.1*	<u>Consent of Morgan, Lewis & Bockius LLP (included in Exhibit 5.1).</u>
104	Cover Page Interactive Data File (the cover page XBRL tags are included and formatted as Inline XBRL).

* Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

Dated: May 5, 2022

By: /s/ M. SUSAN HARDWICK
M. Susan Hardwick
President, Chief Executive Officer and Chief Financial Officer

American Water Capital Corp.
1 Water Street
Camden, New Jersey 08102

\$800,000,000 4.450% Senior Notes due 2032

Support Agreement from American Water Works Company, Inc.

Underwriting Agreement

May 2, 2022

BofA Securities, Inc.
Mizuho Securities USA LLC
MUFG Securities Americas Inc.
RBC Capital Markets, LLC,

As representatives of the several Underwriters

named in Schedule I hereto

c/o BofA Securities, Inc.

1540 Broadway

NY8-540-26-02,

New York, NY 10036

Ladies and Gentlemen:

1. American Water Capital Corp., a Delaware corporation (the “**Company**”), proposes, subject to the terms and conditions stated herein, to issue and sell to the underwriters named in Schedule I hereto (the “**Underwriters**”), for whom you (the “**Representatives**”) are acting as representatives, an aggregate of \$800,000,000 principal amount of the Company’s 4.450% Senior Notes due 2032 (the “**Securities**”).

2. The Company previously entered into a support agreement with American Water Works Company, Inc., a Delaware corporation (the “**Parent**”), dated June 22, 2000 and amended as of July 26, 2000 (as such agreement may be hereinafter amended, modified or supplemented from time to time in accordance with the terms and provisions thereof, the “**Support Agreement**”). Pursuant to the Support Agreement, the Parent has agreed, among other things, to provide funds to the Company if it is unable to make timely payment of principal of and premium, if any, and interest on Debt (as defined in the Support Agreement) issued by the Company.

3. The Company and the Parent, jointly and severally, represent and warrant to, and agree with, each of the Underwriters that:

(a) An “automatic shelf registration statement” as defined under Rule 405 under the Securities Act of 1933, as amended (the “Act”), Form S-3 (File Nos. 333-253484 and 333-253484-01) in respect of the Securities has been filed with the Securities and Exchange Commission (the “**Commission**”) not earlier than three years prior to the date hereof; such registration statement, and any post-effective amendment thereto, each in a form heretofore delivered to the Representatives, became effective on filing; and no stop order suspending the effectiveness of such registration statement or any part thereof has been issued and, to the Parent’s or the Company’s knowledge, no proceeding for that purpose has been initiated or threatened by the Commission, and no notice of objection of the Commission to the use of such registration statement or any post-effective amendment thereto pursuant to Rule 401(g)(2) under the Act has been received by the Parent or the Company (the base prospectus filed as part of such registration statement, in the form in which it has most recently been filed with the Commission on or prior to the date of this Agreement, is hereinafter called the “**Basic Prospectus**”; any preliminary prospectus (including any preliminary prospectus supplement) relating to the Securities filed with the Commission pursuant to Rule 424(b) under the Act is hereinafter called a “**Preliminary Prospectus**”; the various parts of such registration statement, including all exhibits thereto but excluding the Form T-1 and including any prospectus supplement relating to the Securities that is filed with the Commission and deemed by virtue of Rule 430B to be part of such registration statement, each as amended at the time such part of the registration statement became effective, are hereinafter collectively called the “**Registration Statement**”; the Basic Prospectus, as amended and supplemented immediately prior to the Applicable Time (as defined in Section 3(c) hereof), is hereinafter called the “**Pricing Prospectus**”; the final prospectus relating to the Securities filed with the Commission pursuant to Rule 424(b) under the Act in accordance with Section 7(a) hereof is hereinafter called the “**Prospectus**”; any reference herein to the Basic Prospectus, the Pricing Prospectus, any Preliminary Prospectus or the Prospectus shall be deemed to refer to and include the documents incorporated by reference therein pursuant to Item 12 of Form S-3 under the Act as of the date of such prospectus; any reference to any amendment or supplement to the Basic Prospectus, any Preliminary Prospectus or the Prospectus shall be deemed to refer to and include any post-effective amendment to the Registration Statement, any prospectus supplement relating to the Securities filed with the Commission pursuant to Rule 424(b) under the Act and any documents filed under the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), and incorporated therein, in each case after the date of the Basic Prospectus, such Preliminary Prospectus, or the Prospectus, as the case may be; any reference to any amendment to the Registration Statement shall be deemed to refer to and include any annual report of the Company filed pursuant to Section 13(a) or 15(d) of the Exchange Act after the effective date of the Registration Statement that is incorporated by reference in the Registration Statement; and any “issuer free writing prospectus” as defined in Rule 433 under the Act relating to the Securities is hereinafter called an “**Issuer Free Writing Prospectus**”;

(b) No order preventing or suspending the use of any Preliminary Prospectus or any Issuer Free Writing Prospectus has been issued by the Commission. Each Preliminary Prospectus, at the time of filing thereof, conformed in all material respects to the requirements of the Act and the Trust Indenture Act of 1939, as amended (the “**Trust Indenture Act**”), and the rules and regulations of the Commission thereunder, and did not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; *provided, however*, that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with information furnished in writing to the Company by the Representatives expressly for use therein (the “**Underwriter Information**”);

(c) For the purposes of this Agreement, the “**Applicable Time**” is 3:25 p.m. (Eastern time) on the date of this Agreement. The Pricing Prospectus, as supplemented by the final term sheet prepared and filed pursuant to Section 7(a) hereof, taken together (collectively, the “**Pricing Disclosure Package**”), as of the Applicable Time, did not include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; and each Issuer Free Writing Prospectus listed on Schedule II hereto does not conflict with the information contained in the Registration Statement, the Pricing Prospectus or the Prospectus and each such Issuer Free Writing Prospectus, taken together with the Pricing Disclosure Package as of the Applicable Time, did not include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; *provided, however*, that the representations and warranties in this clause (c) shall not apply to statements or omissions made in an Issuer Free Writing Prospectus in reliance upon and in conformity with the Underwriter Information;

(d) The documents incorporated by reference in the Pricing Prospectus and the Prospectus, when they became effective or were filed with the Commission, as the case may be, conformed in all material respects to the requirements of the Act or the Exchange Act, as applicable, and the rules and regulations of the Commission thereunder, and none of such documents contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading; any further documents so filed and incorporated by reference in the Prospectus or any further amendment or supplement thereto, when such documents become effective or are filed with the Commission, as the case may be, will conform in all material respects to the requirements of the Act or the

Exchange Act, as applicable, and the rules and regulations of the Commission thereunder and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; *provided, however*, that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with the Underwriter Information;

(e) The interactive data in eXtensible Business Reporting Language filed as exhibits to the reports included or incorporated by reference in the Registration Statement, the Pricing Disclosure Package and the Prospectus fairly presents the information called for in all material respects and has been prepared in accordance with the Commission's rules and guidelines applicable thereto;

(f) (i) The Registration Statement conforms, and the Prospectus and any further amendments or supplements to the Registration Statement and the Prospectus will conform, in all material respects to the requirements of the Act and the Trust Indenture Act and the rules and regulations of the Commission thereunder and (ii) the Registration Statement and the Prospectus and any further amendments or supplements to the Registration Statement and the Prospectus do not and will not, as of the applicable effective date as to each part of the Registration Statement and as of the applicable filing date as to the Prospectus and any amendment or supplement thereto, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; *provided, however*, that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with the Underwriter Information;

(g) (i) Since the date of the latest audited financial statements included or incorporated by reference in the Pricing Prospectus, (A) none of the Parent, the Company or any of the Parent's other subsidiaries has sustained any loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any court or governmental action, order or decree, otherwise than as set forth or contemplated in the Pricing Prospectus, and which could reasonably be expected to, in each case, individually or in the aggregate, have a material adverse effect on the financial condition, stockholders' equity, properties or results of operations of the Parent, the Company and the Parent's other subsidiaries, taken as a whole (a "**Material Adverse Effect**"); and (B) no labor dispute with the employees of the Parent, the Company or any of the Parent's other subsidiaries exists or, to the knowledge of the Company or the Parent, is imminent, which could reasonably be expected to result in a Material Adverse Effect; and (ii) since the respective dates as of which information is given in the Registration Statement and the Pricing Prospectus, otherwise than as set forth or contemplated in the Pricing Prospectus, there has not been (A) any material decrease in the number of shares of outstanding capital stock of the Parent or increase in consolidated

long-term debt of the Parent and its consolidated subsidiaries, or (B) any change, or any development involving a prospectus change or other change affecting the general affairs or management, otherwise than as set forth or contemplated in the Pricing Prospectus, that could reasonably be expected to have a Material Adverse Effect;

(h) The Parent, the Company and each of the Parent's other subsidiaries has good and sufficient title to all real property and personal property owned by them sufficient for the conduct of their respective businesses, in each case free and clear of all liens, encumbrances and defects except such as are described in the Pricing Prospectus or such as do not affect the value of such property and do not interfere with the use made and proposed to be made of such property by the Parent, the Company and each of the Parent's other subsidiaries except, in each case, as would not, individually or in the aggregate, have a Material Adverse Effect; and any real property and buildings held under lease by the Parent, the Company and each of the Parent's other subsidiaries are held by them under valid, subsisting and enforceable leases with such exceptions as are not material and do not interfere with the use made and proposed to be made of such property and buildings by the Parent, the Company and each of the Parent's other subsidiaries, otherwise than as set forth or contemplated in the Pricing Prospectus or as would not, individually or in the aggregate, have a Material Adverse Effect;

(i) Each of the Parent and the Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of Delaware, with power and authority (corporate and other) to own its properties and conduct its business as described in the Pricing Prospectus, and has been duly qualified as a foreign corporation for the transaction of business and is in good standing under the laws of each other jurisdiction in which it owns or leases properties or conducts any business so as to require such qualification, except where the failure to be so qualified or in good standing would not, individually or in the aggregate, have a Material Adverse Effect; and each subsidiary of the Parent listed on Schedule IV hereto (each a "**Significant Subsidiary**") has been duly incorporated or organized and is validly existing as an entity in good standing under the laws of its jurisdiction of incorporation or organization, except where the failure to be in good standing would not, individually or in the aggregate, have a Material Adverse Effect;

(j) All of the issued shares of capital stock of the Parent and the Company have been duly and validly authorized and issued and are fully paid and non-assessable; and all of the issued shares of capital stock or other ownership interests of each Significant Subsidiary have been duly and validly authorized and issued, are fully paid and non-assessable and (except (i) for directors' qualifying shares, (ii) for 4,515 shares of redeemable preferred stock of Pennsylvania-American Water Company and (iii) as otherwise set forth in the Pricing Prospectus) are owned directly or indirectly by the Parent, free and clear of all liens, encumbrances, equities or claims, except for liens, encumbrances, equities or claims that would not, individually or in the aggregate, have a Material Adverse Effect;

(k) This Agreement has been duly authorized, executed and delivered by each of the Company and the Parent; the Securities have been duly authorized and, when issued and delivered pursuant to this Agreement, will have been duly executed, authenticated, issued and delivered and will constitute valid and legally binding obligations of the Company entitled to the benefits provided by the indenture, dated as of December 4, 2009 (the “**Indenture**”), between the Company and Computershare Trust Company, N.A. (as successor to Wells Fargo Bank, National Association), as trustee (the “**Trustee**”), under which they are to be issued; the Indenture has been duly authorized, executed and delivered by the Company and duly qualified under the Trust Indenture Act and constitutes a valid and legally binding instrument, enforceable in accordance with its terms, subject, as to enforcement, to bankruptcy, insolvency, reorganization and other laws of general applicability relating to or affecting creditors’ rights and to general equity principles; the Support Agreement has been duly authorized, executed and delivered by the Parent and the Company and constitutes a valid and legally binding instrument, enforceable in accordance with its terms, subject, as to enforcement, to bankruptcy, insolvency, reorganization and other laws of general applicability relating to or affecting creditors’ rights and to general equity principles; and the Securities, the Indenture and the Support Agreement will conform to the descriptions thereof in the Pricing Prospectus and the Prospectus and will be in substantially the form previously delivered to you;

(l) None of the transactions contemplated by this Agreement (including, without limitation, the use of the proceeds from the sale of the Securities) will violate or result in a violation of Section 7 of the Exchange Act, or any regulation promulgated thereunder, including, without limitation, Regulations T, U, and X of the Board of Governors of the Federal Reserve System;

(m) The issue and sale of the Securities and the compliance by the Parent and the Company with all of the provisions of the Securities, the Indenture, the Support Agreement and this Agreement and the consummation of the transactions herein and therein contemplated (i) will not conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Parent, the Company or any of the Parent’s other subsidiaries is a party or by which the Parent, the Company or any of the Parent’s other subsidiaries is bound or to which any of the property or assets of the Parent, the Company or any of the Parent’s other subsidiaries is subject, and (ii) will not result in any violation of (A) the provisions of the Certificate of Incorporation or the By-laws, as amended, of the Company or the Restated Certificate of Incorporation or the Amended and Restated Bylaws of

the Parent or (B) any statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Parent or the Company or any of the Parent's other subsidiaries or any of their properties, except in the case of clauses (i) and (ii)(B) for any conflict, breach, violation or default that would not, individually or in the aggregate, have a Material Adverse Effect or impair the ability of the Parent or the Company to consummate the transactions contemplated by this Agreement; and no consent, approval, authorization, order, registration or qualification of or with any such court or governmental agency or body is required for the issue and sale of the Securities or the consummation by the Parent or the Company of the transactions contemplated by this Agreement, the Indenture, or the Support Agreement, except (i) the registration under the Act of the Securities, (ii) such consents, approvals, authorizations, orders, registrations or qualifications as may be required under state securities or Blue Sky laws in connection with the purchase and distribution of the Securities by the Underwriters and (iii) such consents, approvals, authorizations, orders, registrations or qualifications that have already been obtained or the failure of which to obtain would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect or impair the ability of the Parent or the Company to consummate the transactions contemplated by this Agreement;

(n) None of the Parent, the Company or any of the Parent's other subsidiaries is (A) in violation of the Certificate of Incorporation or the By-laws, as amended, in the case of the Company, or the Restated Certificate of Incorporation or the Amended and Restated Bylaws, in the case of the Parent, or similar organizational documents, in the case of the Parent's other subsidiaries, or (B) in default in the performance or observance of any material obligation, agreement, covenant or condition contained in any indenture, mortgage, deed of trust, loan agreement, lease or other agreement or instrument to which it is a party or to which it or any of its properties is subject, except, in the case of clause (A) (with respect to subsidiaries of the Parent other than the Company and the Significant Subsidiaries) and clause (B), for violations or defaults that would not, individually or in the aggregate, have a Material Adverse Effect;

(o) The statements set forth in the Pricing Prospectus and Prospectus under the captions "Description of the Notes" and "Description of AWCC Debt Securities and American Water Support Agreement", insofar as they purport to constitute a summary of the terms of the Securities, under the caption "Underwriting", insofar as they purport to describe the provisions of the documents described therein, and under the caption "Certain United States Federal Income Tax Considerations", insofar as they purport to describe the provisions of the laws and documents referred to therein, are accurate, complete and fair in all material respects;

(p) Other than as set forth in the Pricing Prospectus, there are no legal or governmental proceedings pending to which the Parent, the Company or any of the Parent's other subsidiaries is a party or of which any property of the Parent, the Company or any of the Parent's other subsidiaries is the subject which would reasonably be expected to, individually or in the aggregate, have a Material Adverse Effect; and, to the best of the Company's and the Parent's knowledge, no such proceedings are threatened or contemplated by governmental authorities or threatened by others;

(q) Neither the Parent nor the Company is, and after giving effect to the offering and sale of the Securities and the application of the proceeds thereof will be, required to register as an "investment company", as such term is defined in the Investment Company Act of 1940, as amended;

(r) (A) (i) At the time of filing the Registration Statement, (ii) at the time of the most recent amendment thereto for the purposes of complying with Section 10(a)(3) of the Act (whether such amendment was by post-effective amendment, incorporated report filed pursuant to Section 13 or 15(d) of the Exchange Act or form of prospectus), and (iii) at the time the Parent or the Company or any person acting on the Parent's or the Company's behalf (within the meaning, for this clause only, of Rule 163(c) under the Act) made any offer relating to the Securities in reliance on the exemption of Rule 163 under the Act, the Parent and the Company were each a "well-known seasoned issuer" as defined in Rule 405 under the Act; and (B) at the earliest time after the filing of the Registration Statement that the Parent or the Company or another offering participant made a bona fide offer (within the meaning of Rule 164(h)(2) under the Act) of the Securities, neither the Parent nor the Company was an "ineligible issuer" as defined in Rule 405 under the Act;

(s) PricewaterhouseCoopers LLP, which has certified certain financial statements of the Parent and its subsidiaries, is an independent registered public accounting firm with respect to the Parent and its subsidiaries as required by the Act and the rules and regulations of the Commission thereunder;

(t) Except as disclosed in the Pricing Prospectus, the Parent maintains a system of internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Exchange Act) that complies in all material respects with the requirements of the Exchange Act and has been designed by the Parent's principal executive officer and principal financial officer, or under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Except as disclosed in the Pricing Prospectus, the Parent's internal control over financial reporting is effective and the Parent is not aware of any material weaknesses in its internal control over financial reporting;

(u) Except as disclosed in the Pricing Prospectus, since the date of the latest audited financial statements included or referred to in the Pricing Prospectus, there has been no change in the Parent's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Parent's internal control over financial reporting;

(v) The Parent maintains disclosure controls and procedures (as such term is defined in Rule 13a-15(e) under the Exchange Act) that comply in all material respects with the requirements of the Exchange Act; such disclosure controls and procedures have been designed to ensure that material information relating to the Parent, the Company and each of the Parent's other subsidiaries is made known to the Parent's principal executive officer and principal financial officer by others within those entities; and, except as disclosed in the Pricing Prospectus, such disclosure controls and procedures are effective;

(w) The Parent, the Company and each of the Parent's other subsidiaries possess all permits, licenses, franchises, authorizations, registrations, qualifications and approvals of governmental or regulatory authorities as required of them to own their properties and conduct their businesses in the manner described in the Pricing Prospectus (collectively, "**Permits**"), except where the failure to possess such Permits would not, individually or in the aggregate, have a Material Adverse Effect; and the Parent, the Company and each of the Parent's other subsidiaries have fulfilled and performed all of their obligations with respect to such Permits required to have been performed, and no event has occurred which allows or, after notice or lapse of time or both, would allow revocation or termination thereof or result in any other material impairment of the rights of the holder of any such Permit, except, in each case, as disclosed in the Pricing Prospectus or would not, individually or in the aggregate, have a Material Adverse Effect;

(x) To the Parent's and the Company's knowledge, the Parent, the Company and each of the Parent's other subsidiaries own, possess or have the right to employ sufficient patents, patent rights, licenses, inventions, copyrights, know how (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, software, systems or procedures), trademarks, service marks and trade names, inventions, computer programs, technical data and information (collectively, the "**Intellectual Property Rights**") reasonably necessary to conduct their businesses as now conducted, except where the failure to own, possess or have the right would not, individually or in the aggregate, have a Material Adverse Effect. None of the Parent, the Company or any of the Parent's other subsidiaries has received any notice of infringement or conflict with asserted rights of others with respect to any of the Intellectual Property Rights, whether or not arising from transactions in the ordinary course of business, except for such infringements or conflicts that would not, individually or in the aggregate, have a Material Adverse Effect. To the Parent's and the Company's knowledge, the use of the Intellectual Property Rights in connection with the business and operations of the Parent, the Company and each of the Parent's other subsidiaries does not infringe on the rights of any person;

(y) Except as disclosed in the Pricing Prospectus, or as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, (i)(A) there has been no security breach or other compromise of or relating to any of the Parent's, the Company's or the Parent's other subsidiaries' information technology and computer systems, networks, hardware, software, data (including the data of their respective customers, employees, suppliers, vendors and any third party data maintained by or on behalf of them), equipment or technology (collectively, the "**IT Systems and Data**") and (B) the Parent and the Company have not been notified of, and have no knowledge of any event, circumstance or condition that would reasonably be expected to result in, any security breach or other compromise to the IT Systems and Data and (ii) the Parent, the Company and the Parent's other subsidiaries are presently in compliance in all material respects with all applicable laws or statutes and all judgments, orders, rules and regulations of any court or arbitrator or governmental or regulatory authority, internal policies and contractual obligations relating to the privacy and security of the IT Systems and Data and to the protection of such IT Systems and Data from unauthorized use, access, breach, misappropriation or modification. The Parent and the Company have implemented and maintain security controls, employee education and training programs, network security monitoring, and breach response, mitigation and recovery programs for the IT Systems and Data consistent with industry standards and practices. The Parent and the Company have implemented backup and disaster recovery technology consistent with industry standards and practices;

(z) Except as disclosed in the Pricing Prospectus, or as would not, individually or in the aggregate, have a Material Adverse Effect, none of the Parent, the Company or any of the Parent's other subsidiaries (i) is in violation of any law, statute, or any rule, regulation, decision or order of any governmental agency or body or any court relating to the use, disposal or release of hazardous or toxic substances or relating to the protection or restoration of the environment or human exposure to hazardous or toxic substances (collectively, "**Environmental Laws**"), (ii) owns or operates any real property which, to the Parent's or the Company's knowledge, is contaminated with any substance that is regulated under any Environmental Laws, (iii) is, to the Parent's or the Company's knowledge, liable for any off-site disposal or contamination pursuant to any Environmental Laws, or (iv) has received any written notice of any claim under any Environmental Laws, and the Parent and the Company are not aware of any pending investigation which could reasonably be expected to lead to such a claim;

(aa) The Parent, the Company and each of the Parent's other subsidiaries are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are, in management's judgment, prudent and customary in the businesses in which they are engaged; within the past five years, none of the Parent, the Company or any such subsidiary has been refused any insurance coverage sought or applied for; and none of the Parent, the Company or any such subsidiary has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business at a cost that would not, individually or in the aggregate, have a Material Adverse Effect, except, in each case, as set forth in or contemplated in the Pricing Prospectus;

(bb) Neither the Parent nor the Company has taken or will take, directly or indirectly, any action which is designed to or which has constituted or which might reasonably be expected to cause or result in stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Securities;

(cc) The Parent is in compliance in all material respects with all provisions of the Sarbanes-Oxley Act of 2002 that are effective and applicable to the Parent as of the date hereof;

(dd) The Parent, the Company and each of the Parent's other subsidiaries have filed all federal, state and foreign tax returns, or have filed for extensions of the due dates of such returns, required to be filed and have paid all taxes shown as due thereon except where the failure to so file such returns would not, individually or in the aggregate, have a Material Adverse Effect; and other than tax deficiencies which the Parent, the Company or any of the Parent's other subsidiaries is contesting in good faith and for which the Parent, the Company or any of the Parent's other subsidiaries has provided adequate reserves, there is no tax deficiency that has been asserted in writing against the Parent, the Company or any of the Parent's other subsidiaries that would, individually or in the aggregate, have a Material Adverse Effect; and the United States federal income tax returns of the Parent, the Company and each of the Parent's other subsidiaries through the fiscal year ended December 31, 2017 have been closed by statute and no assessment in connection therewith has been made against the Parent, the Company or any of the Parent's other subsidiaries that would, individually or in the aggregate, have a Material Adverse Effect;

(ee) None of the Company, the Parent, any of the Parent's other subsidiaries or, to the Company's knowledge, any director, officer, agent, employee or affiliate of the Company, the Parent, or any of the Parent's other subsidiaries is aware of or has (i) used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expense relating to political activity; (ii) made any direct or indirect unlawful payment to any foreign or domestic government official or employee from corporate funds; (iii) violated or is in violation of any provision of the U.S. Foreign Corrupt Practices Act of 1977, as amended; or (iv) made any bribe, unlawful rebate, payoff, influence payment, kickback or other unlawful payment;

(ff) The operations of the Company, the Parent and each of the Parent's other subsidiaries are and have been conducted in full compliance in all material respects with applicable financial recordkeeping and reporting requirements of the Currency and Foreign Transactions Reporting Act of 1970, as amended, the money laundering statutes of all applicable jurisdictions, the rules and regulations thereunder and any related or similar rules, regulations or guidelines issued, administered or enforced by any governmental agency (collectively, the "**Money Laundering Laws**") and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company, the Parent, or any of the Parent's other subsidiaries with respect to the Money Laundering Laws is pending or, to the Company's knowledge, threatened; and

(gg) None of the Company, the Parent, any of the Parent's other subsidiaries or, to the Company's knowledge, any director, officer, agent, employee or affiliate of the Company, the Parent, or any of the Parent's other subsidiaries is: (A) currently subject to any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Treasury Department ("**OFAC**"); the United Nations Security Council ("**UNSC**"), the European Union ("**EU**"), or Her Majesty's Treasury ("**HMT**"), or other relevant sanctions authority (collectively, "**Sanctions**"), nor (B) located, organized or resident in a country or territory that is, or whose government is, the subject of Sanctions (including, without limitation, Cuba, the so-called Donetsk People's Republic, the so-called Luhansk People's Republic, the Crimea region of Ukraine, Iran, North Korea and Syria), and the Company will not directly or indirectly use the proceeds of the offering, or lend, contribute or otherwise make available such proceeds, to any subsidiary, joint venture partner or other person or entity: (A) to fund or facilitate any activities or business of or with any person or in any country or territory that, at the time of such funding or facilitation, is, or whose government is, the subject of Sanctions; or (B) in any other manner that will result in a violation of Sanctions.

Any certificate signed by any authorized officer of the Parent or the Company and delivered to the Representatives or counsel for the Underwriters in connection with the offering of the Securities shall be deemed a representation and warranty by the Parent or the Company, as the case may be, as to matters covered thereby, to each Underwriter.

4. Subject to the terms and conditions herein set forth, the Company agrees to issue and sell to each of the Underwriters, and each of the Underwriters agrees, severally and not jointly, to purchase from the Company, at a purchase price of 99.033% of the principal amount thereof, including accrued interest, if any, from May 5, 2022 to the Time of Delivery (as defined in Section 6(a)), the principal amount of the Securities set forth opposite the name of such Underwriter in Schedule I hereto.

5. Upon the authorization by the Company of the release of the Securities, the several Underwriters propose to offer the Securities for sale upon the terms and conditions set forth in the Prospectus.

6. (a) The series of Securities to be purchased by each Underwriter hereunder will be represented by one or more definitive global securities in book-entry form which will be deposited by or on behalf of the Company with The Depository Trust Company (“**DTC**”) or its designated custodian. The Company will deliver the Securities to the Representatives, for the account of the Underwriters, against payment by or on behalf of the Underwriters of the purchase price therefor by wire transfer of Federal (same day) funds, by causing DTC to credit the Securities to the account of the Representatives at DTC. The Company will cause the form of the certificates representing the Securities to be made available to the Representatives for checking at least twenty-four hours prior to the Time of Delivery hereunder at the office of Sullivan & Cromwell LLP, 125 Broad Street, New York, New York 10004 (the “**Closing Location**”). The time and date of such delivery and payment shall be 9:30 a.m., Eastern time, on May 5, 2022 or such other time and date as the Representatives and the Company may agree upon in writing. Such time and date is herein called the “**Time of Delivery**”.

(b) The documents to be delivered at the Time of Delivery by or on behalf of the parties hereto pursuant to Section 10 hereof, including the cross receipt for the Securities and any additional documents requested by the Underwriters pursuant to Section 10 hereof, will be delivered at the Closing Location, and the Securities will be delivered through the facilities of DTC, all at the Time of Delivery. A meeting will be held at the Closing Location at 2:00 p.m., Eastern time, on the New York Business Day next preceding the Time of Delivery, at which meeting the final drafts of the documents to be delivered pursuant to the preceding sentence will be available for review by the parties hereto. For the purposes of this Agreement, “**New York Business Day**” shall mean each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which banking institutions in New York City are generally authorized or obligated by law or executive order to close.

7. Each of the Parent and the Company, jointly and severally, agrees with each of the Underwriters:

(a) To prepare the Prospectus in a form approved by the Representatives and to file such Prospectus pursuant to Rule 424(b) under the Act not later than the Commission’s close of business on the second business day following the execution and delivery of this Agreement and to make no further amendment or any supplement to the Registration Statement, the Basic Prospectus or the Prospectus prior to the Time of Delivery without the consent

of the Representatives promptly after reasonable notice thereof (which consent shall not be unreasonably withheld); to advise the Representatives, promptly after it receives notice thereof, of the time when any amendment to the Registration Statement has been filed or becomes effective or any amendment or supplement to the Prospectus has been filed and to furnish the Representatives with copies thereof; to prepare a final term sheet, containing solely a description of the Securities, in a form substantially consistent with Schedule III hereto and to file such term sheet pursuant to Rule 433(d) under the Act within the time required by such Rule; to file promptly all other material required to be filed by the Company with the Commission pursuant to Rule 433(d) under the Act; to file promptly all reports and any definitive proxy or information statements required to be filed by the Parent or the Company with the Commission pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of the Prospectus and for so long as the delivery of a prospectus (or in lieu thereof, the notice referred to in Rule 173(a) under the Act) is required in connection with the offering or sale of the Securities; to advise the Representatives, promptly after it receives notice thereof, of the issuance by the Commission of any stop order or of any order preventing or suspending the use of any Preliminary Prospectus or other prospectus in respect of the Securities, of any notice of objection of the Commission to the use of the Registration Statement or any post-effective amendment thereto pursuant to Rule 401(g)(2) under the Act, of the suspension of the qualification of the Securities for offering or sale in any jurisdiction, of the initiation or threatening of any proceeding for any such purpose, or of any request by the Commission for the amending or supplementing of the Registration Statement or the Prospectus or for additional information; and, in the event of the issuance of any stop order or of any order preventing or suspending the use of any Preliminary Prospectus or other prospectus or suspending any such qualification, to promptly use its best efforts to obtain the withdrawal of such order; and in the event of any such issuance of a notice of objection, promptly to take such steps including, without limitation, amending the Registration Statement or filing a new registration statement, at its own expense, as may be necessary to permit offers and sales of the Securities by the Underwriters (references herein to the Registration Statement shall include any such amendment or new registration statement);

(b) If by the third anniversary (the “**Renewal Deadline**”) of the initial effective date of the Registration Statement, any of the Securities remain unsold by the Underwriters, the Parent will file, if it has not already done so and is eligible to do so, a new automatic shelf registration statement relating to the Securities, in a form satisfactory to the Representatives. If at the Renewal Deadline the Parent is no longer eligible to file an automatic shelf registration statement, the Parent will, if it has not already done so, file a new shelf registration statement relating to the Securities, in a form satisfactory to the Representatives and will use its best efforts to cause such registration statement to be declared effective within 180 days after the Renewal Deadline. The Parent will take all other action necessary or appropriate to permit the public offering and sale of the Securities to continue as contemplated in the expired registration statement relating to the Securities. References herein to the Registration Statement shall include such new automatic shelf registration statement or such new shelf registration statement, as the case may be;

(c) Promptly from time to time to take such action as the Representatives may reasonably request to qualify the Securities for offering and sale under the securities laws of such U.S. jurisdictions as the Representatives may request and to comply with such laws so as to permit the continuance of sales and dealings therein in such jurisdictions for as long as may be necessary to complete the distribution of the Securities; *provided* that in connection therewith neither the Parent nor the Company shall be required to qualify as a foreign corporation or as a dealer in securities or to file a general consent to service of process or subject itself to taxation for doing business in any jurisdiction;

(d) To use reasonable efforts to furnish to the Underwriters as soon as practicable after the date of this Agreement but no later than 5:30 p.m., Eastern time, on the second New York Business Day immediately succeeding the date of this Agreement and from time to time, with printed and electronic copies of the Prospectus in such quantities as the Representatives may reasonably request, and, if the delivery of a prospectus (or in lieu thereof, the notice referred to in Rule 173(a) under the Act) is, based on advice of counsel, required at any time during the period from the time of issue of the Prospectus until the expiration of nine months after the time of issue of the Prospectus in connection with the offering or sale of the Securities and if at such time any event shall have occurred as a result of which the Prospectus as then amended or supplemented would include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made when such Prospectus (or in lieu thereof, the notice referred to in Rule 173(a) under the Act) is delivered, not misleading, or, if for any other reason it shall be necessary during such same period to amend or supplement the Prospectus or to file under the Exchange Act any document incorporated by reference in the Prospectus in order to comply with the Act or the Exchange Act, to notify the Representatives and upon the request of the Representatives to file such document and to prepare and furnish without charge to each Underwriter and to any dealer in securities as many printed and electronic copies as the Representatives may from time to time reasonably request of an amended Prospectus or a supplement to the Prospectus which will correct such statement or omission or effect such compliance; and in case any Underwriter is required to deliver a prospectus (or in lieu thereof, the notice referred to in Rule 173(a) under the Act) in connection with sales of any of the Securities at any time nine months or more after the time of issue of the Prospectus, upon the request of the Representatives but at the expense of such Underwriter, to prepare and deliver to such Underwriter as many printed and electronic copies as the Representatives may request of an amended or supplemented Prospectus complying with Section 10(a)(3) of the Act;

(e) To make generally available to its securityholders as soon as practicable, but in any event not later than sixteen months after the effective date of the Registration Statement (as defined in Rule 158(c) under the Act), an earnings statement of the Parent and its subsidiaries (which need not be audited) complying with Section 11(a) of the Act and the rules and regulations of the Commission thereunder (including, at the option of the Parent, Rule 158);

(f) During the period beginning from the date hereof and continuing until the Time of Delivery, not to offer, sell, contract to sell, or otherwise dispose of, except as provided hereunder, any securities of the Parent or the Company that are substantially similar to the Securities without the Representatives' prior written consent;

(g) To take all reasonable action necessary to enable S&P Global Ratings, a division of S&P Global Inc., and Moody's Investors Service, Inc. to provide their respective credit ratings of the Securities;

(h) During a period of three years from the effective date of the Registration Statement, to furnish to the holders of the Securities as soon as practicable after the end of each fiscal year an annual report (including a balance sheet and statements of income, stockholders' equity and cash flows of the Parent and its consolidated subsidiaries certified by independent public accountants) and, as soon as practicable after the end of each of the first three quarters of each fiscal year (beginning with the fiscal quarter ending after the effective date of the Registration Statement), to make available to the holders of the Securities consolidated summary financial information of the Parent and its subsidiaries for such quarter in reasonable detail; *provided, however*, that the Parent and the Company may satisfy the requirements of this subsection by making any such reports, communications or information available on its website or by filing such information with the Commission via EDGAR or any successor filing system thereto;

(i) To use the net proceeds received by the Company from the sale of the Securities pursuant to this Agreement in the manner specified in the Pricing Prospectus under the caption "Use of Proceeds";

(j) To pay the required Commission filing fees relating to the Securities within the time required by Rule 456(b)(1) under the Act without regard to the proviso therein and otherwise in accordance with Rules 456(b) and 457(r) under the Act; and

(k) Upon request of any Underwriter, to furnish, or cause to be furnished, to such Underwriter an electronic version of the Parent's trademarks, servicemarks and corporate logo for use on the website, if any, operated by such Underwriter for the purpose of facilitating the on-line offering of the Securities (the "License"); *provided, however*, that the License shall be used solely for the purpose described above, is granted without any fee and may not be assigned or transferred.

8. (a) (i) Each of the Parent and the Company represents and agrees that, other than the final term sheet in a form substantially consistent with Schedule III hereto and filed pursuant to Section 7(a) hereof, without the prior written consent of the Representatives, it has not made and will not make any offer relating to the Securities that would constitute a "free writing prospectus" as defined in Rule 405 under the Act; (ii) each Underwriter represents and agrees that, without the prior written consent of the Company, other than one or more term sheets relating to the Securities substantially consistent with Schedule III hereto, containing no "issuer information" (as defined in Rule 433(h)(2) under the Act) that was not included in the Preliminary Prospectus or Pricing Prospectus, it has not made and will not make any offer relating to the Securities that would constitute a free writing prospectus; and (iii) any such free writing prospectus the use of which has been consented to by the Company and the Representatives is listed on Schedule II hereto;

(b) The Company has complied and will comply with the requirements of Rule 433 under the Act applicable to any Issuer Free Writing Prospectus, including timely filing with the Commission or retention where required and legending; and the Company represents that it has satisfied and agrees that it will satisfy the conditions under Rule 433 under the Act to avoid a requirement to file with the Commission any electronic road show; and

(c) The Company agrees that if at any time following issuance of an Issuer Free Writing Prospectus any event occurred or occurs as a result of which such Issuer Free Writing Prospectus would conflict with the information in the Registration Statement, the Pricing Prospectus or the Prospectus or, when taken together with the Pricing Prospectus, would include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances then prevailing, not misleading, the Company will give prompt notice thereof to the Representatives and, if requested by the Representatives, will prepare and furnish without charge to each Underwriter an Issuer Free Writing Prospectus or other document which will correct such conflict, statement or omission; *provided, however*, that this representation and warranty shall not apply to any statements or omissions in an Issuer Free Writing Prospectus made in reliance upon and in conformity with the Underwriter Information.

9. Each of the Parent and the Company covenants and agrees with the several Underwriters that the Parent and the Company will pay or cause to be paid the following: (i) the fees, disbursements and expenses of the Parent's and the Company's counsel and accountants in connection with the registration of the Securities under the Act and all other expenses in connection with the

preparation, printing, reproduction and filing of the Registration Statement, the Basic Prospectus, any Preliminary Prospectus, any Issuer Free Writing Prospectus and the Prospectus and amendments and supplements thereto and the mailing and delivering of copies thereof to the Underwriters and dealers; (ii) the cost of printing or producing any agreement among Underwriters, this Agreement, the Indenture, the Support Agreement, any Blue Sky survey, closing documents (including any compilations thereof) and any other documents in connection with the offering, purchase, sale and delivery of the Securities; (iii) all expenses in connection with the qualification of the Securities for offering and sale under state securities laws as provided in Section 7(c) hereof, including the fees and disbursements of counsel for the Underwriters in connection with such qualification and in connection with any Blue Sky survey; (iv) any fees charged by securities rating services for rating the Securities; (v) the cost of preparing the Securities; (vi) the fees and expenses of the Trustee and any agent of the Trustee and the fees and disbursements of counsel for the Trustee in connection with the Indenture, the Securities and the Support Agreement; and (vii) all other costs and expenses incident to the performance of its obligations hereunder which are not otherwise specifically provided for in this Section; *provided, however*, that reimbursements to the Underwriters, if any, shall be limited to expenses actually incurred; and *provided further* that in the case of clause (iii), the Parent and the Company shall not be requested to cover expenses of counsel for the Underwriters in excess of \$5,000 in the aggregate.

10. The obligations of the Underwriters hereunder shall be subject, in their discretion, to the condition that all representations and warranties and other statements of the Parent and the Company herein are, at and as of the Time of Delivery, true and correct, the condition that the Parent and the Company shall have performed all of their obligations hereunder theretofore to be performed, and the following additional conditions:

(a) The Prospectus shall have been filed with the Commission pursuant to Rule 424(b) under the Act within the applicable time period prescribed for such filing by the rules and regulations under the Act and in accordance with Section 7(a) hereof; the final term sheet contemplated by Section 7(a) hereof, and any other material required to be filed by the Company pursuant to Rule 433(d) under the Act, shall have been filed with the Commission within the applicable time period prescribed for such filings by Rule 433; no stop order suspending the effectiveness of the Registration Statement or any part thereof shall have been issued and no proceeding for that purpose shall have been initiated or threatened by the Commission and no notice of objection of the Commission to the use of the Registration Statement or any post-effective amendment thereto pursuant to Rule 401(g)(2) under the Act shall have been received; no stop order suspending or preventing the use of the Prospectus or any Issuer Free Writing Prospectus shall have been initiated or threatened by the Commission; and all requests for additional information on the part of the Commission shall have been complied with to the reasonable satisfaction of the Representatives;

(b) Sullivan & Cromwell LLP, counsel for the Underwriters, shall have furnished to the Representatives such written opinions, dated the Time of Delivery, in form and substance satisfactory to the Representatives, and such counsel shall have received such papers and information as they may reasonably request to enable them to pass upon such matters;

(c) Morgan, Lewis & Bockius LLP, counsel for the Company, shall have furnished to the Representatives their written opinion and 10b-5 statement, each dated the Time of Delivery, in the form attached as Annexes IIA and IIB hereto;

(d) Jeffrey M. Taylor, Secretary of the Company and Vice President, Chief SEC Counsel and Secretary of the Parent, shall have furnished to the Representatives his written opinion, dated the Time of Delivery, in the form attached as Annex III hereto;

(e) (i) On the date of this Agreement, (ii) on the effective date of any post-effective amendment to the Registration Statement filed subsequent to the date of this Agreement and (iii) at the Time of Delivery, PricewaterhouseCoopers LLP shall have furnished to the Representatives a letter or letters, dated the respective dates of delivery thereof, in form and substance satisfactory to the Representatives, to the effect set forth in Annex I hereto;

(f) (i) Since the date of the latest audited financial statements included or incorporated by reference in the Pricing Prospectus, none of the Parent, the Company or any of the Parent's other subsidiaries has sustained any loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree and (ii) since the date as of which information is given in the Pricing Prospectus there has not been (A) any material decrease in the number of shares of outstanding capital stock of the Parent or increase in consolidated long-term debt of the Parent and its consolidated subsidiaries, or (B) any change, or any development involving a prospective change, in or affecting the general affairs, management, financial position, stockholders' equity or results of operations of the Parent, the Company and the Parent's other subsidiaries, otherwise, in any such case described in clause (i) or (ii), than as set forth or contemplated in the Pricing Prospectus, the effect of which, in any such case described in clause (i) or (ii), is in the judgment of the Representatives so material and adverse as to make it impracticable or inadvisable to proceed with the public offering or the delivery of the Securities on the terms and in the manner contemplated in the Prospectus;

(g) On or after the Applicable Time, (i) no downgrading shall have occurred in the rating accorded the Parent's or the Company's debt securities by S&P Global Ratings, a division of S&P Global Inc., or Moody's Investors Service, Inc., each a "nationally recognized statistical rating organization", as that term is defined by Section 3(a)(62) of the Exchange Act, and (ii) neither such organization shall have publicly announced (other than any announcement made prior to the Applicable Time) that it has under surveillance or review, with possible negative implications, its rating of any of the Parent's or the Company's debt securities;

(h) On or after the Applicable Time, there shall not have occurred any of the following: (i) a suspension or material limitation in trading in securities generally on the New York Stock Exchange; (ii) a suspension or material limitation in trading in the Parent's or the Company's securities on the New York Stock Exchange; (iii) a general moratorium on commercial banking activities declared by Federal or New York State authorities or a material disruption in commercial banking or securities settlement or clearance services in the United States; (iv) the outbreak or escalation of hostilities involving the United States or the declaration by the United States of a national emergency or war; or (v) the occurrence of any other calamity or crisis or any change in financial, political or economic conditions in the United States or elsewhere, if the effect of any such event specified in clause (iv) or (v) in the judgment of the Representatives makes it impracticable or inadvisable to proceed with the public offering or the delivery of the Securities on the terms and in the manner contemplated in the Prospectus; and

(i) Each of the Parent and the Company shall have furnished or caused to be furnished to the Representatives at the Time of Delivery certificates of officers of the Parent and the Company reasonably satisfactory to the Representatives as to the accuracy of the representations and warranties of the Parent and the Company, respectively, herein at and as of the Time of Delivery, as to the performance by the Parent and the Company of all their respective obligations hereunder to be performed at or prior to the Time of Delivery, as to the matters set forth in subsections (a), (f) and (g) of this Section 10 and as to such other matters as the Representatives may reasonably request.

11. (a) The Parent and the Company will, jointly and severally, indemnify and hold harmless each Underwriter against any losses, claims, damages or liabilities, joint or several, to which such Underwriter may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, the Basic Prospectus, any Preliminary Prospectus, the Pricing Prospectus, the Pricing Disclosure Package or the Prospectus, or any amendment or supplement thereto, any Issuer Free Writing Prospectus or any "issuer information" filed or required to be filed pursuant to Rule 433(d) under the Act, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse each Underwriter for any legal or other expenses reasonably incurred by such Underwriter in connection

with investigating or defending any such action or claim as such expenses are incurred; *provided, however*, that the Parent and the Company shall not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in the Registration Statement, the Basic Prospectus, any Preliminary Prospectus, the Pricing Prospectus, the Pricing Disclosure Package or the Prospectus, or any amendment or supplement thereto, or any Issuer Free Writing Prospectus, in reliance upon and in conformity with the Underwriter Information.

(b) Each Underwriter will, severally and not jointly, indemnify and hold harmless the Parent and the Company against any losses, claims, damages or liabilities, joint or several, to which the Parent or the Company may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, the Basic Prospectus, any Preliminary Prospectus, the Pricing Prospectus, the Pricing Disclosure Package or the Prospectus, or any amendment or supplement thereto, or any Issuer Free Writing Prospectus, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in the Registration Statement, the Basic Prospectus, any Preliminary Prospectus, the Pricing Prospectus, the Pricing Disclosure Package or the Prospectus, or any amendment or supplement thereto, or any Issuer Free Writing Prospectus, in reliance upon and in conformity with the Underwriter Information; and will reimburse the Parent and the Company for any legal or other expenses reasonably incurred by the Parent or the Company in connection with investigating or defending any such action or claim as such expenses are incurred.

(c) Promptly after receipt by an indemnified party under subsection (a) or (b) above of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under such subsection, notify the indemnifying party in writing of the commencement thereof; but the omission so to notify the indemnifying party shall not relieve it from any liability which it may have to any indemnified party otherwise than under such subsection. In case any such action shall be brought against any indemnified party and it shall notify the indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it shall wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel reasonably satisfactory to such indemnified party (who shall not, except with the consent of the indemnified party, be counsel to the indemnifying party), and, after notice from the indemnifying party to such indemnified party of

its election so to assume the defense thereof, the indemnifying party shall not be liable to such indemnified party under such subsection for any legal expenses of other counsel or any other expenses, in each case subsequently incurred by such indemnified party, in connection with the defense thereof other than reasonable costs of investigation. Notwithstanding the indemnifying party's election to appoint counsel to represent the indemnified party in an action, the indemnified party shall have the right to employ one separate counsel, and the indemnifying party shall bear the reasonable fees, costs and expenses of such separate firm (in addition to one local counsel in each jurisdiction) if (i) the use of counsel chosen by the indemnifying party to represent the indemnified party would present such counsel with a conflict of interest, (ii) in an action where both the indemnifying and the indemnified party are actual or potential defendants, the indemnified party shall have reasonably concluded that there are actual or potential conflicting interests between the indemnifying party and the indemnified party, including situations in which there may be one or more legal defenses available to it and/or other indemnified parties which are different from or additional to those available to the indemnifying party, (iii) the indemnifying party shall not have employed counsel reasonably satisfactory to the indemnified party to represent the indemnified party within a reasonable time after notice of the institution of such action or (iv) the indemnifying party shall authorize the indemnified party to employ separate counsel at the expense of the indemnifying party. No indemnifying party shall, without the written consent of the indemnified party, effect the settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or threatened action or claim in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified party is an actual or potential party to such action or claim) unless such settlement, compromise or judgment (i) includes an unconditional release of the indemnified party from all liability arising out of such action or claim and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act, by or on behalf of any indemnified party. No indemnified party shall, without the written consent of the indemnifying party (such consent not to be unreasonably withheld), effect the settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or threatened action or claim in respect of which indemnification or contribution may be sought hereunder.

(d) If the indemnification provided for in this Section 11 is unavailable to or insufficient to hold harmless an indemnified party under subsection (a) or (b) above in respect of any losses, claims, damages or liabilities (or actions in respect thereof) referred to therein, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (or actions in respect thereof) in such proportion as is appropriate to reflect the relative benefits received by the Parent and the Company, on the one hand, and the Underwriters, on the other, from the offering of the Securities. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law or if the

indemnified party failed to give the notice required under subsection (c) above, then each indemnifying party shall contribute to such amount paid or payable by such indemnified party in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Parent and the Company, on the one hand, and the Underwriters, on the other, in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities (or actions in respect thereof), as well as any other relevant equitable considerations. The relative benefits received by the Parent and the Company, on the one hand, and the Underwriters, on the other, shall be deemed to be in the same proportion as the total net proceeds from the offering (before deducting expenses) received by the Parent and the Company bear to the total underwriting discounts and commissions received by the Underwriters, in each case as set forth on the cover page of the Prospectus. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Parent or the Company on the one hand or the Underwriter Information on the other and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Parent, the Company, and the Underwriters agree that it would not be just and equitable if contributions pursuant to this subsection (d) were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to above in this subsection (d). The amount paid or payable by an indemnified party as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to above in this subsection (d) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this subsection (d), no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Securities underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages which such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations in this subsection (d) to contribute are several in proportion to their respective underwriting obligations and not joint.

(e) The obligations of the Parent and the Company under this Section 11 shall be in addition to any liability which the Parent and the Company may otherwise have and shall extend, upon the same terms and conditions, to the directors, officers, employees and agents of each Underwriter and to each person, if any, who controls any Underwriter within the meaning of the Act and each broker-dealer affiliate of any Underwriter; and the obligations of the Underwriters under this Section 11 shall be in addition to any liability which the respective Underwriters may otherwise have and shall extend, upon the same terms and conditions, to each officer, director and employee of the Parent or the Company and to each person, if any, who controls the Parent or the Company within the meaning of the Act.

12. (a) If any Underwriter shall default in its obligation to purchase the Securities which it has agreed to purchase hereunder, the Representatives may in their discretion arrange for any of the Representatives or another party or other parties to purchase such Securities on the terms contained herein. If within thirty-six hours after such default by any Underwriter the Representatives do not arrange for the purchase of such Securities, then the Company shall be entitled to a further period of thirty-six hours within which to procure another party or other parties satisfactory to the Representatives to purchase such Securities on such terms. In the event that, within the respective prescribed periods, the Representatives notify the Company that they have so arranged for the purchase of such Securities, or the Company notifies the Representatives that it has so arranged for the purchase of such Securities, the Representatives or the Company shall have the right to postpone the Time of Delivery for a period of not more than seven days, in order to effect whatever changes may thereby be made necessary in the Registration Statement or the Prospectus, or in any other documents or arrangements, and the Company agrees to prepare promptly any amendments to the Registration Statement or the Prospectus which in the opinion of the Representatives may thereby be made necessary. The term "Underwriter" as used in this Agreement shall include any person substituted under this Section 12 with like effect as if such person had originally been a party to this Agreement with respect to such Securities.

(b) If, after giving effect to any arrangements for the purchase of the Securities of a defaulting Underwriter or Underwriters by the Representatives and the Company as provided in subsection (a) above, the aggregate principal amount of such Securities which remains unpurchased does not exceed one-eleventh of the aggregate principal amount of all the Securities, then the Company shall have the right to require each non-defaulting Underwriter to purchase the principal amount of Securities which such Underwriter agreed to purchase hereunder at such Time of Delivery and, in addition, to require each non-defaulting Underwriter to purchase its pro rata share (based on the principal amount of Securities which such Underwriter agreed to purchase hereunder) of the Securities of such defaulting Underwriter or Underwriters for which such arrangements have not been made; but nothing herein shall relieve a defaulting Underwriter from liability for its default.

(c) If, after giving effect to any arrangements for the purchase of the Securities of a defaulting Underwriter or Underwriters by the Representatives and the Company as provided in subsection (a) above, the aggregate principal amount of Securities which remains unpurchased exceeds one-eleventh of the aggregate principal amount of all the Securities, or if the Company shall not exercise the right described in subsection (b) above to require non-defaulting

Underwriters to purchase Securities of a defaulting Underwriter or Underwriters, then this Agreement shall thereupon terminate without liability on the part of any non-defaulting Underwriter or the Company, except for the expenses to be borne by the Company and the Underwriters as provided in Section 9 hereof and the indemnity and contribution agreements in Section 11 hereof; but nothing herein shall relieve a defaulting Underwriter from liability for its default.

13. The respective indemnities, agreements, representations, warranties and other statements of the Parent, the Company and the several Underwriters, as set forth in this Agreement or made by or on behalf of them, respectively, pursuant to this Agreement, shall remain in full force and effect, regardless of any investigation (or any statement as to the results thereof) made by or on behalf of any Underwriter or any controlling person of any Underwriter, the Parent or the Company, or any officer or director or controlling person of the Parent or the Company, and shall survive delivery of and payment for the Securities.

14. If for any reason, other than a default by the Underwriters in their obligation to purchase the Securities, any Securities are not delivered by or on behalf of the Company as provided herein, the Company will reimburse the Underwriters through the Representatives for all reasonable expenses approved in writing by the Representatives, including reasonable fees and disbursements of counsel, incurred by the Underwriters in making preparations for the purchase, sale and delivery of the Securities not so delivered, but the Parent and the Company shall then be under no further liability to the Underwriters except as provided in Sections 9 and 11 hereof.

15. In all dealings hereunder, the Representatives shall act on behalf of each of the Underwriters, and the parties hereto shall be entitled to act and rely upon any statement, request, notice or agreement on behalf of any Underwriter made or given by the Representatives jointly.

16. All statements, requests, notices and agreements hereunder shall be in writing, and if to the Underwriters shall be delivered or sent by mail or facsimile transmission to the Representatives in care of: BofA Securities, Inc., 1540 Broadway NY8-540-26-02, New York, NY 10036, Attention: High Grade Transaction Management/Legal, Facsimile: (212) 901-7881, Email: dg.hg_ua_notices@bofa.com; Mizuho Securities USA LLC, 1271 Avenue of the Americas, New York, NY 10020, Attention: Debt Capital Markets Desk; MUFG Securities Americas Inc., 1221 Avenue of the Americas, 6th Floor, New York, NY 10020, Attention: Capital Markets Group, Facsimile: (646) 434-3455; or RBC Capital Markets, LLC, Brookfield Place, 200 Vesey Street 8th Floor, New York, NY 10281, Attention: DCM Transaction Management, Facsimile: (212) 428-6308; and if to the Parent or the Company shall be delivered or sent by mail to the address of the Parent set forth in the Registration Statement or facsimile transmission to (856) 519-9730, Attention: James. H. Gallegos, Executive Vice President and General Counsel. Any such statements, requests, notices or agreements shall take effect upon receipt thereof.

17. In accordance with the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)), the Underwriters are required to obtain, verify and record information that identifies their respective clients, including the Parent and the Company, which information may include the name and address of their respective clients, as well as other information that will allow the Underwriters to properly identify their respective clients.

18. This Agreement shall be binding upon, and inure solely to the benefit of, the Underwriters, the Parent and the Company and, to the extent provided in Sections 11 and 13 hereof, the officers and directors of the Parent and the Company and each person who controls the Parent and the Company or any Underwriter, and their respective heirs, executors, administrators, successors and assigns, and no other person shall acquire or have any right under or by virtue of this Agreement. No purchaser of any of the Securities from any Underwriter shall be deemed a successor or assign by reason merely of such purchase.

19. Time shall be of the essence of this Agreement. As used herein, the term “**business day**” shall mean any day when the Commission’s office in Washington, D.C. is open for business.

20. The Parent and the Company acknowledge and agree that (i) the purchase and sale of the Securities pursuant to this Agreement is an arm’s-length commercial transaction between the Parent and the Company, on the one hand, and the several Underwriters, on the other, (ii) in connection therewith and with the process leading to such transaction each Underwriter is acting solely as a principal and not as an agent or fiduciary of the Parent or the Company, (iii) no Underwriter has assumed an advisory or fiduciary responsibility in favor of the Parent or the Company with respect to the offering contemplated hereby or the process leading thereto (irrespective of whether such Underwriter has advised or is currently advising the Parent or the Company) or any other obligation to the Parent or the Company except the obligations expressly set forth in this Agreement and (iv) the Parent and the Company have consulted their own legal and financial advisors to the extent they deemed appropriate. The Parent and the Company agree that they will not claim that the Underwriters, or any of them, has rendered advisory services of any nature or respect, or owes a fiduciary or similar duty to the Parent or the Company, in connection with such transaction or the process leading thereto.

21. This Agreement supersedes all prior agreements and understandings (whether written or oral) between the Parent, the Company and the Underwriters, or any of them, with respect to the subject matter hereof.

22. This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

23. The Parent, the Company and each of the Underwriters hereby irrevocably waive, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Agreement or the transactions contemplated hereby.

24. This Agreement may be executed by any one or more of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument. Counterparts may be delivered via facsimile, electronic mail (including any electronic signature covered by the U.S. federal ESIGN Act of 2000, Uniform Electronic Transactions Act, the Electronic Signatures and Records Act or other applicable law, or other transmission method), and any counterpart so delivered shall be deemed to have been duly and validly delivered and be valid and effective for all purposes.

25. Notwithstanding anything herein to the contrary, each of the Parent and the Company are authorized to disclose to any persons the tax treatment and tax structure of the potential transaction and all materials of any kind (including tax opinions and other tax analyses) provided to the Parent and the Company relating to that treatment and structure, without the Underwriters imposing any limitation of any kind. However, any information relating to the tax treatment and tax structure shall remain confidential (and the foregoing sentence shall not apply) to the extent necessary to enable any person to comply with securities laws. For this purpose, “tax treatment” means U.S. Federal and State income tax treatment, and “tax structure” is limited to any facts that may be relevant to that treatment.

26. (a) In the event that any Underwriter that is a Covered Entity becomes subject to a proceeding under a U.S. Special Resolution Regime, the transfer from such Underwriter of this Agreement, and any interest and obligation in or under this Agreement, will be effective to the same extent as the transfer would be effective under the U.S. Special Resolution Regime if this Agreement, and any such interest and obligation, were governed by the laws of the United States or a state of the United States.

(b) In the event that any Underwriter that is a Covered Entity or a BHC Act Affiliate of such Underwriter becomes subject to a proceeding under a U.S. Special Resolution Regime, Default Rights under this Agreement that may be exercised against such Underwriter are permitted to be exercised to no greater extent than such Default Rights could be exercised under the U.S. Special Resolution Regime if this Agreement were governed by the laws of the United States or a State of the United States.

(c) For purposes of this Section 26, the following terms shall have the meanings indicated:

(i) “**BHC Act Affiliate**” has the meaning assigned to the term “affiliate” in, and shall be interpreted in accordance with, 12 U.S.C. § 1841(k).

(ii) “**Covered Entity**” means any of the following: (A) a “covered entity” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 252.82(b); (B) a “covered bank” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 47.3(b); or (C) a “covered FSI” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 382.2(b).

(iii) “**Default Right**” has the meaning assigned to that term in, and shall be interpreted in accordance with, 12 C.F.R. §§ 252.81, 47.2 or 382.1, as applicable.

(iv) “**U.S. Special Resolution Regime**” means each of (A) the Federal Deposit Insurance Act and the regulations promulgated thereunder and (B) Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act and the regulations promulgated thereunder.

If the foregoing is in accordance with your understanding, please sign and return to us a counterpart hereof, and upon the acceptance hereof by you, on behalf of each of the Underwriters, this letter and such acceptance hereof shall constitute a binding agreement between each of the Underwriters, the Parent and the Company.

Very truly yours,

AMERICAN WATER CAPITAL CORP.

By: /s/ JAMES S. MERANTE

Name: James S. Merante

Title: Vice President and Treasurer

AMERICAN WATER WORKS COMPANY, INC.

By: /s/ JAMES S. MERANTE

Name: James S. Merante

Title: Vice President and Treasurer

[Signature Page to the Underwriting Agreement]

Accepted as of the date hereof:

BofA Securities, Inc.
Mizuho Securities USA LLC
MUFG Securities Americas Inc.
RBC Capital Markets, LLC

On behalf of each of the Underwriters

BOFA SECURITIES, INC.

By: /s/ SHAWN CEPEDA

Name: Shawn Cepeda
Title: Managing Director

MIZUHO SECURITIES USA LLC

By: /s/ STPEHEN E LEAMER

Name: Stephen E Leamer
Title: Managing Director

MUFG SECURITIES AMERICAS INC.

By: /s/ RICHARD TESTA

Name: Richard Testa
Title: Managing Director

RBC CAPITAL MARKETS, LLC

By: /s/ SCOTT G. PRIMROSE

Name: Scott G. Primrose
Title: Authorized Signatory

[Signature Page to the Underwriting Agreement]

	Principal Amount of the Securities to be Purchased
BofA Securities, Inc.	\$ 160,000,000
Mizuho Securities USA LLC	\$ 136,000,000
MUFG Securities Americas Inc.	\$ 136,000,000
RBC Capital Markets, LLC	\$ 136,000,000
J.P. Morgan Securities LLC	\$ 40,000,000
PNC Capital Markets LLC	\$ 40,000,000
TD Securities (USA) LLC	\$ 40,000,000
U.S. Bancorp Investments, Inc.	\$ 40,000,000
Wells Fargo Securities, LLC	\$ 40,000,000
BNY Mellon Capital Markets, LLC	\$ 8,000,000
Regions Securities LLC	\$ 8,000,000
Truist Securities, Inc.	\$ 8,000,000
Academy Securities, Inc.	\$ 4,000,000
Cabrera Capital Markets LLC	\$ 4,000,000
Total	\$ 800,000,000

Schedule I-1

- a) Issuer Free Writing Prospectuses included in the Pricing Disclosure Package: Final term sheet attached hereto as Schedule III.

Schedule II-1

May 2, 2022

American Water Capital Corp.
American Water Works Company, Inc.

\$800,000,000 4.450% Senior Notes due 2032

Issuer: American Water Capital Corp.

Support Provider: American Water Works Company, Inc.

Security: 4.450% Senior Notes due 2032

Size: \$800,000,000

Trade Date: May 2, 2022

Settlement Date: May 5, 2022 (T+3)*

Maturity Date: June 1, 2032

Benchmark Treasury: UST 1.875% due February 15, 2032

Benchmark Treasury Yield: 2.989%

Spread to Benchmark Treasury: +150 bps

Yield to Maturity: 4.489%

Coupon: 4.450%

Price to Public: 99.683%

Interest Payment Dates: June 1 and December 1 of each year, beginning on December 1, 2022

Redemption Provisions:

Make-whole call: Treasury Rate +25 bps

Par call: On or after March 1, 2032

CUSIP: 03040W BA2

ISIN: US03040WBA27

Ratings (1): [Intentionally Omitted]

Joint Book-Running Managers: BofA Securities, Inc.
Mizuho Securities USA LLC
MUFG Securities Americas Inc.
RBC Capital Markets, LLC
J.P. Morgan Securities LLC
PNC Capital Markets LLC
TD Securities (USA) LLC
U.S. Bancorp Investments, Inc.
Wells Fargo Securities, LLC

Co-Managers: BNY Mellon Capital Markets, LLC
Regions Securities LLC
Truist Securities, Inc.
Academy Securities, Inc.
Cabrera Capital Markets LLC

(1) Neither of these ratings is a recommendation to buy, sell or hold these securities. Each rating may be subject to revision or withdrawal at any time, and should be evaluated independently of any other rating.

- * The underwriters expect to deliver the notes in book-entry form only through the facilities of The Depository Trust Company against payment in New York, New York on or about the third business day following the date of the prospectus supplement, or "T+3". Trades of securities in the secondary market generally are required to settle in two business days, referred to as T+2, unless the parties to a trade agree otherwise. Accordingly, by virtue of the fact that the initial delivery of the notes will not be made on a T+2 basis, investors who wish to trade the notes prior to the second business day before delivery of the notes will be required to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Investors of the notes who wish to trade the notes on any date prior to the second business day before delivery should consult their own advisors.

The Issuer and the Support Provider have filed a registration statement (including a prospectus) with the SEC for the offering to which this communication relates. Before you invest, you should read the prospectus in that registration statement and other documents the Issuer and the Support Provider have filed with the SEC for more complete information about the Issuer, the Support Provider and this offering. You may get these documents for free by visiting EDGAR on the SEC website at www.sec.gov. Alternatively, any underwriter participating in the offering will arrange to send you the prospectus if you request it by calling BofA Securities, Inc. toll free at (800) 294-1322, Mizuho Securities USA LLC toll free at (866) 271-7403, MUFG Securities Americas Inc. toll free at (877) 649-6848, or RBC Capital Markets, LLC toll free at (866) 375-6829.

Schedule III-2

Significant Subsidiaries of the Parent

American Water Enterprises, LLC
Missouri-American Water Company
New Jersey-American Water Company, Inc.
Pennsylvania-American Water Company

Schedule IV-1

AMERICAN WATER CAPITAL CORP.

OFFICERS' CERTIFICATE

MAY 5, 2022

4.450% SENIOR NOTES DUE 2032

PURSUANT TO SECTIONS 102 AND 301 OF THE INDENTURE IDENTIFIED BELOW

The undersigned officers of American Water Capital Corp., a Delaware corporation (the "Company"), acting pursuant to an authorization contained in the unanimous written consent, dated April 29, 2022, of the Board of Directors of the Company (the "Board Resolutions"), and Sections 102 and 301 of the Indenture, dated as of December 4, 2009 (the "Indenture", and unless otherwise defined herein, capitalized terms shall have the meanings ascribed to them therein), between the Company and Computershare Trust Company, N.A., as successor to Wells Fargo Bank, National Association, as trustee (the "Trustee"), do hereby certify as follows:

- 1) There is hereby established under the Indenture the following series of debt securities of the Company, and the terms of such series (the "Series") are as follows:
 - a) The Series shall be known and designated as the "4.450% Senior Notes due 2032" of the Company (the "Securities");
 - b) The terms of the Securities are as set forth in Annex A hereto;
 - c) The Securities shall be redeemable at the option of the Company as specified and subject to the limitations set forth in Annex A hereto;
 - d) The Securities shall not be entitled to the benefits of any sinking fund or analogous provisions;
 - e) The covenants and definitions set forth in Article 8 and Article 10 of the Indenture apply to the Securities;
 - f) The Securities shall be subject to defeasance as specified and subject to the limitations set forth in Annex A hereto;
 - g) The Securities will be issued in the form of one or more fully registered Global Securities which are exchangeable from time to time for fully registered certificated securities in accordance with the terms of the Indenture; and
 - h) The Company will not pay additional amounts on the Securities held by a non-U.S. person in respect of taxes or similar charges withheld or deducted;

- 2) The undersigned have read the provisions of the Indenture relating to the authentication and delivery of securities thereunder, including Sections 201, 301 and 303 thereof and the definitions relating thereto;
- 3) The undersigned have read the Board Resolutions authorizing the issuance of the Securities and the taking of any action by such officers of the Company in connection therewith, and have made such investigation or examination as is necessary, in the opinion of the undersigned, to enable the undersigned to express an informed opinion as to whether the covenants and conditions precedent to the action to be taken by the Trustee in authenticating and delivering Securities under the Indenture have been complied with;
- 4) In the opinion of the undersigned, such covenants and conditions precedent have been complied with; and
- 5) The Securities are "Debt" under the Support Agreement, dated June 22, 2000 and amended as of July 26, 2000, between American Water Works Company, Inc. and the Company.

IN WITNESS WHEREOF, we have hereunto signed our names as of the date first written above.

By: /s/ JAMES S. MERANTE

Name: James S. Merante

Title: Vice President and Treasurer

By: /s/ JEFFREY M. TAYLOR

Name: Jeffrey M. Taylor

Title: Secretary

American Water Capital Corp. – Officers’ Certificate

THIS SECURITY IS A GLOBAL SECURITY WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITARY OR A NOMINEE THEREOF. THIS SECURITY MAY NOT BE EXCHANGED IN WHOLE OR IN PART FOR A SECURITY REGISTERED, AND NO TRANSFER OF THIS SECURITY IN WHOLE OR IN PART MAY BE REGISTERED, IN THE NAME OF ANY PERSON OTHER THAN SUCH DEPOSITARY OR A NOMINEE THEREOF, EXCEPT IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE.

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY TRUST COMPANY, A NEW YORK CORPORATION (“DTC”), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

**American Water Capital Corp.
4.450% Senior Notes due 2032**

CUSIP No. 03040W BA2
ISIN No. US03040WBA27
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American Water Capital Corp., a corporation duly organized and existing under the laws of Delaware (herein called the “Company”, which term includes any successor Person under the Indenture hereinafter referred to), for value received, hereby promises to pay to Cede & Co., or registered assigns, the principal sum of Dollars on June 1, 2032, and to pay interest thereon from May 5, 2022 or from the most recent Interest Payment Date to which interest has been paid or as duly provided for semi-annually on June 1 and December 1, in arrears, commencing December 1, 2022, and on any earlier Redemption Date (as defined herein), at the rate of 4.450% per annum, until the principal hereof is paid or made available for payment. Interest on this Security shall be computed assuming a 360-day year consisting of twelve 30-day months.

The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date shall, as provided in the Indenture, be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest, which shall be the close of business on the fifteenth day (whether or not a Business Day) next preceding such Interest Payment Date. Any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Securities of this series not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities of this series may be listed, and upon such notice as may be required by such exchange, all as more fully provided in said Indenture.

Payment of the principal of (and premium, if any) and any such interest on this Security will be made in such coin or paper currency of the United States of America as at the time of payment is legal tender for payment of public and private debts (i) with respect to any Global Security, by wire transfer of immediately available funds to the accounts specified by the Holder of such Global Security or (ii) with respect to any certificated Security, by wire transfer of immediately available funds to the respective accounts specified by the Holders of such certificated Security or, if no such account is specified, by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register.

Reference is hereby made to the further provisions of this Security set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof by manual signature, this Security shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

AMERICAN WATER CAPITAL CORP.

By _____

TRUSTEE'S CERTIFICATION OF AUTHENTICATION

This is one of the Securities of the series designated herein and referred to in the within-mentioned Indenture.

COMPUTERSHARE TRUST COMPANY, N.A.,

As Trustee

By _____

Authorized Signatory

Dated:

This Security is one of a duly authorized issue of securities of the Company (herein called the "Securities"), issued under one or more series under an Indenture, dated as of December 4, 2009 (herein called the "Indenture", which term shall have the meaning assigned to it in such instrument), between the Company and Computershare Trust Company, N.A., as successor to Wells Fargo Bank, National Association, as Trustee (herein called the "Trustee", which term includes any successor trustee under the Indenture), and reference is hereby made to the Indenture for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Securities and of the terms upon which the Securities are, and are to be, authenticated and delivered. This Security is one of the series designated on the face hereof.

The Company may from time to time, without the consent of the Holders, create and issue Additional Securities, so that each such further issue shall be consolidated and form a single series with the Outstanding Securities of this series.

All or a portion of the Securities of this series may be redeemed at the option of the Company at any time or from time to time (each, a "Redemption Date"). Prior to March 1, 2032 (the "Par Call Date"), the Company may redeem the Securities of this series at its option, in whole or in part, at any time and from time to time, at a redemption price (expressed as a percentage of principal amount and rounded to three decimal places) equal to the greater of:

- (a) the sum of the present values of the remaining scheduled payments of principal and interest thereon discounted to the Redemption Date (assuming the Securities of this series matured on the Par Call Date) on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined below) plus 25 basis points less (b) interest accrued to the Redemption Date; and
- 100% of the principal amount of the Securities of this series to be redeemed;

plus, in each case, accrued and unpaid interest thereon to that Redemption Date.

On or after the Par Call Date, the Company may redeem the Securities of this series at its option, in whole or in part, at any time and from time to time, at a redemption price equal to 100% of the principal amount of the Securities of this series being redeemed plus accrued and unpaid interest thereon to the Redemption Date.

"Treasury Rate" means, with respect to any Redemption Date for the Securities of this series, the yield determined by the Company in accordance with the following two paragraphs.

The Treasury Rate shall be determined by the Company after 4:15 p.m., New York City time (or after such time as yields on U.S. government securities are posted daily by the Board of Governors of the Federal Reserve System), on the third business day preceding the Redemption Date based upon the yield or yields for the most recent day that appear after such time on such day in the most recent statistical release published by the Board of Governors of the Federal Reserve System designated as "Selected Interest Rates (Daily)—H.15" (or any successor designation or publication) ("H.15") under the caption "U.S. government securities—Treasury constant maturities—Nominal" (or any successor caption or heading) ("H.15 TCM"). In determining the Treasury Rate, the Company shall select, as applicable:

- (1) the yield for the Treasury constant maturity on H.15 exactly equal to the period from the Redemption Date to the Par Call Date (the "Remaining Life"); or

- (2) if there is no such Treasury constant maturity on H.15 exactly equal to the Remaining Life, the two yields—on a yield corresponding to the Treasury constant maturity on H.15 immediately shorter than and one yield corresponding to the Treasury constant maturity on H.15 immediately longer than the Remaining Life—and shall interpolate to the Par Call Date on a straight-line basis (using the actual number of days) using such yields and rounding the result to three decimal places; or
- (3) if there is no such Treasury constant maturity on H.15 shorter than or longer than the Remaining Life, the yield for the single Treasury constant maturity on H.15 closest to the Remaining Life.

For purposes of this paragraph, the applicable Treasury constant maturity or maturities on H.15 shall be deemed to have a maturity date equal to the relevant number of months or years, as applicable, of such Treasury constant maturity from the Redemption Date.

If on the third business day preceding the Redemption Date H.15 TCM is no longer published, the Company shall calculate the Treasury Rate based on the rate per annum equal to the semi-annual equivalent yield to maturity at 11:00 a.m., New York City time, on the second business day preceding such Redemption Date of the United States Treasury security maturing on, or with a maturity that is closest to, the Par Call Date, as applicable. If there is no United States Treasury security maturing on the Par Call Date but there are two or more United States Treasury securities with a maturity date equally distant from the Par Call Date, one with a maturity date preceding the Par Call Date and one with a maturity date following the Par Call Date, the Company shall select the United States Treasury security with a maturity date preceding the Par Call Date. If there are two or more United States Treasury securities maturing on the Par Call Date, or two or more United States Treasury securities meeting the criteria of the preceding sentence, the Company shall select from among these two or more United States Treasury securities the United States Treasury security that is trading closest to par based upon the average of the bid and asked prices for such United States Treasury securities at 11:00 a.m., New York City time. In determining the Treasury Rate in accordance with the terms of this paragraph, the semi-annual yield to maturity of the applicable United States Treasury security shall be based upon the average of the bid and asked prices (expressed as a percentage of principal amount) at 11:00 a.m., New York City time, of such United States Treasury security, and rounded to three decimal places.

The Company's actions and determinations in determining the redemption price shall be conclusive and binding for all purposes, absent manifest error.

Notices of redemption will be given in accordance with the Indenture at least 30 but not more than 60 days before a Redemption Date, except that redemption notices may be sent more than 60 days prior to a Redemption Date if the notice is issued in connection with a satisfaction and discharge of the Indenture.

In the event of redemption of this Security in part only, a new Security or Securities of this series and of like tenor for the unredeemed portion hereof will be issued in the name of the Holder hereof upon the cancellation hereof.

The Indenture contains provisions for defeasance at any time of the entire indebtedness of this Security or certain restrictive covenants and Events of Default with respect to this Security, in each case upon compliance with certain conditions set forth in the Indenture.

If an Event of Default with respect to Securities of this series shall occur and be continuing, the principal of the Securities of this series may be declared due and payable in the manner and with the effect provided in the Indenture.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Securities of each series to be affected under the Indenture at any time by the Company and the Trustee with the consent of the Holders of a majority in principal amount of the Securities at the time Outstanding of each series to be affected. The Indenture also contains provisions permitting the Holders of specified percentages in principal amount of the Securities of each series at the time Outstanding, on behalf of the Holders of all Securities of such series, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Security.

As provided in and subject to the provisions of the Indenture, the Holder of this Security shall not have the right to institute any proceeding with respect to the Indenture or for the appointment of a receiver or trustee or for any other remedy thereunder, unless such Holder shall have previously given the Trustee written notice of a continuing Event of Default with respect to the Securities of this series, the Holders of not less than 25% in principal amount of the Securities of this series at the time Outstanding shall have made written request to the Trustee to institute proceedings in respect of such Event of Default as Trustee and offered the Trustee reasonable indemnity, and the Trustee shall not have received from the Holders of a majority in principal amount of Securities of this series at the time Outstanding a direction inconsistent with such request, and shall have failed to institute any such proceeding, for 60 days after receipt of such notice, request and offer of indemnity. The foregoing shall not apply to any suit instituted by the Holder of this Security for the enforcement of any payment of principal hereof or any premium or interest hereon on or after the respective due dates expressed herein.

No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and any premium and interest on this Security at the times, place and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Security is registrable in the Security Register, upon surrender of this Security for registration of transfer at the office or agency of the Company in any place where the principal of and any premium and interest on this Security are payable, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Securities of this series and of like tenor, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

In connection with any proposed transfer of this Security if this Security ceases to be a Global Security, the Company or DTC shall be required to provide or cause to be provided to the Trustee all information that is (i) available to the Company or the DTC, as applicable, (ii) necessary to allow the Trustee to comply with any applicable tax reporting obligations, including without limitation any cost basis reporting obligations under Section 6045 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), and (iii) specifically and timely requested in writing by the Trustee. Any transferor shall also provide or cause to be provided to the Trustee all information that is (i) available to such transferor, (ii) necessary to allow the Trustee to comply with any applicable tax reporting obligations, including without limitation any cost basis reporting obligations under Code Section 6045, and (iii) specifically and timely requested by the Trustee. The Trustee may rely on information provided to it and shall have no responsibility to verify or ensure the accuracy of such information.

The Securities of this series are issuable only in registered form without coupons in denominations of \$1,000 and integral multiples of \$1,000. As provided in the Indenture and subject to certain limitations therein set forth, Securities of this series are exchangeable for a like aggregate principal amount of Securities of this series and of like tenor of a different authorized denomination, as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Security is registered as the owner hereof for all purposes, whether or not this Security be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

All terms used in this Security which are defined in the Indenture shall have the meanings assigned to them in the Indenture.

THIS SECURITY SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF NEW YORK, WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES THEREOF.

Morgan Lewis

May 5, 2022

American Water Works Company, Inc.
American Water Capital Corp.
1 Water Street
Camden, New Jersey 08102



Ladies and Gentlemen:

We have acted as counsel to American Water Works Company, Inc., a Delaware corporation ("AWW"), and American Water Capital Corp., a Delaware corporation (the "Company"), in connection with the issuance by the Company of \$800,000,000 aggregate principal amount of its 4.450% Senior Notes due 2032 (the "Notes"), issued under the Indenture, dated as of December 4, 2009 (the "Indenture"), between the Company and Computershare Trust Company, N.A., as successor to Wells Fargo Bank, National Association, as trustee (the "Trustee"), which Notes have the benefit of the Support Agreement, dated June 22, 2000, as amended as of July 26, 2000, between the Company and AWW (the "Support Agreement").

We have participated in the preparation of or reviewed (1) the Registration Statement on Form S-3 (Registration Nos. 333-253484 and 333-253484-01) (the "Registration Statement"), which Registration Statement was filed jointly by the Company and AWW with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Securities Act"); (2) the prospectus dated February 25, 2021 (the "Base Prospectus"), forming a part of the Registration Statement, as supplemented by a prospectus supplement dated May 2, 2022 (the "Prospectus Supplement") relating to the Notes, both such prospectus and prospectus supplement filed pursuant to Rule 424(b) under the Securities Act; (3) the Indenture; (4) the Support Agreement; (5) the certificate of incorporation of the Company; (6) the by-laws, as amended, of the Company; (7) the restated certificate of incorporation of AWW; (8) the amended and restated bylaws of AWW; and (9) such other corporate records, certificates and other documents (including a receipt executed on behalf of the Company acknowledging receipt of the purchase price for the Notes) and such questions of law as we have considered necessary or appropriate for the purposes of this opinion.

Morgan, Lewis & Bockius LLP

101 Park Avenue
New York, NY 10178-0060
United States

 +1.215.309.6000
 +1.215.309.6001

Based on the foregoing, we are of the opinion that the Notes and the Support Agreement, as it relates to the Notes, are valid and binding obligations of the Company and AWW, respectively, except as may be limited or affected by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights and remedies generally and general principles of equity.

In rendering the foregoing opinion, we have assumed that the certificates representing the Notes conform to specimens examined by us and that the Notes have been duly authenticated, in accordance with the Indenture, by the Trustee under the Indenture and that the signatures on all documents examined by us are genuine, assumptions which we have not independently verified.

We hereby consent to the reference to us under the heading "Legal Matters" in the Prospectus Supplement, to the references to us in the Registration Statement, including under the heading "Legal Matters" in the Base Prospectus, and to the filing of this opinion as an exhibit to AWW's Current Report on Form 8-K to be filed on or about the date hereof, which will be incorporated by reference in the Registration Statement. In giving the foregoing consents, we do not thereby admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act or the rules and regulations of the Commission thereunder.

This opinion is limited to the laws of the State of New York, the General Corporation Law of the State of Delaware and the federal laws of the United States insofar as they bear on matters covered hereby.

Very truly yours,

/s/ Morgan, Lewis & Bockius LLP

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

Form 8-K

**Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): April 27, 2022

American Water Works Company, Inc.
(Exact name of registrant as specified in its charter)

Commission File Number: 001-34028

Delaware
(State or other jurisdiction
of incorporation)

51-0063696
(IRS Employer
Identification No.)

**1 Water Street
Camden, NJ 08102-1658**
(Address of principal executive offices, including zip code)
(856) 955-4001
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Trading Symbol</u>	<u>Name of Each Exchange on Which Registered</u>
Common stock, par value \$0.01 per share	AWK	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

Appointment of Executive Vice President and Chief Financial Officer

(b) & (c) On April 27, 2022, the Company issued a press release announcing that on May 16, 2022, John C. Griffith, 55, will join the Company as its Executive Vice President and Chief Financial Officer, and its principal financial officer. As of May 16, 2022, M. Susan Hardwick's officer title will change from President, Chief Executive Officer and Chief Financial Officer, to President and Chief Executive Officer, and she will remain the Company's principal executive officer.

Since 2014, Mr. Griffith has served as the Managing Director, Mergers and Acquisitions for Bank of America Securities' Global Regulated Utilities and Renewable Energy Practice. There, Mr. Griffith has served as lead investment banker on numerous major U.S. and international utility transactions. Prior to joining Bank of America Securities, from 2008 to 2014, Mr. Griffith served as the Chief Executive Officer of HighWave Energy, a renewable fuels start-up company, and from 1995 to 2008, he served in various capacities of increasing responsibility with Merrill Lynch & Co. Mr. Griffith received a Bachelor of Arts degree in Economics from Davidson College and a Master's in Business Administration, with honors, from the Columbia University Graduate School of Business.

Upon joining the Company, Mr. Griffith will be entitled to an annual base salary of \$725,000 and will receive a prorated Annual Performance Plan award opportunity for 2022 equal to 100% of his annual base salary (at target). He will also receive 2022 Long-Term Performance Plan awards (which will not be prorated) based on an aggregate target award opportunity of 250% of his annual base salary, and which will include the Company's standard post-retirement vesting provision applicable to the position of the chief executive officer, chief financial officer and chief operating officer. Mr. Griffith will be eligible to participate in the Company's Executive Severance Policy, its Change of Control Severance Policy, and its employee nonqualified deferred compensation plan, as well as other benefit plans and arrangements generally available to other executives of the Company. In addition, Mr. Griffith will receive a lump-sum cash payment of \$120,000 in lieu of specific benefits under the Company's relocation policy, and a cash sign-on bonus of \$950,000, in each case less applicable withholdings.

Other than as described above, there are no arrangements or understandings between Mr. Griffith and any other person pursuant to which he was selected as an executive officer of the Company. Mr. Griffith does not have any family relationship with any director or other executive officer of the Company or any person nominated or chosen by the Company to become a director or executive officer, and does not have any direct or indirect material interest in any transaction in which the Company is or is to be a participant and which would require reporting under Item 404(a) of Regulation S-K.

A copy of the press release issued by the Company on April 27, 2022 related to the foregoing has been included as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated herein by reference.

(d) Exhibits.

The following exhibits to this Current Report have been provided herewith (as noted below):

Exhibit No.	Description
99.1*	Press Release, dated April 27, 2022, issued by the Company.
104	Cover Page Interactive Data File (the cover page XBRL tags are included and formatted as Inline XBRL).

* Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

Dated: April 27, 2022

By: /s/ M. SUSAN HARDWICK

M. Susan Hardwick

President, Chief Executive Officer and Chief Financial Officer

Press Release



American Water Names John C. Griffith Executive Vice President and Chief Financial Officer

CAMDEN, N.J., April 27, 2022 – American Water Works Company, Inc. (NYSE: AWK), the largest publicly traded U.S. water and wastewater utility company, today announced that John C. Griffith has been named Executive Vice President and Chief Financial Officer effective May 16, 2022. Griffith will assume the CFO duties from Susan Hardwick, who has served as the company’s CFO since 2019. Hardwick was named American Water’s President and Chief Executive Officer in February of this year.

“We are thrilled to have John join American Water and our leadership team,” said Susan Hardwick, president and CEO of American Water. “He brings more than 25 years of industry knowledge and expertise and has significant experience in strategy development, financial planning and analysis, capital markets, M&A and people leadership. John also knows our business and people very well, most recently serving as our advisor for the \$1.3 billion sale of Homeowner Services. Working with our experienced finance and business development teams, John is the right leader to help deliver our financial plan and growth strategy, including increased acquisition activity and our accelerated capital plan.”

Griffith most recently served as a Managing Director in Bank of America Securities’ Mergers & Acquisitions group, leading the firm’s practice for regulated utilities and renewables. In the role, Griffith served as the lead investment banker on major U.S. and international utility transactions, including transaction origination, structure development, financing solutions, analysis and modeling, as well as team development. He also advised on a large number of public and private renewables transactions globally over the last five years.

Prior to joining Bank of America in 2014, Griffith served as CEO of HighWave Energy, a start-up renewable fuels company. As CEO, Griffith built the senior executive team and led the capital development and deployment strategy, as well as the financial planning structure and process. Griffith also held multiple positions during a fourteen-year career with Merrill Lynch & Co., culminating as Managing Director.

Passionate about mentoring and coaching, Griffith is a Partner with Student Partner Alliance, a non-profit organization focused on mentoring high school students.

Griffith earned a bachelor’s degree in Economics from Davidson College and an MBA in Finance from the Columbia University Graduate School of Business, where he graduated with honors.

Press Release



About American Water

With a history dating back to 1886, American Water (NYSE:AWK) is the largest and most geographically diverse U.S. publicly traded water and wastewater utility company. The company employs approximately 6,400 dedicated professionals who provide regulated and regulated-like drinking water and wastewater services to an estimated 14 million people in 24 states. American Water provides safe, clean, affordable and reliable water services to our customers to help keep their lives flowing. For more information, visit amwater.com and follow American Water on [Twitter](#), [Facebook](#) and [LinkedIn](#).

AWK-IR

Investor Contact:

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Senior Director, Investor Relations
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aaron.musgrave@amwater.com

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Senior Director, External Communications (856) 955-4180
ruben.e.rodriguez@amwater.com

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

Form 8-K

**Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): April 27, 2022

American Water Works Company, Inc.
(Exact name of registrant as specified in its charter)

Commission File Number: 001-34028

Delaware
(State or other jurisdiction
of incorporation)

51-0063696
(IRS Employer
Identification No.)

**1 Water Street
Camden, NJ 08102-1658**
(Address of principal executive offices, including zip code)
(856) 955-4001
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Trading Symbol</u>	<u>Name of Each Exchange on Which Registered</u>
Common stock, par value \$0.01 per share	AWK	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02. Results of Operations and Financial Condition.

On April 27, 2022, the Company issued a press release announcing its financial results for the first quarter ended March 31, 2022. A copy of the press release has been included as Exhibit 99.1 and is incorporated by reference herein.

The information furnished in this Current Report, including Exhibit 99.1, shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), nor shall it be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

The following exhibits to this Current Report have been provided herewith (as noted below):

<u>Exhibit</u>	<u>Description</u>
99.1*	Press Release, dated April 27, 2022, issued by American Water Works Company, Inc.
104	Cover Page Interactive Data File (the cover page XBRL tags are included and formatted as Inline XBRL)

* Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

Dated: April 27, 2022

By: /s/ M. SUSAN HARDWICK

M. Susan Hardwick

President, Chief Executive Officer and Chief Financial Officer

Press Release



April 27, 2022

Investor Contact:

Aaron Musgrave
Senior Director, Investor Relations
856-955-4029
aaron.musgrave@amwater.com

Media Contact:

Maureen Duffy
Senior Vice President, Communications and External Affairs
856-955-4163
maureen.duffy@amwater.com

AMERICAN WATER REPORTS STRONG FIRST QUARTER 2022 RESULTS AFFIRMS 2022 EARNINGS GUIDANCE AND LONG-TERM TARGETS

- **First quarter 2022 diluted earnings of \$0.87 per share, compared to \$0.73 per share in 2021, a 19% increase**
- **2022 earnings guidance range of \$4.39 to \$4.49 per share affirmed; long-term targets also affirmed**
- **Invested \$437 million in the first three months of the year and added approximately 5,500 customer connections year-to-date through closed acquisitions and organic growth; capital plan on track to invest approximately \$2.5 billion in 2022**

CAMDEN, N.J., April 27, 2022 - American Water Works Company, Inc. (NYSE: AWK) today reported results for the quarter ended March 31, 2022, of \$0.87 per share, compared to \$0.73 per share in 2021.

“The company delivered a strong first quarter, continuing the Company’s solid performance and consistent execution of our strategies,” said Susan Hardwick, president, CEO, and CFO of American Water.

“In the first three months of 2022, we invested \$437 million in the regulated business with the majority dedicated to needed infrastructure improvements to better serve our customers as we begin to accelerate our investment spending made possible by the sale of Homeowner Services in late 2021,” said Hardwick. “We also look forward to welcoming additional customers through pending acquisitions in 2022, including the wastewater system in York, in the second quarter, as that acquisition was recently approved by the Pennsylvania Public Utility Commission.”

2022 Earnings Guidance and Long-Term Financial Targets Affirmed

The Company affirms its 2022 earnings per share guidance range of \$4.39 to \$4.49. The Company also affirms its long-term financial targets for the 2022-2026 period announced in Nov. 2021, including its long-term EPS compound annual growth rate target range of 7-9% and its long-term dividend growth expectation at the high end of a 7-10% range. The Company’s earnings forecasts are subject to numerous risks and uncertainties, including, without limitation, those described under “Forward-Looking Statements” below and under “Risk Factors” in its annual, quarterly, and current reports filed with the Securities and Exchange Commission (“SEC”).

Consolidated Results

For the three months ended March 31, 2022, earnings were \$0.87 per share, compared to \$0.73 per share in the same period in 2021. This increase was primarily driven by increased revenues from the continued growth in infrastructure investment in the Regulated Businesses. Also, included in 2022 results is \$0.06 per share from interest income earned on the seller note and income earned on revenue share agreements from the sale of Homeowner Services in 2021.

The Company is on track with its capital investment plan for the first three months of 2022 with investments of \$437 million, including \$430 million for infrastructure improvements in the Regulated Businesses. The Company plans to invest a total of approximately \$2.5 billion across its footprint in 2022.

Regulated Businesses

For the first three months of 2022, Regulated Businesses' net income was \$160 million, compared to \$135 million for the same period in 2021.

Operating revenues increased \$46 million in the first quarter of 2022 as compared to 2021 when excluding revenues contributed by the Company's New York subsidiary in 2021. The increase in operating revenues was primarily a result of authorized revenue increases resulting from completed general rate cases and infrastructure proceedings to recover incremental capital and acquisition investments.

To date, the Company has been authorized additional annualized revenues, excluding agreed to reductions for EADIT, of approximately \$48 million from general rate cases in 2022. In addition, approximately \$31 million of additional annualized revenues from infrastructure surcharges have been authorized and are effective in 2022. The Company has general rate cases in progress in five jurisdictions and has filed for infrastructure surcharges in two jurisdictions, reflecting a total annualized revenue request of approximately \$220 million.

Operations and maintenance expense was higher by \$8 million in the first quarter of 2022 as compared to 2021, when excluding impacts of the New York subsidiary in 2021, primarily due to increases in production costs from some inflationary pressure on chemicals and energy prices, while depreciation was higher by \$8 million due to the growing capital investment.

First quarter 2021 results included revenues of \$23 million and operating expenses of \$25 million for the Company's New York subsidiary that was sold on January 1, 2022.

For the 12-month period ended March 31, 2022, the Company's adjusted regulated O&M efficiency ratio (a non-GAAP financial measure) was 33.9%, a decrease from 34.1% for the 12-month period ended March 31, 2021. The ratio reflects the continued focus on operating costs, as well as an increase in operating revenues for the Regulated Businesses after considering the adjustment for the amortization of the EADIT shown below.

Market-Based Businesses and Other

For the first three months of 2022 and 2021, the net loss in Market-Based Businesses and Other was \$2 million.

Dividends

On March 1, 2022, the Company paid a quarterly cash dividend of \$0.6025 per share to shareholders of record as of February 8, 2022.

On April 27, 2022, the Company's Board of Directors declared a quarterly cash dividend payment of \$0.6550 per share, an 8.7% increase over the prior quarterly dividend, payable on June 1, 2022 to shareholders of record as of May 10, 2022.

Non-GAAP Financial Measures

This press release includes a presentation of adjusted regulated O&M efficiency ratio, a "non-GAAP financial measure" under SEC rules, which excludes from its calculation estimated purchased water revenues and purchased water expenses, reductions for the amortization of EADIT, and the allocable portion of non-O&M support services costs, mainly depreciation and general taxes. These items were excluded from the O&M efficiency ratio calculation as they do not reflect management's ability to increase the efficiency of the Regulated Businesses. This item is derived from American Water's consolidated financial information but is not presented in its financial statements prepared in accordance with GAAP. This non-GAAP financial measure supplements and should be read in conjunction with the Company's GAAP disclosures and should be considered as an addition to, and not a substitute for, any GAAP measure.

Management evaluates its operating performance using this ratio and believes that this non-GAAP financial measure is useful to the Company's investors because it directly measures improvement in the operating performance and efficiency of the Company's Regulated Businesses. The Company's adjusted regulated O&M efficiency ratio (i) is not an accounting measure that is based on GAAP; (ii) is not based on a standard, objective industry definition or method of calculation; (iii) may not be comparable to other companies' operating measures; and (iv) should not be used in place of the GAAP information provided elsewhere in this press release.

Set forth in this release is a table that calculates the Company's adjusted regulated O&M efficiency ratio and reconciles each of the components used to calculate this ratio to the most directly comparable GAAP financial measure.

First Quarter 2022 Earnings Conference Call

The first quarter 2022 earnings conference call will take place on Thursday, April 28, 2022, at 9 a.m. Eastern Daylight Time. Interested parties may listen to an audio webcast through a link on the Company's Investor Relations website at ir.amwater.com. Presentation slides that will be used in conjunction with the earnings conference call will also be made available online in advance at ir.amwater.com. The Company recognizes its website as a key channel of distribution to reach public investors and as a means of disclosing material non-public information to comply with its obligations under SEC Regulation FD.

Following the earnings conference call, a replay of the audio webcast will be available for one year on American Water's investor relations website at ir.amwater.com/events.

About American Water

With a history dating back to 1886, American Water is the largest and most geographically diverse U.S. publicly traded water and wastewater utility company. The Company employs approximately 6,400 dedicated professionals who provide regulated and market-based drinking water, wastewater and other related services to over 14 million people in 24 states. More information can be found by visiting amwater.com and follow American Water on Twitter, Facebook and LinkedIn.

Throughout this press release, unless the context otherwise requires, references to the "Company" and "American Water" mean American Water Works Company, Inc. and all of its subsidiaries, taken together as a whole.

Cautionary Statement Concerning Forward-Looking Statements

Certain statements in this press release including, without limitation, 2022 earnings guidance, the Company's long-term financial, growth and dividend targets, future capital needs, the ability to achieve the Company's strategies and goals, including with respect to its ESG focus and related to the sale of HOS, the Company's receipt of contingent consideration, the repayment of the seller note and the redeployment of the net proceeds from its divestitures, the outcome of the Company's pending acquisition activity, the amount and allocation of projected capital expenditures, the closing of the acquisition of the York, Pennsylvania wastewater system, and estimated revenues from rate cases and other government agency authorizations, are forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and the Federal securities laws. In some cases, these forward-looking statements can be identified by words with prospective meanings such as "intend," "plan," "estimate," "believe," "anticipate," "expect," "predict," "project," "propose," "assume," "forecast," "outlook," "likely," "uncertain," "future," "pending," "goal," "objective," "potential," "continue," "seek to," "may," "can," "will," "should" and "could" and or the negative of such terms or other variations or similar expressions. These forward-looking statements are predictions based on American Water's current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, financial results of levels of activity, performance or achievements, and readers are cautioned not to place undue reliance upon them. The forward-looking statements are subject to a number of estimates and assumptions, and known and unknown risks, uncertainties and other factors. Actual results may differ materially from those discussed in the forward-looking statements included in this press release as a result of the factors discussed in the Company's Annual Report on Form 10-K for the year ended December 31, 2021, and subsequent filings with the SEC, and because of factors such as: the decisions of governmental and regulatory bodies, including decisions to raise or lower customer rates and regulatory responses to the COVID-19 pandemic; the timeliness and outcome of regulatory commissions' and other authorities' actions concerning rates, capital structure, authorized return on equity, capital investment, system acquisitions and dispositions, taxes, permitting, water supply and management, and other decisions; changes in customer demand for, and patterns of use of, water, such as may result from conservation efforts, impacts of the COVID-19 pandemic, or otherwise; a loss of one or more large industrial or commercial customers due to adverse economic conditions, the COVID-19 pandemic, or other factors; limitations on the availability of the Company's water supplies or sources of water, or restrictions on its use thereof, resulting from allocation rights, governmental or regulatory requirements and restrictions, drought, overuse or other factors; changes in laws, governmental regulations and policies, including with respect to the environment, health and safety, water quality and water quality accountability, contaminants of emerging concern, public utility

and tax regulations and policies, and impacts resulting from U.S., state and local elections and changes in federal, state and local executive administrations; the Company's ability to collect, distribute, use, secure and store consumer data in compliance with current or future governmental laws, regulation and policies with respect to data and consumer privacy, security and protection; weather conditions and events, climate variability patterns, and natural disasters, including drought or abnormally high rainfall, prolonged and abnormal ice or freezing conditions, strong winds, coastal and intercoastal flooding, pandemics (including COVID-19) and epidemics, earthquakes, landslides, hurricanes, tornadoes, wildfires, electrical storms, sinkholes and solar flares; the outcome of litigation and similar governmental and regulatory proceedings, investigations or actions; the risks associated with the Company's aging infrastructure, and its ability to appropriately improve the resiliency of, or maintain and replace, current or future infrastructure and systems, including its technology and other assets, and manage the expansion of its businesses; exposure or infiltration of the Company's technology and critical infrastructure systems, including the disclosure of sensitive, personal or confidential information contained therein, through physical or cyber attacks or other means; the Company's ability to obtain permits and other approvals for projects and construction of various water and wastewater facilities; changes in the Company's capital requirements; the Company's ability to control operating expenses and to achieve operating efficiencies; the intentional or unintentional actions of a third party, including contamination of the Company's water supplies or the water provided to its customers; the Company's ability to obtain adequate and cost-effective supplies of pipe, equipment (including personal protective equipment), chemicals, electricity, fuel, water and other raw materials and to address or mitigate supply chain constraints impacting the Company's business operations; the Company's ability to successfully meet its operational growth projections, either individually or in the aggregate, and capitalize on growth opportunities, including, among other things, with respect to acquiring, closing and successfully integrating regulated operations and market-based businesses, the Company's Military Services Group entering into new contracts, price redeterminations and other agreements and contracts, and realizing anticipated benefits and synergies from new acquisitions; risks and uncertainties following the completion of the sale of HOS and the Company's New York subsidiary; risks and uncertainties associated with contracting with the U.S. government, including ongoing compliance with applicable government procurement and security regulations; cost overruns relating to improvements in or the expansion of the Company's operations; the Company's ability to successfully develop and implement new technologies and to protect related intellectual property; the Company's ability to maintain safe work sites; the Company's exposure to liabilities related to environmental laws and similar matters resulting from, among other things, water and wastewater service provided to customers; changes in general economic, political, business and financial market conditions, including without limitation conditions and collateral consequences associated with COVID-19; access to sufficient debt and/or equity capital on satisfactory terms and when and as needed to support operations and capital expenditures; fluctuations in inflation or interest rates; the ability to comply with affirmative or negative covenants in the current or future indebtedness of the Company or any of its subsidiaries, or the issuance of new or modified credit ratings or outlooks or other communications by credit rating agencies with respect to the Company or any of its subsidiaries (or any current or future indebtedness thereof), which could increase financing costs or funding requirements and affect the Company's or its subsidiaries' ability to issue, repay or redeem debt, pay dividends or make distributions; fluctuations in the value of benefit plan assets and liabilities that could increase the Company's cost and funding requirements; changes in federal or state general, income and other tax laws, including (i) future significant tax legislation; (ii) the availability of, or the Company's compliance with, the terms of applicable tax credits and tax abatement programs; and (iii) the Company's ability to utilize its state income tax net operating loss carryforwards; migration of customers into or out of the Company's service territories; the use by municipalities of the power of eminent domain or other authority to condemn the systems of one or more of the Company's utility subsidiaries, or the assertion by private landowners of similar rights against such utility subsidiaries; any difficulty or inability to obtain insurance for the Company, its inability to obtain insurance at acceptable rates and on acceptable terms and conditions, or its inability to obtain reimbursement under existing or future insurance programs and coverages for any losses sustained; the incurrence of impairment charges related to the Company's goodwill or other assets; labor actions, including work stoppages and strikes; the Company's ability to retain and attract qualified employees; civil disturbances or unrest, or terrorist threats or acts, or public apprehension about future disturbances, unrest, or terrorist threats or acts; and the impact of new, and changes to existing, accounting standards.

These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above and the risk factors included in American Water's annual, quarterly and other SEC filings, and readers should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements American Water makes speak only as of the date of this press release. American Water does not have or undertake any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise, except as otherwise required by the federal securities laws. New factors emerge from time to time, and it is not possible for the Company to predict all such factors. Furthermore, it may not be possible to assess the impact of any such factor on the Company's businesses, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.

AWK-IR

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

	For the Three Months Ended March 31,	
	2022	2021
Operating revenues	\$ 842	\$ 888
Operating expenses:		
Operation and maintenance	364	419
Depreciation and amortization	158	157
General taxes	74	83
Total operating expenses, net	596	659
Operating income	246	229
Other income (expense):		
Interest expense	(100)	(98)
Interest income	13	—
Non-operating benefit costs, net	19	20
Other, net	15	4
Total other (expense) income	(53)	(74)
Income before income taxes	193	155
Provision for income taxes	35	22
Net income attributable to common shareholders	\$ 158	\$ 133
Basic earnings per share:		
Net income attributable to common shareholders	\$ 0.87	\$ 0.73
Diluted earnings per share:		
Net income attributable to common shareholders	\$ 0.87	\$ 0.73
Weighted-average common shares outstanding:		
Basic	182	181
Diluted	182	182

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

	March 31, 2022	December 31, 2021
ASSETS		
Property, plant and equipment	\$ 27,781	\$ 27,413
Accumulated depreciation	(6,383)	(6,329)
Property, plant and equipment, net	21,398	21,084
Current assets:		
Cash and cash equivalents	75	116
Restricted funds	21	20
Accounts receivable, net of allowance for uncollectible accounts of \$72 and \$75, respectively	266	271
Unbilled revenues	254	248
Materials and supplies	71	57
Assets held for sale	—	683
Other	166	159
Total current assets	853	1,554
Regulatory and other long-term assets:		
Regulatory assets	1,049	1,051
Seller promissory note from the sale of the Homeowner Services Group	720	720
Operating lease right-of-use assets	91	92
Goodwill	1,139	1,139
Postretirement benefit assets	203	193
Other	241	242
Total regulatory and other long-term assets	3,443	3,437
Total assets	\$ 25,694	\$ 26,075

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

	March 31, 2022	December 31, 2021
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock (\$0.01 par value; 500,000,000 shares authorized; 187,095,267 and 186,880,413 shares issued, respectively)	\$ 2	\$ 2
Paid-in-capital	6,796	6,781
Retained earnings	1,083	925
Accumulated other comprehensive loss	(44)	(45)
Treasury stock, at cost (5,342,229 and 5,269,324 shares, respectively)	(377)	(365)
Total common shareholders' equity	7,460	7,298
Long-term debt	10,347	10,341
Redeemable preferred stock at redemption value	3	3
Total long-term debt	10,350	10,344
Total capitalization	17,810	17,642
Current liabilities:		
Short-term debt	321	584
Current portion of long-term debt	57	57
Accounts payable	175	235
Accrued liabilities	538	701
Accrued taxes	285	176
Accrued interest	102	88
Liabilities related to assets held for sale	—	83
Other	170	217
Total current liabilities	1,648	2,141
Regulatory and other long-term liabilities:		
Advances for construction	300	284
Deferred income taxes and investment tax credits	2,381	2,421
Regulatory liabilities	1,577	1,600
Operating lease liabilities	78	80
Accrued pension expense	276	285
Other	175	180
Total regulatory and other long-term liabilities	4,787	4,850
Contributions in aid of construction	1,449	1,442
Commitments and contingencies		
Total capitalization and liabilities	\$ 25,694	\$ 26,075

American Water Works Company, Inc. and Subsidiary Companies
Adjusted Regulated Operation and Maintenance Efficiency Ratio (A Non-GAAP, unaudited measure)

(Dollars in millions)	For the Twelve Months Ended March 31,	
	2022	2021
Total operation and maintenance expenses	\$ 1,723	\$ 1,658
Less:		
Operation and maintenance expenses—Market-Based Businesses and Other	403	378
Total operation and maintenance expenses—Regulated Businesses	1,320	1,280
Less:		
Regulated purchased water expenses	155	152
Allocation of non-operation and maintenance expenses	29	43
Adjusted operation and maintenance expenses—Regulated Businesses (i)	\$ 1,136	\$ 1,085
Total operating revenues	\$ 3,881	\$ 3,822
Less:		
Operating revenues—Market-Based Businesses and Other	474	532
Total operating revenues—Regulated Businesses	3,407	3,290
Less:		
Regulated purchased water revenues (a)	155	152
Revenue reductions from the amortization of EADIT	(102)	(46)
Adjusted operating revenues—Regulated Businesses (ii)	\$ 3,354	\$ 3,184
Adjusted O&M efficiency ratio—Regulated Businesses (i) / (ii)	33.9 %	34.1 %

(a) The calculation assumes regulated purchased water revenues approximate regulated purchased water expenses.

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

Form 8-K

**Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): April 14, 2022

American Water Works Company, Inc.
(Exact name of registrant as specified in its charter)

Commission File Number: 001-34028

Delaware
(State or other jurisdiction
of incorporation)

51-0063696
(IRS Employer
Identification No.)

**1 Water Street
Camden, NJ 08102-1658**
(Address of principal executive offices, including zip code)
(856) 955-4001
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Trading Symbol</u>	<u>Name of Each Exchange on Which Registered</u>
Common stock, par value \$0.01 per share	AWK	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 8.01. Other Events.

As previously disclosed, on April 6, 2021, Pennsylvania-American Water Company (“Pennsylvania-American Water”), a subsidiary of American Water Works Company, Inc. (the “Company”) entered into an Asset Purchase Agreement with the York City Sewer Authority (the “Seller”) and the City of York, with respect to the purchase of the Seller’s public wastewater collection and treatment system assets (the “System Assets”). On April 14, 2022, the Pennsylvania Public Utility Commission (“PaPUC”) approved Pennsylvania-American Water’s application to acquire the System Assets from the Seller for a purchase price of \$235 million, plus an amount of average daily revenue calculated for the period between the final meter reading and the date of closing. The System Assets serve, directly and indirectly through bulk contracts, more than 45,000 customers. Assuming no successful contest of the PaPUC’s approval occurs within the next 30 days, this approval would satisfy a significant remaining condition to the closing of the transaction, which is expected to occur by or before mid-June 2022.

Cautionary Statement Concerning Forward-Looking Statements

Certain statements included in this Current Report on Form 8-K are forward-looking statements within the meaning of Section 27A of the Securities Act, Section 21E of the Exchange Act and the Private Securities Litigation Reform Act of 1995. In some cases, these forward-looking statements can be identified by words with prospective meanings such as “intend,” “plan,” “estimate,” “believe,” “anticipate,” “expect,” “predict,” “project,” “propose,” “assume,” “forecast,” “likely,” “uncertain,” “outlook,” “future,” “pending,” “goal,” “objective,” “potential,” “continue,” “seek to,” “may,” “can,” “should,” “will” and “could,” or the negative of such terms or other variations or similar expressions. Forward-looking statements relate to, among other things, the ability to satisfy closing and other conditions related to the transaction and to complete the closing of the transaction, and the anticipated closing date. These forward-looking statements are predictions based on the Company’s current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, performance or achievements, and readers are cautioned not to place undue reliance upon them. The forward-looking statements are subject to a number of estimates and assumptions, and known and unknown risks, uncertainties and other factors. Actual results may differ materially from those discussed in the forward-looking statements included in this Current Report on Form 8-K as a result of the factors discussed in the Company’s Annual Report on Form 10-K for the year ended December 31, 2021, as filed with the Securities and Exchange Commission (the “SEC”) on February 16, 2022, and other filings with the SEC, and additional risks and uncertainties, including with respect to (1) satisfying remaining applicable conditions to the closing of the transaction; (2) the occurrence of benefits and synergies expected or predicted to occur as a result of the completion of the transaction; (3) unexpected costs, liabilities or delays associated with the transaction or the integration of the System Assets; (4) regulatory, legislative, local or municipal actions affecting the water and wastewater industries, which could adversely affect Pennsylvania-American Water; and (5) other economic, business and other factors.

These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above and the risk factors included in the Company’s annual and quarterly reports as filed with the SEC, and readers should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements speak only as of the date of this Current Report on Form 8-K. The Company does not have any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise, except as otherwise required by the federal securities laws. New factors emerge from time to time, and it is not possible for us to predict all such factors. Furthermore, it may not be possible to assess the impact of any such factor on the Company’s or Pennsylvania-American Water’s business, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

Dated: April 14, 2022

By: /s/ M. SUSAN HARDWICK

M. Susan Hardwick

President, Chief Executive Officer and Chief Financial Officer

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

Form 8-K

**Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): February 24, 2022

American Water Works Company, Inc.
(Exact name of registrant as specified in its charter)

Commission File Number: 001-34028

Delaware
(State or other jurisdiction
of incorporation)

51-0063696
(IRS Employer
Identification No.)

1 Water Street
Camden, NJ 08102-1658
(Address of principal executive offices, including zip code)
(856) 955-4001
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
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- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Trading Symbol</u>	<u>Name of Each Exchange on Which Registered</u>
Common stock, par value \$0.01 per share	AWK	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 8.01. Other Events.

West Virginia Public Service Commission Issues Order in General Rate Case

On February 24, 2022, the Public Service Commission of West Virginia (the “PSC”) issued an order approving a request to establish new water and wastewater rates pursuant to a general rate case filed on April 30, 2021 by the West Virginia subsidiary of American Water Works Company, Inc. (the “Company”). Under the PSC’s order, the Company’s West Virginia subsidiary has been authorized annualized incremental revenues of \$14.8 million, excluding (i) reductions of \$1.6 million for excess accumulated deferred income taxes as a result of the Tax Cuts and Jobs Act and (ii) \$10.2 million for infrastructure surcharges. The new rates are effective as of February 25, 2022, and were based on an authorized return on equity (“ROE”) of 9.80%, compared to an authorized ROE of 9.75% as approved in the subsidiary’s last general rate case effective February 2019. The PSC order also provides for an aggregate authorized rate base of \$734.0 million, as well as an authorized capital structure with an equity component of 47.97%.

A copy of the press release issued by the Company’s West Virginia subsidiary on February 25, 2022 has been filed as [Exhibit 99.1](#) hereto and is incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

The following exhibits to this Current Report have been provided herewith (as noted below):

Exhibit No.	Description
99.1*	Press Release, dated February 25, 2022, issued by the Company’s West Virginia subsidiary.
104	Cover Page Interactive Data File (the cover page XBRL tags are included and formatted as Inline XBRL).

* Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

Dated: February 25, 2022

By: /s/ M. SUSAN HARDWICK
M. Susan Hardwick
President, Chief Executive Officer and Chief Financial Officer

West Virginia American Water Receives Rate Order from Public Service Commission

CHARLESTON, W.Va. (Feb. 25, 2022) – In an order entered on February 24, 2022, the Public Service Commission of West Virginia (PSC) approved a request to establish new water and wastewater rates for West Virginia American Water customers. The \$23.5 million order recognizes the company’s response to the COVID-19 pandemic, troubled system acquisition investment and Distribution System Improvement Charge (DSIC) investment. The order includes a \$1.6 million reduction for excess accumulated deferred income taxes (EADIT) which is an offset included in the approved base rates. Factoring in the company’s current DSIC surcharge on customer bills, the actual increase water customers would experience totals \$13.0 million in annual revenue or approximately 8.33 percent over current rates.

The company’s rate request, filed on April 30, 2021, was driven by \$258 million in infrastructure investments since its last rate case in 2018, including upgrades to water mains, treatment plants, tanks, valves, booster stations and other infrastructure necessary to maintain and improve water quality, service reliability and fire protection. Unfortunately, much of that investment was not recognized in the PSC’s order.

“We appreciate the careful consideration and review from the Public Service Commission in our request to establish new customer rates following significant infrastructure investment by our company over the last three years,” said Robert Burton, president of West Virginia American Water. “While the results of the order may impact our infrastructure replacement rate moving forward, we are still reviewing the intricacies of the order and how it will impact the company and our customers.”

The new rates, effective today, follow a 300-day statutory review of the company’s rate request. The PSC has ordered a novel rate structure that attempts to provide additional benefit to low-income customers. As ordered, this new rate structure limits the company’s ability to fully identify rate impacts at this time for specific customer classes. The average residential water customer can expect to see an estimated 8.33 percent base rate increase above what they are currently paying, while the company’s wastewater customers in Fayette County can expect to see an estimated 14.87 percent rate increase per month. The aforementioned novel rate structure, which freezes rate impacts for low-income customers, will likely cause these average percent increases to rise in the final rate calculation.

For those families who face economic challenges, West Virginia American Water offers several targeted customer assistance programs. Residential customers have the option of paying bills under a budget billing plan to have predictable monthly payments and avoid seasonal spikes, and customers with past-due bills are offered flexible payment arrangements through installment agreements.

Press Release



The company also offers a reduced rate program that provides a year-round 20 percent discount on residential water and wastewater rates for low-income customers determined eligible by the West Virginia Department of Health and Human Resources. Additionally, the company helps fund the West Virginia Utility Assistance Program Dollar Energy Fund, through which eligible customers can receive one-time emergency grants applied directly to their water bills. Customers can learn more about assistance options by calling 1-800-685-8660 or visiting the Customer Assistance Programs page on the company website.

West Virginia American Water, a subsidiary of American Water (NYSE: AWK), is the largest investor-owned water utility in the state, providing high-quality and reliable water services to approximately 560,000 people. With a history dating back to 1886, American Water (NYSE:AWK) is the largest and most geographically diverse U.S. publicly traded water and wastewater utility company. The company employs more than 6,400 dedicated professionals who provide regulated and regulated-like drinking water and wastewater services to an estimated 14 million people in 24 states. American Water provides safe, clean, affordable and reliable water services to our customers to help keep their lives flowing. For more information, visit amwater.com and follow American Water on Twitter, Facebook and LinkedIn.

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Media Contact:

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Mobile: (304) 380-8455
www.westvirginiaamwater.com

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

Form 8-K

**Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): February 16, 2022

American Water Works Company, Inc.
(Exact name of registrant as specified in its charter)

Commission File Number: 001-34028

**Delaware
(State or other jurisdiction
of incorporation)**

**51-0063696
(IRS Employer
Identification No.)**

**1 Water Street
Camden, NJ 08102-1658
(Address of principal executive offices, including zip code)**

**(856) 955-4001
(Registrant's telephone number, including area code)**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Trading Symbol</u>	<u>Name of Each Exchange on Which Registered</u>
Common stock, par value \$0.01 per share	AWK	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02. Results of Operations and Financial Condition.

On February 16, 2022, American Water Works Company, Inc. (the “Company”) issued a press release announcing its financial results for the fourth quarter and year ended December 31, 2021. A copy of the press release has been included as [Exhibit 99.1](#) and is incorporated by reference herein.

The information furnished in Item 2.02 of this Current Report on Form 8-K, including [Exhibit 99.1](#), shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), nor shall it be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended (the “Securities Act”), or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

The following exhibits have been provided herewith, as indicated below:

Exhibit	Description
99.1*	Press Release, dated February 16, 2022, issued by American Water Works Company, Inc.
104	Cover Page Interactive Data File (the cover page XBRL tags are included and formatted as Inline XBRL)

* Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

Dated: February 16, 2022

By: /s/ M. SUSAN HARDWICK

M. Susan Hardwick

President, Chief Executive Officer and Chief Financial Officer

Press Release



February 16, 2022

**AMERICAN WATER 2021 RESULTS IN LINE WITH EXPECTATIONS
RESULTS INCLUDE GAIN ON SALE OF HOMEOWNER SERVICES
AFFIRMS 2022 GUIDANCE AND LONG-TERM TARGETS**

- **2021 full-year results of \$6.95 per share compared to 2020 results of \$3.91 per share**
 - 2021 results reflect earnings of \$4.25 per share, up 8.7% compared to earnings of \$3.91 per share in 2020, before the gain on the sale of Homeowner Services Group (HOS) in Dec. 2021
 - 2021 results reflect gain of \$2.70 per share on sale of HOS, after reflecting \$0.19 per share contribution to the American Water Charitable Foundation out of proceeds
- **Completed the sale of our regulated subsidiaries in New York and Michigan in early Jan. 2022 and early Feb 2022, respectively**
- **2022 diluted earnings per share guidance range of \$4.39 to \$4.49 affirmed**
- **Long-term financial targets announced in Nov. 2021 affirmed, including long-term EPS growth target of 7-9%**
- **Continued ESG leadership as evidenced by recent exceptional ranking from Corporate Knights**

CAMDEN, N.J., February 16, 2022 - American Water Works Company, Inc. (NYSE: AWK) today reported results for the fourth quarter 2021, of \$3.55 per share, compared to \$0.80 per share in 2020, and full year results of \$6.95 per share compared to \$3.91 per share in 2020. Full year and fourth quarter 2021 results include a gain of \$2.70 per share, which reflects the completion of the sale of HOS in December, reduced by the \$0.19 per share contribution to the American Water Charitable Foundation from the proceeds on the sale. Full year and fourth quarter 2021 results were \$4.25 per share and \$0.85 per share, respectively, before the gain on the sale of HOS.

"American Water fully executed on the strategy in 2021, continuing our record of significant earnings growth and delivering on our plan, including the completion of the sale of HOS in 2021 and the sales of our regulated subsidiaries in New York and Michigan in early 2022," said Susan Hardwick, president and CEO of American Water.

"We invested \$1.9 billion in our regulated business, delivered greater efficiencies in our operations and successfully completed 23 regulated acquisitions during the year. We are also proud that 2021 marked one of our best years of safety performance and a continued recognition of our work to integrate our core values of diversity, inclusion, equity and environmental leadership into everything we do at American Water," added Hardwick. "We are excited about this positive momentum as we continue to execute on the long-term strategies and targets that we shared late last year."

2022 Earnings Guidance and Long-Term Financial Targets Affirmed

The Company affirms its 2022 earnings guidance range of \$4.39 to \$4.49 per share. The Company also affirms its long-term financial targets for the 2022-2026 period announced in Nov. 2021, including its long-term EPS compound annual growth rate target range of 7-9% and its long-term dividend growth expectation at the high end of a 7-10% range. The Company's earnings forecasts are subject to numerous risks and uncertainties, including, without limitation, those described under "Forward-Looking Statements" below and under "Risk Factors" in its annual, quarterly and current reports filed with the Securities and Exchange Commission ("SEC").

Closing of HOS, New York, and Michigan Transactions

On December 9, 2021 the Company announced the close of the sale of its Homeowner Services Group to a wholly owned subsidiary of funds advised by Apax Partners LLP. The sale agreement was announced on October 29, 2021, with a transaction value of approximately \$1.275 billion, plus an applicable working capital adjustment.

Under the agreement, American Water received at closing, as part of the purchase price, \$480 million in cash plus working capital adjustments, and a \$720 million secured Seller Note bearing a 7.00% annual interest rate with a five-year term. In addition, the transaction includes a delayed payment to American Water of \$75 million if certain milestones are met by December 31, 2023. The structure of the transaction enables initial cash proceeds to be redeployed into the regulated water and wastewater business to fund near-term incremental capital investments, while interest on the Seller Note will provide a stream of earnings over the term of the note. Upon maturity, the proceeds from the repayment of the Seller Note are expected to be used to fund a continually growing capital investment in the regulated business.

On January 3, 2022 the Company announced the close of the sale of its regulated operations in New York to a subsidiary of Liberty Utilities Co., the regulated utility operating subsidiary of parent company Algonquin Power & Utilities Corp., for a purchase price of \$608 million in cash.

On February 4, 2022, the Company announced the close of the sale of its operations in Michigan to Ullico, Inc.'s infrastructure business, through its portfolio company, Triton Utilities, Inc., for a purchase price of \$6 million in cash.

These transactions are part of American Water's strategy to continue to operate in states where it can best serve customers and drive efficiencies, thereby creating value for its customers, employees, and shareholders.

Consolidated Results

For the three months ended December 31, 2021, earnings per share were \$3.55, an increase of \$2.75 compared to the same period in 2020. This increase reflects the gain on the sale of HOS and continued growth in the Regulated Businesses from infrastructure investment and acquisitions, partially offset by higher operating costs and lower HOS results year over year as a result of the sale.

For the twelve months ended December 31, 2021, earnings per share were \$6.95, an increase of \$3.04 compared to the same period in 2020. This increase reflects the gain on the sale of HOS and a \$0.40 increase in the Regulated Businesses as earnings grew from infrastructure investment, acquisitions and organic growth. The increase was partially offset by an estimated \$0.05 per share impact from cooler and wetter weather in 2021 compared to 2020. Before the gain on the HOS sale, on a weather normalized basis, diluted earnings for 2021 and 2020 were \$4.23 and \$3.84 per share, respectively, an increase of 10.2%.

In 2021, the Company made capital investments of \$1.9 billion, including \$1.8 billion primarily for infrastructure improvements in the Regulated Businesses and \$135 million for regulated acquisitions.

Regulated Businesses

In the fourth quarter of 2021, the Regulated Businesses' net income was \$166 million, compared to \$154 million for the same period in 2020. Regulated revenue increased approximately \$41 million due to increases from additional authorized revenues from infrastructure investments and acquisitions. Excluding revenue reductions for the amortization of excess accumulated deferred income tax ("EADIT") of \$11 million, which is offset with a like amount as lower tax expense, revenue increased \$52 million. Results also reflect higher O&M expenses of \$16 million to support growth in the Regulated Businesses and increased depreciation of \$7 million, mainly related to infrastructure investment growth.

For the full year 2021, the Regulated Businesses' net income was \$789 million, compared to \$715 million in 2020. Regulated revenue increased approximately \$129 million from additional authorized revenues from infrastructure investments, acquisitions and organic growth, partially offset by lower demand due to weather. Excluding agreed-to revenue reductions for the amortization of EADIT of \$79 million, which is offset with a like amount as lower tax expense, revenue increased \$208 million. Results also reflect higher O&M expenses of \$67 million to support growth in the Regulated Businesses and increased depreciation of \$39 million, mainly related to infrastructure investment growth.

To date, the Company has been authorized additional annualized revenues, excluding agreed-to reductions for EADIT, of approximately \$135 million from general rate cases, with \$115 million effective in 2021 and \$20 million effective in 2022. In addition, approximately \$83 million of additional annualized revenues from infrastructure surcharges have been authorized. The Company has general rate cases in progress in six jurisdictions and filed for infrastructure surcharges in two jurisdictions, reflecting a total annualized revenue request of approximately \$242 million.

For the full year 2021, the Company's adjusted regulated O&M efficiency ratio (a non-GAAP financial measure) was 34.1%, compared to 34.3% for 2020. The improvement in this ratio reflects the continued focus on operating costs, as well as an increase in operating revenues for the Regulated Businesses after considering the adjustment for the amortization of the EADIT shown below.

Market-Based Businesses

In the fourth quarter of 2021, net income for the Market-Based Businesses was \$491 million, compared to a net income of \$23 million for the same period in 2020.

Net income in the Market-Based Businesses in 2021 was \$550 million, compared to a net income of \$91 million for the same period in 2020. The increase resulted from the gain on the sale of HOS of \$478 million, partially offset by lower operating results for HOS primarily as a result of the timing of the sale.

In addition to the gain on the sale of HOS within the Market-Based Businesses, Parent and Other results reflect a \$13 million net income benefit from the revaluation of state net operating losses that can now be utilized as a result of the sale.

Dividends

On December 9, 2021, the Company's board of directors declared a quarterly cash dividend payment of \$0.6025 per share of common stock payable on March 1, 2022, to all shareholders of record as of February 8, 2022.

Non-GAAP Financial Measures

This press release includes a presentation of adjusted regulated O&M efficiency ratio, a “non-GAAP financial measure” under SEC rules, which excludes from its calculation estimated purchased water revenues and purchased water expenses, reductions for the amortization of EADIT, and the allocable portion of non-O&M support services costs, mainly depreciation and general taxes. These items were excluded from the O&M efficiency ratio calculation as they do not reflect management’s ability to increase the efficiency of the Regulated Businesses. This item is derived from American Water’s consolidated financial information but is not presented in its financial statements prepared in accordance with GAAP. This non-GAAP financial measure supplements and should be read in conjunction with the Company’s GAAP disclosures and should be considered as an addition to, and not a substitute for, any GAAP measure.

Management evaluates its operating performance using this ratio and believes that this non-GAAP financial measure is useful to the Company’s investors because it directly measures improvement in the operating performance and efficiency of the Company’s Regulated Businesses. The Company’s adjusted regulated O&M efficiency ratio (i) is not an accounting measure that is based on GAAP; (ii) is not based on a standard, objective industry definition or method of calculation; (iii) may not be comparable to other companies’ operating measures; and (iv) should not be used in place of the GAAP information provided elsewhere in this press release.

Set forth in this release is a table that calculates the Company’s adjusted regulated O&M efficiency ratio and reconciles each of the components used to calculate this ratio to the most directly comparable GAAP financial measure. Management is unable to present a reconciliation of adjustments to the components of the forward-looking regulated O&M efficiency ratio without unreasonable effort because management cannot reliably predict the nature, amount or probable significance of all of the adjustments for future periods; however, these adjustments may, individually or in the aggregate, cause the non-GAAP financial measure component of the forward-looking ratio to differ significantly from the most directly comparable GAAP financial measure.

About American Water

With a history dating back to 1886, American Water is the largest and most geographically diverse U.S. publicly-traded water and wastewater utility company. The Company employs approximately 6,400 dedicated professionals who provide regulated and market-based drinking water, wastewater and other related services to over 14 million people in 24 states. More information can be found by visiting amwater.com and follow American Water on Twitter, Facebook and LinkedIn.

Throughout this press release, unless the context otherwise requires, references to the “Company” and “American Water” mean American Water Works Company, Inc. and all of its subsidiaries, taken together as a whole.

Cautionary Statement Concerning Forward-Looking Statements

Certain statements in this press release including, without limitation, 2022 earnings guidance, the Company’s long-term financial, growth and dividend targets, future capital needs, the ability to achieve the Company’s strategies and goals, including with respect to its ESG focus and related to the sale of HOS, the Company’s receipt of contingent consideration, the repayment of the seller note and the redeployment of the net proceeds from its divestitures, the outcome of the Company’s pending acquisition activity, the amount and allocation of projected capital expenditures; and estimated revenues from rate cases and other government agency authorizations, are forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and the Federal securities laws. In some cases, these forward-looking statements can be identified by words with prospective meanings such as “intend,” “plan,” “estimate,” “believe,” “anticipate,” “expect,” “predict,” “project,” “propose,” “assume,” “forecast,” “outlook,” “likely,” “uncertain,” “future,” “pending,” “goal,” “objective,” “potential,” “continue,” “seek to,” “may,” “can,” “will,” “should” and “could” and or the negative of such terms or other variations or similar expressions. These forward-looking statements are predictions based on American Water’s current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, financial results of levels of activity, performance or achievements, and readers are cautioned not to place undue reliance upon them. The

forward-looking statements are subject to a number of estimates and assumptions, and known and unknown risks, uncertainties and other factors. Actual results may differ materially from those discussed in the forward-looking statements included in this press release as a result of the factors discussed in the Company's Annual Report on Form 10-K for the year ended December 31, 2021, and subsequent filings with the SEC, and because of factors such as: the decisions of governmental and regulatory bodies, including decisions to raise or lower customer rates and regulatory responses to the COVID-19 pandemic; the timeliness and outcome of regulatory commissions' and other authorities' actions concerning rates, capital structure, authorized return on equity, capital investment, system acquisitions and dispositions, taxes, permitting, water supply and management, and other decisions; changes in customer demand for, and patterns of use of, water, such as may result from conservation efforts, impacts of the COVID-19 pandemic, or otherwise; a loss of one or more large industrial or commercial customers due to adverse economic conditions, the COVID-19 pandemic, or other factors; limitations on the availability of the Company's water supplies or sources of water, or restrictions on its use thereof, resulting from allocation rights, governmental or regulatory requirements and restrictions, drought, overuse or other factors; changes in laws, governmental regulations and policies, including with respect to the environment, health and safety, water quality and water quality accountability, contaminants of emerging concern, public utility and tax regulations and policies, and impacts resulting from U.S., state and local elections and changes in federal, state and local executive administrations; the Company's ability to collect, distribute, use, secure and store consumer data in compliance with current or future governmental laws, regulation and policies with respect to data and consumer privacy, security and protection; weather conditions and events, climate variability patterns, and natural disasters, including drought or abnormally high rainfall, prolonged and abnormal ice or freezing conditions, strong winds, coastal and intercoastal flooding, pandemics (including COVID-19) and epidemics, earthquakes, landslides, hurricanes, tornadoes, wildfires, electrical storms, sinkholes and solar flares; the outcome of litigation and similar governmental and regulatory proceedings, investigations or actions; the risks associated with the Company's aging infrastructure, and its ability to appropriately improve the resiliency of, or maintain and replace, current or future infrastructure and systems, including its technology and other assets, and manage the expansion of its businesses; exposure or infiltration of the Company's technology and critical infrastructure systems, including the disclosure of sensitive, personal or confidential information contained therein, through physical or cyber attacks or other means; the Company's ability to obtain permits and other approvals for projects and construction of various water and wastewater facilities; changes in the Company's capital requirements; the Company's ability to control operating expenses and to achieve operating efficiencies; the intentional or unintentional actions of a third party, including contamination of the Company's water supplies or the water provided to its customers; the Company's ability to obtain adequate and cost-effective supplies of pipe, equipment (including personal protective equipment), chemicals, electricity, fuel, water and other raw materials and to address or mitigate supply chain constraints impacting the Company's business operations; the Company's ability to successfully meet its operational growth projections, either individually or in the aggregate, and capitalize on growth opportunities, including, among other things, with respect to acquiring, closing and successfully integrating regulated operations and market-based businesses, the Company's Military Services Group entering into new contracts, price redeterminations and other agreements and contracts, and realizing anticipated benefits and synergies from new acquisitions; risks and uncertainties following the completion of the sale of HOS and the Company's New York subsidiary; risks and uncertainties associated with contracting with the U.S. government, including ongoing compliance with applicable government procurement and security regulations; cost overruns relating to improvements in or the expansion of the Company's operations; the Company's ability to successfully develop and implement new technologies and to protect related intellectual property; the Company's ability to maintain safe work sites; the Company's exposure to liabilities related to environmental laws and similar matters resulting from, among other things, water and wastewater service provided to customers; changes in general economic, political, business and financial market conditions, including without limitation conditions and collateral consequences associated with COVID-19; access to sufficient debt and/or equity capital on satisfactory terms and when and as needed to support operations and capital expenditures; fluctuations in inflation or interest rates; the ability to comply with affirmative or negative covenants in the current or future indebtedness of the Company or any of its subsidiaries, or the issuance of new or modified credit ratings or outlooks or other communications by credit rating agencies with respect to the Company or any of its subsidiaries (or any current or future indebtedness thereof), which could increase financing costs or funding requirements and affect the Company's or its subsidiaries' ability to issue, repay or redeem debt, pay dividends or make distributions; fluctuations in the value of benefit plan assets and liabilities that could increase the Company's cost and funding requirements; changes in federal or state general, income and other tax laws, including (i) future significant tax legislation; (ii) the availability of, or the Company's compliance with, the terms of applicable tax credits and tax abatement programs; and (iii) the Company's ability to utilize its state income tax net operating loss carryforwards; migration of customers into or out of the Company's service territories; the use by municipalities of the power of eminent domain or other authority to condemn the systems of one or more of the Company's utility subsidiaries, or the assertion by private landowners of similar rights against such utility subsidiaries; any difficulty or inability to obtain insurance for the Company, its inability to obtain insurance at acceptable rates and on acceptable terms and conditions, or its inability to obtain reimbursement under existing or future insurance programs and coverages for any losses sustained; the incurrence of impairment charges related to the Company's goodwill or other assets; labor actions, including work stoppages and strikes; the Company's ability to retain and attract qualified employees; civil disturbances or unrest, or terrorist threats or acts, or public apprehension about future disturbances, unrest, or terrorist threats or acts; and the impact of new, and changes to existing, accounting standards.

These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above and the risk factors included in American Water's annual, quarterly and other SEC filings, and readers should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements American Water makes speak only as of the date of this press release. American Water does not have or undertake any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise, except as otherwise required by the federal securities laws. New factors emerge from time to time, and it is not possible for the Company to predict all such factors. Furthermore, it may not be possible to assess the impact of any such factor on the Company's businesses, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.

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Contacts

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Media:

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American Water Works Company, Inc. and Subsidiary Companies

Consolidated Statements of Operations

(In millions, except per share data)

	For the Three Months Ended December 31,		For the Years Ended December 31,	
	2021	2020	2021	2020
	(Unaudited)			
Operating revenues	\$ 951	\$ 923	\$ 3,930	\$ 3,777
Operating expenses:				
Operation and maintenance	491	429	1,777	1,622
Depreciation and amortization	160	153	636	604
General taxes	80	78	321	303
Total operating expenses, net	731	660	2,734	2,529
Operating income	220	263	1,196	1,248
Other income (expense):				
Interest expense	(103)	(99)	(403)	(397)
Interest income	4	—	4	2
Non-operating benefit costs, net	19	12	78	49
Gain or (loss) on sale of businesses	747	—	747	—
Other, net	7	5	18	22
Total other income (expense)	674	(82)	444	(324)
Income before income taxes	894	181	1,640	924
Provision for income taxes	249	36	377	215
Net income attributable to common shareholders	\$ 645	\$ 145	\$ 1,263	\$ 709
Basic earnings per share: (a)				
Net income attributable to common shareholders	\$ 3.56	\$ 0.80	\$ 6.96	\$ 3.91
Diluted earnings per share: (a)				
Net income attributable to common shareholders	\$ 3.55	\$ 0.80	\$ 6.95	\$ 3.91
Weighted-average common shares outstanding:				
Basic	182	181	182	181
Diluted	182	181	182	182

(a) Amounts may not calculate due to rounding.

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Balance Sheets

(In millions, except share and per share data)

	December 31, 2021	December 31, 2020
ASSETS		
Property, plant and equipment	\$ 27,413	\$ 25,614
Accumulated depreciation	(6,329)	(5,904)
Property, plant and equipment, net	21,084	19,710
Current assets:		
Cash and cash equivalents	116	547
Restricted funds	20	29
Accounts receivable, net of allowance for uncollectible accounts of \$75 and \$60, respectively	271	321
Unbilled revenues	248	206
Materials and supplies	57	47
Assets held for sale	683	629
Other	159	127
Total current assets	1,554	1,906
Regulatory and other long-term assets:		
Regulatory assets	1,051	1,127
Seller promissory note from the sale of the Homeowner Services Group	720	—
Operating lease right-of-use assets	92	95
Goodwill	1,139	1,504
Postretirement benefit assets	193	173
Intangible assets	—	55
Other	242	196
Total regulatory and other long-term assets	3,437	3,150
Total assets	\$ 26,075	\$ 24,766

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Balance Sheets

(In millions, except share and per share data)

	December 31, 2021	December 31, 2020
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock (\$0.01 par value; 500,000,000 shares authorized; 186,880,413 and 186,466,707 shares issued, respectively)	\$ 2	\$ 2
Paid-in-capital	6,781	6,747
Retained earnings	925	102
Accumulated other comprehensive loss	(45)	(49)
Treasury stock, at cost (5,269,324 and 5,168,215 shares, respectively)	(365)	(348)
Total common shareholders' equity	7,298	6,454
Long-term debt	10,341	9,329
Redeemable preferred stock at redemption value	3	4
Total long-term debt	10,344	9,333
Total capitalization	17,642	15,787
Current liabilities:		
Short-term debt	584	1,282
Current portion of long-term debt	57	329
Accounts payable	235	189
Accrued liabilities	701	591
Accrued taxes	176	50
Accrued interest	88	88
Liabilities related to assets held for sale	83	137
Other	217	215
Total current liabilities	2,141	2,881
Regulatory and other long-term liabilities:		
Advances for construction	284	270
Deferred income taxes and investment tax credits	2,421	2,113
Regulatory liabilities	1,600	1,770
Operating lease liabilities	80	81
Accrued pension expense	285	388
Other	180	83
Total regulatory and other long-term liabilities	4,850	4,705
Contributions in aid of construction	1,442	1,393
Commitments and contingencies		
Total capitalization and liabilities	\$ 26,075	\$ 24,766

American Water Works Company, Inc. and Subsidiary Companies
Adjusted Regulated Operation and Maintenance Efficiency Ratio (A Non-GAAP, unaudited measure)

(Dollars in millions)	2021	2020	2019
Total operation and maintenance expenses	\$ 1,777	\$ 1,622	\$ 1,544
Less:			
Operation and maintenance expenses—Market-Based Businesses	482	389	393
Operation and maintenance expenses—Other	(30)	(25)	(31)
Total operation and maintenance expenses—Regulated Businesses	1,325	1,258	1,182
Less:			
Regulated purchased water expenses	153	149	135
Allocation of non-operation and maintenance expenses	34	41	31
Impact of Freedom Industries settlement activities (a)	—	—	(4)
Adjusted operation and maintenance expenses—Regulated Businesses (i)	<u>\$ 1,138</u>	<u>\$ 1,068</u>	<u>\$ 1,020</u>
Total operating revenues	\$ 3,930	\$ 3,777	\$ 3,610
Less:			
Operating revenues—Market-Based Businesses	563	540	539
Operating revenues—Other	(17)	(18)	(23)
Total operating revenues—Regulated Businesses	3,384	3,255	3,094
Less:			
Regulated purchased water revenues (b)	153	149	135
Revenue reductions from the amortization of EADIT	(104)	(7)	—
Adjusted operating revenues—Regulated Businesses (ii)	<u>\$ 3,335</u>	<u>\$ 3,113</u>	<u>\$ 2,959</u>
Adjusted O&M efficiency ratio—Regulated Businesses (i) / (ii)	34.1 %	34.3 %	34.5 %

(a) Includes the impact of a reduction in the first quarter of 2019 of a liability related to the Freedom Industries chemical spill in West Virginia.

(b) The calculation assumes regulated purchased water revenues approximate regulated purchased water expenses.

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

Form 8-K

**Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): February 15, 2022

American Water Works Company, Inc.
(Exact name of registrant as specified in its charter)

Commission File Number: 001-34028

Delaware
(State or other jurisdiction
of incorporation)

51-0063696
(IRS Employer
Identification No.)

**1 Water Street
Camden, NJ 08102-1658**
(Address of principal executive offices, including zip code)
(856) 955-4001
(Registrant's telephone number, including area code)

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Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 8.01. Other Events.

On February 15, 2022, American Water Works Company, Inc. (the “Company”) issued a press release announcing that James H. Gallegos has been named as the Company’s Executive Vice President and General Counsel, effective April 1, 2022. Mr. Gallegos replaces Michael A. Sgro, who the Company previously announced retired effective February 1, 2022. Mr. Gallegos has served since February 2020 as the Executive Vice President, General Counsel and Corporate Secretary of Alliant Energy Corporation, a regulated, investor-owned public utility holding company, and its two utility subsidiaries (collectively, “Alliant Energy”). From February 2015 to February 2020, Mr. Gallegos served as Senior Vice President, General Counsel and Corporate Secretary of Alliant Energy.

A copy of the press release issued by the Company is attached hereto as [Exhibit 99.1](#) and is incorporated by reference herein.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

The following exhibits have been provided herewith, as indicated below:

Exhibit No.	Description of Exhibit
99.1*	Press Release, dated February 15, 2022, issued by American Water Works Company, Inc.
104	Cover Page Interactive Data File (the cover page XBRL tags are included and formatted as Inline XBRL)

*Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

Dated: February 15, 2022

By: /s/ M. SUSAN HARDWICK

M. Susan Hardwick

President, Chief Executive Officer and Chief Financial Officer

Press Release



American Water Names James H. Gallegos Executive Vice President and General Counsel

CAMDEN, N.J., February 15, 2022 – American Water Works Company, Inc. (NYSE: AWK), the largest publicly traded U.S. water and wastewater utility company, today announced that James H. Gallegos has been named the Executive Vice President and General Counsel effective April 1, 2022. Gallegos replaces Mike Sgro, who retired earlier in the month.

“Jim is an outstanding addition to our executive team,” said Susan Hardwick, president and CEO of American Water. “He brings nearly 20 years of General Counsel experience and has a unique combination of knowledge and skills that include strategic regulatory experience, strong corporate governance, extensive litigation, business planning, strategy development and leading multi-state regulatory and legal teams. Jim is also passionate on inclusion, equity and diversity matters, which fully aligns with American Water’s values.”

Gallegos most recently served as Executive Vice President, General Counsel and Corporate Secretary at Alliant Energy Corporation, which provides regulated electric and natural gas service to approximately 975,000 electric and approximately 420,000 natural gas customers in the Midwest.

Prior to joining Alliant Energy in 2010, Gallegos served as the Vice President and Corporate General Counsel for Burlington Northern and Santa Fe Corporation, one of North America’s leading freight transportation companies. Prior to that role, Gallegos served as Vice President Legal Affairs for Qwest Communications International, Inc. He also held multiple other roles at Qwest prior to his vice president role.

Gallegos started his legal career as a trial attorney with the U.S. Department of Justice and law clerk for a Federal District Court Judge. He currently serves as Chair on the Clean Lakes

Press Release



Alliance Board of Directors. He has also served on the Board of Urban League and on the Board of Edgewood College.

Gallegos received a Bachelor of Science degree in Business from the University of Colorado and a law degree from the University of Minnesota Law Center, where he graduated Cum Laude.

About American Water

With a history dating back to 1886, American Water (NYSE:AWK) is the largest and most geographically diverse U.S. publicly traded water and wastewater utility company. The company employs approximately 6,400 dedicated professionals who provide regulated and regulated-like drinking water and wastewater services to an estimated 14 million people in 24 states. American Water provides safe, clean, affordable and reliable water services to our customers to help keep their lives flowing. For more information, visit amwater.com and follow American Water on Twitter, Facebook and LinkedIn.

AWK-IR

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###

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

Form 8-K

**Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): February 1, 2022

American Water Works Company, Inc.
(Exact name of registrant as specified in its charter)

Commission File Number: 001-34028

Delaware
(State or other jurisdiction
of incorporation)

51-0063696
(IRS Employer
Identification No.)

**1 Water Street
Camden, NJ 08102-1658**
(Address of principal executive offices, including zip code)
(856) 955-4001
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Trading Symbol</u>	<u>Name of Each Exchange on Which Registered</u>
Common stock, par value \$0.01 per share	AWK	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

(b) & (e) On February 2, 2022, Walter J. Lynch, 59, President and Chief Executive Officer of American Water Works Company, Inc. (the “Company”), provided the Board of Directors (the “Board”) of the Company notice of his decision to retire as the Company’s President and Chief Executive Officer and its principal executive officer, as well as a member of the Board, which retirement was accepted by the Board on February 2, 2022. Effective February 2, 2022, based on the unanimous recommendation of the Executive Development and Compensation Committee and the unanimous approval of the independent members of the Board, the Company and Mr. Lynch executed a Separation Agreement and General Release, providing for, among other things, payment to Mr. Lynch for 12 months of his current annual base salary of \$1,000,000, minus applicable deductions and withholdings, in accordance with the Company’s regular pay schedule in consideration for a 12-month concurrent non-compete and non-solicitation period, a general release of claims, and other restrictive covenants. Mr. Lynch’s retirement from the Board was not as a result of any disagreement with the Company on any matter relating to the Company’s operations, policies or practices.

On February 1, 2022, the Chairman of the Board and the Company received notice from Lloyd M. Yates, a member of the Board, stating that he will retire from the Board effective as of February 14, 2022. Mr. Yates has been appointed as the President and Chief Executive Officer of NiSource Inc. effective February 14, 2022. Mr. Yates’ retirement from the Board was not as a result of any disagreement with the Company on any matter relating to the Company’s operations, policies or practices.

(c) On February 2, 2022, upon the recommendation of the Nominating/Corporate Governance Committee of the Board, the Board elected M. Susan Hardwick, 59, to serve as the Company’s President and Chief Executive Officer and as principal executive officer. Ms. Hardwick will continue in her role as Chief Financial Officer and principal financial officer until her replacement is named.

(d) Based on the recommendation of the Nominating/Corporate Governance Committee of the Board, on February 2, 2022, Ms. Hardwick was elected as a member of the Board to fill the vacancy created by the retirement of Mr. Lynch. Ms. Hardwick was elected to serve a term commencing on February 2, 2022 and ending on the date of the Company’s 2022 Annual Meeting of Shareholders, and until her successor has been elected and qualified, or until her earlier death, resignation or removal. Ms. Hardwick will not serve on any committees of the Board. Other than as part of or in connection with the compensatory and other arrangements with Ms. Hardwick described in this Item 5.02, in connection with her election to the Board, (i) there are no other arrangements or understandings between Ms. Hardwick and any other person, pursuant to which Ms. Hardwick was selected as a director, (ii) no material plan, contract or arrangement has been entered into with Ms. Hardwick, and no such plan, contract or arrangement with Ms. Hardwick has been materially amended, and (iii) no grant of any award to Ms. Hardwick or modification of an existing award has been made. Also, Ms. Hardwick does not have any direct or indirect material interest in any transaction that would require reporting under Item 404(a) of Regulation S-K.

(e) To provide for Ms. Hardwick’s compensation in her new role, the Company and Ms. Hardwick have executed an employment offer letter, dated February 2, 2022, which was unanimously approved by the independent members of the Board upon the unanimous recommendation of the Executive Development and Compensation Committee, having reviewed data and analyses by its independent compensation consultant. The employment offer letter provides for the following terms as to her compensation: (i) annual base salary of \$1,000,000; (ii) a 2022 target award under the Annual Performance Plan (the “APP”) of 110% of her annual base salary as of February 2, 2022; (iii) eligibility to receive awards under the Company’s 2017 Omnibus Equity Compensation Plan pursuant to the terms of the Company’s 2022 Long-Term Performance Plan (“LTTP”), based on a target award percentage of 400% of her annual base salary as of February 2, 2022, which will have standard terms and vesting conditions for the CEO role; (iv) continued participation in the Company’s Executive Severance Policy and Change of Control Severance Policy; (v) continued eligibility to participate in the Company’s employee nonqualified deferred compensation plan and its 401(k) savings plan; and (vi) a \$100,000 cash stipend, less applicable withholdings, for her service as Interim CEO from December 7, 2021 to January 31, 2022. Ms. Hardwick will continue to be subject to the Company’s executive stock ownership guidelines and stock retention requirements, and is now required to own by February 2, 2027 Company common stock with a value of at least six times her annual base salary. The foregoing will be received by Ms. Hardwick in lieu of her previously approved compensation as Executive Vice President and Chief Financial Officer.

A copy of the press release issued by the Company on February 2, 2022 related to the foregoing has been included as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated herein by reference.

(d) Exhibits.

The following exhibits to this Current Report have been provided herewith (as noted below):

Exhibit No.	Description
99.1*	Press Release, dated February 2, 2022, issued by the Company.
104	Cover Page Interactive Data File (the cover page XBRL tags are included and formatted as Inline XBRL).

* Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

Dated: February 2, 2022

By: /s/ CHERYL NORTON
Cheryl Norton
Executive Vice President and Chief Operating Officer

Press Release



American Water’s Walter Lynch Announces Retirement Susan Hardwick Named President and CEO

CAMDEN, N.J. – February 2, 2022 – American Water (NYSE: AWK) announced today that its president and CEO Walter Lynch retired from the company, effective February 2, 2022. Susan Hardwick, who recently served as Interim CEO, was appointed by the Board of Directors as president and CEO to replace Lynch.

“I have decided to retire from American Water. This is the best decision for my family and me,” said former president and CEO Walter Lynch. “I am fortunate to have my health and such a wonderful family with whom I look forward to spending more time. As I move on, I will be wishing the company every success in the years ahead.”

“On behalf of the Board of Directors, we want to thank Walter for his service to American Water over his long-tenure with the company,” said Karl Kurz, chairman of American Water’s Board of Directors.

“The Board and I are also pleased to name Susan Hardwick as American Water’s president and CEO and we have full confidence that she will continue our record of strong industry leadership and financial performance,” added Kurz. “She is a proven leader with extensive utility experience and is deeply committed to customers, employee development and building better communities.”

Hardwick is currently serving as American Water’s chief financial officer and will continue to serve in that role until her replacement is named. A national search to fill the CFO role is underway. The Board of Directors also elected Hardwick to serve on the Board of Directors at American Water.

“I want to say a special thanks to Walter for his time at American Water and wish him all the best,” stated Hardwick. “I also look forward to continuing to lead the incredible employees of American Water. We’re a top leader in the utility sector and we will continue to deliver exceptional value to all of our stakeholders.”

Press Release



Hardwick joined American Water in June 2019 and became CFO on July 1, 2019. In this role, she was responsible for all aspects of financial management and strategy, including directing finance strategy, investor relations, treasury, financial planning, accounting, internal audit, risk management, supply chain, regulatory services, and control functions.

Prior to joining American Water, Hardwick served as executive vice president and CFO of Vectren Corporation.

About American Water

With a history dating back to 1886, American Water (NYSE: AWK) is the largest and most geographically diverse U.S. publicly traded water and wastewater utility company. The company employs more than 6,400 dedicated professionals who provide regulated and regulated-like drinking water and wastewater services to an estimated 14 million people in 25 states. American Water provides safe, clean, affordable, and reliable water services to our customers to help keep their lives flowing. For more information, visit amwater.com and follow American Water on Twitter, Facebook, and LinkedIn.

AWK-IR

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Media Contact:

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###

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

Form 8-K

**Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): January 26, 2022

American Water Works Company, Inc.
(Exact name of registrant as specified in its charter)

Commission File Number: 001-34028

Delaware
(State or other jurisdiction
of incorporation)

51-0063696
(IRS Employer
Identification No.)

1 Water Street
Camden, NJ 08102-1658
(Address of principal executive offices, including zip code)
(856) 955-4001
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Trading Symbol</u>	<u>Name of Each Exchange on Which Registered</u>
Common stock, par value \$0.01 per share	AWK	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

(b) & (c) On January 26, 2022, the Board of Directors (the “Board”) of American Water Works Company, Inc. (the “Company”) determined that Walter J. Lynch, 59, President and Chief Executive Officer of the Company, is able to reassume his duties as such. As a result, on January 26, 2022, effective January 31, 2022, the Board (i) reinstated Mr. Lynch fully to, and authorized and directed Mr. Lynch to assume, all of his authority, duties and responsibilities as the Company’s President and Chief Executive Officer and its principal executive officer, and (ii) removed M. Susan Hardwick, 59, the Company’s Interim Chief Executive Officer, Executive Vice President and Chief Financial Officer, from the office of Interim Chief Executive Officer. Ms. Hardwick continues to serve as the Company’s Executive Vice President and Chief Financial Officer and its principal financial officer.

A copy of the press release issued by the Company on January 27, 2022 related to the foregoing has been included as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated herein by reference.

(d) Exhibits.

The following exhibits to this Current Report have been provided herewith (as noted below):

Exhibit No.	Description
99.1*	Press Release, dated January 27, 2022, issued by the Company.
104	Cover Page Interactive Data File (the cover page XBRL tags are included and formatted as Inline XBRL).

* Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

Dated: January 27, 2022

By: /s/ CHERYL NORTON
Cheryl Norton
Executive Vice President and Chief Operating Officer

Press Release



American Water Board of Directors Reinstates Walter Lynch as CEO effective Jan. 31, 2022

CAMDEN, N.J., Jan. 27, 2022 – American Water (NYSE: AWK), the largest publicly-traded U.S. water and wastewater utility company, announced today its Board of Directors is reinstating Walter Lynch as CEO of American Water, effective Jan. 31, 2022, after his recovery from a recent injury and hospitalization.

“We are so pleased that Walter has recovered and is ready to return to his full duties as CEO of American Water,” said Karl Kurz, chairman of American Water’s Board of Directors. “I know Walter is excited to return next week and join American Water’s management team and all the employees of American Water as they continue to provide essential water and wastewater services across the U.S.”

“I, along with the Board, also thank Susan Hardwick and the rest of the American Water management team for successfully leading American Water during this time, consistent with the company’s business continuity plan. Their leadership allowed Walter to focus on his recovery while the business operated without interruption,” added Kurz.

The Board’s action reinstates Lynch to fully assume all of his authority, duties and responsibilities as the Company’s President and Chief Executive Officer and its principal executive officer. Susan Hardwick, who was serving as Interim CEO, continues to serve as the Company’s Executive Vice President and Chief Financial Officer and its principal financial officer.

About American Water

With a history dating back to 1886, American Water (NYSE: AWK) is the largest and most geographically diverse U.S. publicly traded water and wastewater utility company. The company employs approximately 6,400 dedicated professionals who provide regulated and regulated-like drinking water and wastewater services to an estimated 14 million people in 25 states. American Water provides safe, clean, affordable, and reliable water services to our customers to help keep their lives flowing. For more information, visit amwater.com and follow American Water on Twitter, Facebook and LinkedIn.

AWK-IR

Investor Contact:

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aaron.musgrave@amwater.com

Press Release



Media Contact:

Maureen Duffy
Senior Vice President, Communications and External Affairs
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###

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

Form 8-K

**Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): January 20, 2022

American Water Works Company, Inc.
(Exact name of registrant as specified in its charter)

Commission File Number: 001-34028

Delaware
(State or other jurisdiction
of incorporation)

51-0063696
(IRS Employer
Identification No.)

**1 Water Street
Camden, NJ 08102-1658**
(Address of principal executive offices, including zip code)
(856) 955-4001
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Trading Symbol</u>	<u>Name of Each Exchange on Which Registered</u>
Common stock, par value \$0.01 per share	AWK	New York Stock Exchange

Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

(e) On January 20, 2022, the Executive Development and Compensation Committee (the “Committee”) of the Board of Directors of American Water Works Company, Inc. (the “Company”), based on data and analyses provided by the Committee’s independent compensation consultant, approved an amendment of, and an adjustment to, the Company’s existing internally measured long-term performance plan (“LTTP”) performance share unit awards granted in February 2020 and 2021 (collectively, the “PSU-IMs”) under the Company’s 2017 Omnibus Equity Compensation Plan. The PSU-IM’s performance is to be measured based on the rate of the Company’s earnings per share (“EPS”) growth, compounded annually over a three-year period, and anchored off the Company’s 2019 adjusted EPS for the fiscal year ended December 31, 2019 (with respect to the 2020 PSU-IMs) and EPS for the fiscal year ended December 31, 2020 (with respect to the 2021 PSU-IMs). To reflect the sale of the Company’s Homeowner Services Group (“HOS”) (which was completed on December 9, 2021) in the three-year EPS growth calculations for these LTTP awards, the starting EPS for the PSU-IMs granted in February 2020 and 2021 has been decreased by \$0.38 and \$0.40, respectively. The amount of the adjustment to the starting EPS is equivalent to the contribution of HOS to the Company’s EPS for the 2019 and 2020 fiscal years. Furthermore, the ending EPS will be adjusted to exclude the impact of interest earned under that certain Secured Seller Note Agreement, dated December 9, 2021, and revenue or other income recorded by the Company under that certain Revenue Share Agreement, dated December 9, 2021, each as entered into in connection with the Company’s sale of HOS.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

Dated: January 21, 2022

By: /s/ M. SUSAN HARDWICK
M. Susan Hardwick
Interim Chief Executive Officer, Executive Vice President and Chief Financial Officer

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

Form 8-K

**Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): January 1, 2022

American Water Works Company, Inc.
(Exact name of registrant as specified in its charter)

Commission File Number: 001-34028

Delaware
(State or other jurisdiction
of incorporation)

51-0063696
(IRS Employer
Identification No.)

1 Water Street
Camden, NJ 08102-1658
(Address of principal executive offices, including zip code)
(856) 955-4001
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Trading Symbol</u>	<u>Name of Each Exchange on Which Registered</u>
Common stock, par value \$0.01 per share	AWK	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 8.01. Other Events.

Completion of Sale of Company's New York Subsidiary

On January 1, 2022 (the "Closing Date"), American Water Works Company, Inc. (the "Company") completed the previously disclosed sale of its regulated utility operations in New York to Liberty Utilities (Eastern Water Holdings) Corp. ("Liberty"), an indirect, wholly owned subsidiary of Algonquin Power & Utilities Corp. Under the terms of the Stock Purchase Agreement, dated November 20, 2019, as amended, by and among the Company, the Company's New York subsidiary and Liberty (the "Stock Purchase Agreement"), on the Closing Date, Liberty purchased from the Company all of the capital stock of the Company's New York subsidiary, and the Company received from Liberty the purchase price of \$608 million in cash. The sale was approved by the New York State Department of Public Service on December 16, 2021.

The foregoing description of the Stock Purchase Agreement is qualified in its entirety by reference to the full text thereof, filed as Exhibits 2.1.1 and 2.1.2 to this Current Report on Form 8-K.

On January 3, 2022, the Company issued a press release announcing the transactions described in this Item 8.01. A copy of the press release issued by the Company is attached hereto as Exhibit 99.1 and is incorporated by reference herein.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

The following exhibits to this Current Report have been provided herewith as noted below:

Exhibit No.	Description
2.1.1#	<u>Stock Purchase Agreement, dated as of November 20, 2019, by and among the Company, the Company's New York subsidiary and Liberty (incorporated by reference to Exhibit 2.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed November 20, 2019).</u>
2.1.2	<u>Letter Agreement, dated June 29, 2021, by and among the Company, the Company's New York subsidiary and Liberty, with respect to the Stock Purchase Agreement (incorporated by reference to Exhibit 2.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed June 29, 2021).</u>
99.1*	<u>Press Release, dated January 3, 2022, issued by the Company.</u>
104	Cover Page Interactive Data File (the cover page XBRL tags are included and formatted as Inline XBRL).

Certain schedules and exhibits to this agreement have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The Company will furnish the omitted schedules and exhibits to the U.S. Securities and Exchange Commission (the "SEC") upon request.

* Filed herewith.

The Stock Purchase Agreement filed as Exhibits 2.1.1 and 2.1.2 hereto has been included to provide investors and security holders with information regarding its terms. It is not intended to provide any other factual information about the Company, the Company's New York subsidiary or Liberty, or any of their respective subsidiaries or affiliates. The representations, warranties and covenants contained in the Stock Purchase Agreement (i) were made by the parties thereto only for purposes of that agreement and as of specific dates; (ii) were made solely for the benefit of the parties to the Stock Purchase Agreement; (iii) may be subject to limitations agreed upon by the contracting parties, including being qualified by confidential disclosures exchanged between the parties in connection with the execution of the Stock Purchase Agreement (such disclosures include information that has been included in public disclosures, as well as additional non-public information); (iv) may have been made for the purposes of allocating contractual risk between the parties to the Stock Purchase Agreement instead of establishing these matters as facts; and (v) may be subject to standards of materiality applicable to the contracting parties that differ from those applicable to investors.

Investors should not rely on the representations, warranties and covenants or any descriptions thereof as characterizations of the actual state of facts or condition of the Company, the Company's New York subsidiary or Liberty, or any of their respective subsidiaries or affiliates. Additionally, the representations, warranties, covenants, conditions and other terms of the Stock Purchase Agreement may be subject to subsequent waiver or modification. Moreover, information concerning the subject matter of the representations, warranties and covenants may change after the Closing Date, which subsequent information may or may not be fully reflected in the Company's public disclosures. The Stock Purchase Agreement should not be read alone, but should instead be read in conjunction with the other information regarding the Company and the Company's New York subsidiary that is or will be contained in, or incorporated by reference into, the reports and other documents that are filed by the Company with the SEC.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

Dated: January 3, 2022

By: /s/ M. SUSAN HARDWICK
M. Susan Hardwick
Interim Chief Executive Officer, Executive Vice President and Chief Financial Officer

Press Release



American Water Announces Completion of Sale of its Regulated Operations in New York to Liberty

CAMDEN, N.J., January 3, 2022 – American Water Works Company, Inc. (NYSE: AWK), the largest publicly traded U.S. water and wastewater utility company, today announced the close of the sale of its regulated operations in New York to a subsidiary of Liberty Utilities Co. (“Liberty”), the regulated utility operating subsidiary of parent company Algonquin Power & Utilities Corp., for a purchase price of \$608 million in cash.

American Water announced the agreement to sell its regulated operations in New York to Liberty on November 20, 2019, citing the best interest of customers in New York to sell to Liberty, which has other utility operations in New York. The sale is a part of American Water’s strategy to continue to create value for customers, employees, and shareholders. On December 16, 2021, the New York State Department of Public Service approved the sale, adopting the Joint Proposal filed on November 3, 2021 by both companies. American Water completed the sale to Liberty on January 1, 2022.

About American Water

With a history dating back to 1886, American Water (NYSE:AWK) is the largest and most geographically diverse U.S. publicly traded water and wastewater utility company. The company employs approximately 6,400 dedicated professionals who provide regulated and regulated-like drinking water and wastewater services to an estimated 14 million people in 25 states. American Water provides safe, clean, affordable and reliable water services to our customers to help keep their lives flowing. For more information, visit amwater.com and follow American Water on [Twitter](#), [Facebook](#) and [LinkedIn](#).

AWK-IR

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###

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

Form 8-K

**Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): December 16, 2021

American Water Works Company, Inc.
(Exact name of registrant as specified in its charter)

Commission File Number: 001-34028

Delaware
(State or other jurisdiction
of incorporation)

51-0063696
(IRS Employer
Identification No.)

1 Water Street
Camden, NJ 08102-1658
(Address of principal executive offices, including zip code)
(856) 955-4001
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Trading Symbol</u>	<u>Name of Each Exchange on Which Registered</u>
Common stock, par value \$0.01 per share	AWK	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 8.01. Other Events.

On December 16, 2021, the New York State Department of Public Service (“NYSDPS”) issued an order adopting, in all material respects, the terms of the Joint Proposal filed on November 3, 2021 in the NYSDPS acquisition proceeding with respect to the previously disclosed Stock Purchase Agreement, dated November 20, 2019, by and among American Water Works Company, Inc. (the “Company”), the Company’s New York subsidiary, and Liberty Utilities (Eastern Water Holdings) Corp. (“Liberty”), an indirect, wholly owned subsidiary of Algonquin Power & Utilities Corp. (the “Stock Purchase Agreement”), pursuant to which Liberty has agreed to purchase all of the capital stock of the Company’s New York subsidiary (the “Stock Purchase”). The NYSDPS also authorized the Stock Purchase and the transfer of all of the outstanding capital stock of the Company’s New York subsidiary to Liberty. The NYSDPS approval of the Joint Proposal and the authorization of the Stock Purchase and transfer satisfies the final significant remaining condition to the completion of the Stock Purchase. Consequently, the Company intends to complete the transaction on or about January 1, 2022.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

Dated: December 16, 2021

By: /s/ M. SUSAN HARDWICK
M. Susan Hardwick
Interim Chief Executive Officer, Executive Vice President and Chief Financial Officer

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

Form 8-K

**Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): December 9, 2021

American Water Works Company, Inc.

(Exact name of registrant as specified in its charter)

Commission File Number: 001-34028

Delaware
(State or other jurisdiction
of incorporation)

51-0063696
(IRS Employer
Identification No.)

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Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 1.01. Entry into a Material Definitive Agreement.

As previously reported, on October 28, 2021, American Water Enterprises, LLC (“AWE”) and American Water (USA), LLC, direct and indirect wholly owned subsidiaries of American Water Works Company, Inc. (the “Company”), as sellers (collectively, the “Sellers”), American Water Resources, LLC (“AWR”), Pivotal Home Solutions, LLC (“Pivotal”), and American Water Resources Holdings, LLC (“AWRH”), indirect wholly owned subsidiaries of the Company that, collectively and through wholly owned subsidiaries, own and operate the Company’s Homeowner Services Group (each, an “HOS Company” and, collectively, the “HOS Companies”), and, for specified limited purposes, the Company, entered into a Membership Interest Purchase Agreement (the “Purchase Agreement”) with Lakehouse Buyer Inc., an indirect, wholly owned subsidiary of funds advised by Apax Partners LLP (the “Buyer”), for the sale of the HOS Companies by Seller to Buyer for aggregate estimated consideration of approximately \$1.275 billion, plus the applicable working capital adjustment, as described below, or an estimated \$1.0 billion net of tax (the “Transaction”). As described in greater detail under “Completion of Sale of Homeowner Services Group” in Item 8.01 below, the Transaction closed on December 9, 2021 (the “Closing Date”). Certain relationships between the Company or its affiliates, on the one hand, and one or more of the other parties to the Purchase Agreement, on the other hand, that were entered into at or in connection with the closing of the Transaction are referenced in the Purchase Agreement attached hereto as Exhibit 2.1 and are incorporated by reference herein.

Secured Seller Note Agreement

On the Closing Date, AWE, as the lender (the “Lender”), Lakehouse BidCo Inc., an affiliate of the Buyer (“Holdings”), the Buyer, as the borrower (the “Borrower”), and AWR, Pivotal, AWRH and American Water Resources of Texas, LLC (each a “Subsidiary Guarantor” and, collectively, the “Subsidiary Guarantors”), entered into a Secured Seller Note Agreement (the “Seller Note”) in the original principal amount of \$720 million (the “Loan”). The Seller Note is a component of the aggregate consideration paid by the Buyer in the Transaction. Pursuant to the Seller Note, on the Closing Date, the Borrower issued a secured promissory note to repay or prepay to the Lender in cash all obligations under the Loan, including, without limitation, the outstanding aggregate principal and all accrued and unpaid interest thereon (including any applicable premium, interest, fees and other obligations). The Seller Note bears interest at a rate of 7.00% per year until maturity, payable in cash semi-annually in arrears or upon the occurrence of any repayment or prepayment of the Loan. The Seller Note will mature on December 9, 2026, and all amounts and obligations due, payable and owing under the Seller Note are to be repaid in cash.

Beginning on December 9, 2024, the Lender may require the Borrower to repay 100% of the outstanding principal amount of the Loan in full in cash, together with all accrued and unpaid interest and other obligations under the Seller Note (the “Lender Put Right”), without any premium or penalty (“at par”), except that, in the event of a disruption event in the broadly syndicated term loan “B” debt financing market, the Borrower will not be required to make any repayment pursuant to the Lender Put Right until the termination of such market disruption event. The Borrower is not permitted to prepay the Loan prior to the earlier of (i) the date the Lender elects to exercise the Lender Put Right or (ii) December 9, 2025 (the “Non-Call Provision”). If the Borrower breaches the Non-Call Provision, an event of default will occur under the Seller Note and the Company may, among other remedies, demand repayment from Borrower of the Loan in full together with an applicable premium ranging from 105.5% to 107.5% of the aggregate outstanding principal amount of the Loan, together with a customary “make-whole” amount and accrued and unpaid interest and any other obligations owed. An optional prepayment of the Loan by the Borrower that complies with the Non-Call Provision may be made at par. The Lender also may, in its sole discretion from time to time, require the Borrower to prepay the Loan at par in the event of certain circumstances, including permitted sales of the Borrower’s assets, the receipt of insurance proceeds due to a loss casualty or condemnation event incurred by the Borrower or the receipt of proceeds from an unpermitted incurrence of indebtedness by the Borrower.

The payment obligations of the Borrower under the Seller Note are secured by a first priority security interest in certain assets of the Borrower and the HOS Companies, including their cash and securities accounts, as well as a pledge of the equity interests in each of the HOS Companies, subject to certain exceptions, including for permitted liens and permitted future indebtedness of the Borrower that may be secured by such assets on a senior basis (as to repayment) or on a *pari passu* basis (as to lien priority) with the security interests provided for under the Seller Note.

The Borrower is required under the Seller Note to comply with certain affirmative and negative covenants until all principal of and interest on the Loan and all other obligations under the Seller Note have been paid in full in cash. These covenants include, among others: (i) periodic financial, budgeting and compliance reporting of the Borrower; notices of default and litigation; and requirements as to the operation of the HOS Companies’ business; and (ii) negative covenants related to (subject, in each case, to various conditions, limitations and exceptions): the incurrence of additional indebtedness by the Borrower that exceeds certain pro forma leverage ratios set forth in the Seller Note; the creation or existence of liens on the Borrower’s properties or assets; restrictive agreements prohibiting the Lender’s liens under the Seller Note and the making of dividends or distributions with respect to the Borrower’s capital stock; the making of restricted payments; the making of certain investments; fundamental changes in and dispositions of the Borrower’s assets; sale and leaseback transactions; transactions with the Borrower’s affiliates; changes in organizational documents; and amendments of junior indebtedness.

The Seller Note provides that an event of default under the Seller Note will occur upon, among other things: a breach by the Borrower of its obligations under the Seller Note, including a breach of the Non-Call Provision or a failure to make any payments when due; a default on the Borrower's other indebtedness exceeding a specified threshold; a breach of certain of the Borrower's covenants, and its representations and warranties in any material respect, under the Seller Note; certain bankruptcy or similar events with respect to the Borrower; the filing of final money judgments in excess of a threshold amount that remain unpaid for 60 days or more; certain material employee benefit plan events; a change of control involving the Borrower; and a repudiation by the Borrower of any loan document, security agreement or guarantee related to the Seller Note.

The foregoing summary of the terms and conditions of the Seller Note is qualified in its entirety by reference to the full text thereof, a copy of which is attached as Exhibit 10.1 to this Current Report on Form 8-K and is hereby incorporated by reference in response to this Item 1.01.

Revenue Share Agreement

On the Closing Date, the Company, AWR, Pivotal and AWRH entered into a Revenue Share Agreement (the "Revenue Share Agreement"), pursuant to which the Company will receive 10% of the revenue generated by the business of the applicable HOS Company after the Closing Date from current home warranty services on-bill arrangements, and 15% of the revenue generated from any future on-bill arrangements entered into after the Closing Date. Unless earlier terminated, the Revenue Share Agreement has a term of up to 15 years, which may be renewed for up to two five-year periods.

The foregoing summary of the terms and conditions of the Revenue Share Agreement is qualified in its entirety by reference to the full text thereof, a copy of which is attached as Exhibit 10.2 to this Current Report on Form 8-K and is hereby incorporated by reference in response to this Item 1.01.

Item 7.01. Regulation FD Disclosure

On December 9, 2021, the Company issued a press release announcing the closing of the transactions described in Items 1.01 and 8.01 herein. A copy of the press release has been included as Exhibit 99.1 and is incorporated by reference herein.

The information furnished in Item 7.01 of this Current Report, including Exhibit 99.1, shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), nor shall it be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 8.01. Other Events.

Completion of Sale of Homeowner Services Group

On December 9, 2021, the Sellers, the Company, the HOS Companies and Buyer completed the previously announced sale of the HOS Companies, comprising 100% of the equity interests in the HOS Companies, pursuant to the Purchase Agreement. On the Closing Date, the Buyer paid the Sellers, as part of the purchase price, \$485 million in cash, inclusive of

\$5 million for the working capital adjustment. In addition, AWE, Holdings, the Buyer and the Subsidiary Guarantors entered into the Seller Note discussed in response to Item 1.01 above. Upon maturity, proceeds from the repayment of the Seller Note are expected to be used to fund capital investments in the Company's regulated businesses. Under the terms of the Purchase Agreement, the Buyer is also required to make an additional cash payment of \$75 million to the Sellers due and payable within 45 days after the satisfaction of certain conditions (as set forth in the Purchase Agreement) by December 31, 2023.

The foregoing description of terms and conditions of the Purchase Agreement is qualified in its entirety by reference to the full text thereof, filed as Exhibit 2.1 to this Current Report on Form 8-K.

Common Interest and Cooperation Agreement

On the Closing Date, the Company, AWR and the Buyer entered into a Common Interest and Cooperation Agreement (the "Cooperation Agreement"), in order to facilitate a common defense for, and to share information concerning, the previously reported federal grand jury investigation being conducted by the U.S. Attorney's Office for the Eastern District of New York involving AWR's operations and its contractor network in the New York City metropolitan area, and any legal or regulatory inquiries or proceedings related to or resulting from such investigation or the subject matter in the grand jury subpoena issued to AWR on April 2, 2021 in connection with such investigation relating to AWR's business and operations in the State of New York (collectively, the "Covered Matters"). Under the terms of the Cooperation Agreement, the Company will, on behalf of AWR, defend any Covered Matter, using commercially reasonable efforts to resolve it on a reasonably expedient basis, and consult with the Buyer on such Covered Matter. Further, the Company is required to obtain the prior written consent of the Buyer (which consent may not be unreasonably withheld, conditioned or delayed) before entering into any resolution of any Covered Matter that imposes non-monetary provisions or undertakings or any other terms for which there will be no indemnification under the Cooperation Agreement. In addition, for the period from the Closing Date to March 9, 2025, the Company is required to indemnify the Buyer for any monetary losses or out-of-pocket damages (as described in the Cooperation Agreement) incurred by the Buyer or certain of the HOS Companies to the extent directly arising in connection with, or directly resulting from, any Covered Matter.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

The following exhibits to this Current Report have been filed herewith (except as noted below):

Exhibit No.	Description
2.1†	Membership Interest Purchase Agreement, dated as of October 28, 2021, by and among the Buyer, each of the Sellers, each of the HOS Companies, and for limited purposes set forth therein, the Company (incorporated by reference to Exhibit 2.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed October 29, 2021).
10.1*†	Secured Seller Note Agreement, dated as of December 9, 2021, by and among the Lender, Holdings, the Borrower and the Subsidiary Guarantors.
10.2*	Revenue Share Agreement, dated as of December 9, 2021, by and among the Company, AWR, Pivotal and AWRH.
99.1**	Press Release, dated December 9, 2021, issued by the Company.
104	Cover Page Interactive Data File (the cover page XBRL tags are included and formatted as Inline XBRL).

* Filed herewith.

** Furnished herewith.

† Certain schedules and exhibits to this agreement have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The Company will furnish the omitted schedules and exhibits to the U.S. Securities and Exchange Commission (the "SEC") upon request.

Cautionary Statement Concerning Forward-Looking Statements

Certain statements included in this Current Report on Form 8-K are forward-looking statements within the meaning of Section 27A of the Securities Act, Section 21E of the Exchange Act, and the Private Securities Litigation Reform Act of 1995. In some cases, these forward-looking statements can be identified by words with prospective meanings such as "intend," "plan," "estimate," "believe," "anticipate," "expect," "predict," "project," "propose," "assume," "forecast," "outlook," "future," "pending," "goal," "objective," "potential," "continue," "seek to," "may," "can," "will," "should" and "could," or the negative

of such terms or other variations or similar expressions. Forward-looking statements relate to, among other things (i) the accounting and other impacts of the Transaction, including impacts on the Company's current and short- and long-term expectations, guidance and plans with respect to its current and future debt and equity capital needs, capital expenditures, dividends, earnings (including earnings per share), growth, future regulatory outcomes, rate base growth, and other financial and operational plans; (ii) the ability to achieve the Company's regulatory and other strategies, benefits, plans and goals related to the Transaction, including with respect to the redeployment of the net proceeds of the Transaction into the Company's regulated water and wastewater businesses; (iii) the Company's ability to receive any contingent consideration provided for in the Purchase Agreement; (iv) the ability to receive amounts due, payable and owing from time to time under the Seller Note, including without limitation the Loan and all accrued and unpaid interest and other amounts thereunder, and the Revenue Share Agreement; and (v) various other risks and uncertainties.

These forward-looking statements are predictions based on the Company's current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, performance or achievements, and readers are cautioned not to place undue reliance upon them. The forward-looking statements are subject to a number of estimates and assumptions, and known and unknown risks, uncertainties and other factors, including post-closing adjustments to the purchase price as provided in the Purchase Agreement; regulatory, legislative, local or municipal actions affecting the home warranty services and the water and wastewater industries; and other economic, business and other factors. Actual results may differ materially from those discussed in the forward-looking statements included in this Current Report on Form 8-K as a result of the factors discussed in the Company's Form 10-K for the year ended December 31, 2020, and in other filings with the SEC, and the additional risks, uncertainties, assumptions and limitations described herein. The foregoing factors should not be construed as exhaustive.

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

Dated: December 9, 2021

By: /s/ M. SUSAN HARDWICK

M. Susan Hardwick

Interim Chief Executive Officer, Executive Vice President and Chief Financial Officer

SECURED SELLER NOTE AGREEMENT

dated as of December 9, 2021,

among

LAKEHOUSE BIDCO INC.,
as Holdings,

LAKEHOUSE BUYER INC.,
as the Borrower,

THE SUBSIDIARIES OF HOLDINGS
FROM TIME TO TIME PARTY HERETO,
as Guarantors

and

AMERICAN WATER ENTERPRISES, LLC,
as Lender

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EXHIBITS:

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Exhibit C – Form of Promissory Note
Exhibit D-1 – Form of Legal Opinion of Simpson Thacher & Bartlett LLP
Exhibit D-2 – Form of Legal Opinion of Virginia Counsel
Exhibit E – Form of Secretary's Certificate
Exhibit F – Form of Solvency Certificate
Exhibit G – Form of Global Intercompany Note
Exhibit H – Form of Pledge and Security Agreement

SECURED SELLER NOTE AGREEMENT, dated as of December 9, 2021 (this “**Agreement**”), by and among Lakehouse BidCo, Inc., a corporation organized under the laws of the State of Delaware (“**Holdings**”), Lakehouse Buyer Inc., a corporation organized under the laws of the State of Delaware (the “**Borrower**”), the SUBSIDIARIES of Holdings from time to time party hereto as guarantors, and American Water Enterprises, LLC, a limited liability company organized under the laws of Delaware (the “**Lender**”), as the lender.

RECITALS

Pursuant to the Purchase Agreement and subject to the terms and conditions thereof, the Lender (in its capacity as a Seller under the Purchase Agreement) and the other Sellers have agreed to sell the Units (as defined in the Purchase Agreement) to the Borrower (acting in its capacity as the Purchaser under the Purchase Agreement);

Pursuant to the Purchase Agreement and subject to the terms and conditions thereof, (i) the Purchase Price (as defined in the Purchase Agreement) to be paid by the Purchaser to the Sellers for the Units is to be comprised of the Cash Purchase Price (as defined in the Purchase Agreement) and the Seller Note Amount, (ii) that portion of the Purchase Price constituting the Cash Purchase Price is to be paid in cash by the Purchaser to the Sellers substantially contemporaneously with Closing (as defined in the Purchase Agreement) and (iii) that portion of the Purchase Price constituting the Seller Note Amount is to be paid by the Purchaser to the Sellers in accordance with the terms of the Seller Note (as defined in the Purchase Agreement); and

This Agreement constitutes the Seller Note under and as defined in the Purchase Agreement and, *inter alia*, sets forth the terms and conditions under which the Purchaser (in its capacity as the Borrower hereunder) is to pay the Seller Note Amount (in the form of the “Loan” under this Agreement) to the Lender (in its capacity as a Seller under the Purchase Agreement and acting hereunder on its own behalf in such capacity and on behalf of the other Sellers under the Purchase Agreement).

Accordingly, the parties hereto agree as follows:

ARTICLE 1 DEFINITIONS

SECTION 1.01. Defined Terms. As used in this Agreement, the following terms have the meanings specified below:

“**Acceptable Intercreditor Agreement**” means (a) to the extent executed in connection with the incurrence of secured Indebtedness incurred by a Loan Party, the Liens on the Collateral securing which are intended to rank equal in priority to the Liens on the Collateral securing the Obligations, the Closing Date Intercreditor Agreement and (b) to the extent executed in connection with the incurrence of secured Indebtedness incurred by a Loan Party, the Liens on the Collateral securing which are intended to rank junior in priority to the Liens on the Collateral securing the Obligations, at the option of the Borrower and the Lender acting together in good faith, a customary intercreditor agreement in form and substance reasonably acceptable to the Lender and the Borrower, which agreement shall provide that the Liens on the Collateral securing such Indebtedness shall rank junior in priority to the Liens on the Collateral securing the Obligations.

“**Acquired EBITDA**” means, with respect to any Acquired Entity or Business for any period, the amount for such period of Consolidated Adjusted EBITDA of such Acquired Entity or Business (determined as if references to Holdings and its Subsidiaries in the definition of the term “Consolidated Adjusted EBITDA” were references to such Acquired Entity or Business), as determined on a consolidated basis for such Acquired Entity or Business in accordance with GAAP.

“**Acquired Entity or Business**” has the meaning assigned to such term in the definition of “Consolidated Adjusted EBITDA.”

“**Adverse Proceeding**” means any action, suit, proceeding (whether administrative, judicial or otherwise), governmental investigation or arbitration (whether or not purportedly on behalf of Holdings or any of its Subsidiaries) at law or in equity, or before or by any Governmental Authority, domestic or foreign (including any Environmental Claims), whether pending or, to the knowledge of Holdings, threatened in writing against or affecting Holdings or any of its Subsidiaries or any property of Holdings or any of its Subsidiaries.

“**Affiliate**” means, as applied to any Person, any other Person directly or indirectly Controlling, Controlled by, or under common Control with, that Person and shall include any Person that directly or indirectly owns 10% or more of any class of Capital Stock of the Person specified. None of the Lender or any of its Affiliates shall be considered an Affiliate of Holdings or any subsidiary thereof.

“**Agreement**” has the meaning assigned to such term in the preamble to this Agreement.

“**Anti-Corruption Laws**” means Requirements of Law relating to antibribery or anti-corruption (governmental or commercial), including, without limitation, laws that prohibit the corrupt payment, offer, promise, or authorization of the payment or transfer of anything of value (including gifts or entertainment), directly or indirectly, to any foreign government official, foreign government employee, person or commercial entity to obtain a business advantage, or the offer, promise, or gift of, or the request for, agreement to receive or receipt of a financial or other advantage to induce or reward the improper proper performance of a relevant function or activity; such as, without limitation, the U.S. Foreign Corrupt Practices Act of 1977, as amended from time to time, and all laws enacted to implement the Organisation for Economic Co-operation and Development Convention on Combating Bribery of Foreign Public Officials in International Business Transactions applicable in the United States.

“**Anti-Terrorism Laws**” means Requirements of Law relating to terrorism or money laundering in the United States, including the Executive Order, the USA PATRIOT Act, together with all rules, regulations and interpretations thereunder or related thereto.

“**Applicable Premium**” means, with respect to the principal amount of the Loan being prepaid or repaid, as the case may be, on any applicable payment date, the excess, if any, of (i) the sum of (A) (x) for any applicable payment date during the period from the Closing Date until (and including) the first anniversary thereof, 107.5% of the principal amount of the Loan being prepaid or repaid, (y) for any applicable payment date during the period from (but not including) the first anniversary of the Closing Date until (and including) the second anniversary of the Closing Date, 106.5% of the principal amount of the Loan being prepaid or repaid, and (z) for any applicable payment date during the period after the second anniversary of the Closing Date, 105.5% of the principal amount of the Loan being prepaid or repaid, plus (B) the present value at such payment date of the sum of all required remaining scheduled interest payments due (including, if applicable, any default interest that may be applicable at the time of repayment or

prepayment) on the principal amount of the Loan being repaid or prepaid through the Maturity Date (excluding accrued but unpaid interest to such payment date), with such present value computed using a discount rate equal to the then-current U.S. Treasury Note yield corresponding closest to the remaining weighted average life on such repaid or prepaid amount calculated at the time of the prepayment plus 0.50% per annum over (ii) the then outstanding principal amount of the Loan being repaid or prepaid (for the avoidance of any doubt, in the event the Applicable Premium is payable pursuant to Article 7, for purpose of calculating the Applicable Premium, the Maturity Date used for any such calculation shall be as such term is defined in this Article 1). The Applicable Premium shall be calculated by the Lender or on behalf of the Lender by such Person as the Lender shall designate in its reasonable discretion and such calculation shall be deemed conclusive for all purposes hereunder absent manifest error.

“**Available Equity Amount**” means, at any applicable time (the “**Available Equity Amount Reference Time**”), an amount (which shall not be less than zero) equal at such time to (a) the aggregate amount of cash contributed to the capital of Holdings or the cash proceeds received by Holdings from the issuance of any Qualified Capital Stock (or incurrence of Indebtedness that has been converted into or exchanged for Qualified Capital Stock of Holdings), in each case during the period from and including the Business Day immediately following the Closing Date through and including the Available Equity Amount Reference Time, but excluding all proceeds from the issuance of Disqualified Capital Stock minus (b) the sum, without duplication, and, without taking into account the proposed portion of the Available Equity Amount calculated above to be used at the applicable Available Equity Amount Reference Time, of (i) the aggregate amount of any Investments made by Holdings or any Subsidiary using the Available Equity Amount pursuant to Section 6.05(t) after the Closing Date and prior to the Available Equity Amount Reference Time, (ii) the aggregate amount of any Restricted Payments made by Holdings or any Subsidiary using the Available Equity Amount pursuant to Section 6.04(a)(vii) after the Closing Date and prior to the Available Equity Amount Reference Time and (iii) the aggregate amount of Restricted Debt Payments made by Holdings or any Subsidiary using the Available Equity Amount pursuant to Section 6.04(c)(iv)(C) after the Closing Date and prior to the Available Equity Amount Reference Time. For the avoidance of any doubt, no cash contributed to the capital of Holdings (whether as a result of the issuance of Capital Stock or otherwise) in connection with the Transactions shall constitute any portion of the Available Equity Amount.

“**Available Equity Amount Reference Time**” shall have the meaning given to such term in the definition of the term “Available Equity Amount.”

“**Bankruptcy Code**” means Title 11 of the U.S. Code (11 U.S.C. § 101 et seq.).

“**Board**” means the Board of Governors of the Federal Reserve System of the U.S.

“**Board of Directors**” means, with respect to any Person, (a) in the case of any corporation, the board of directors of such Person or any committee thereof duly authorized to act on behalf of such board, (b) in the case of any limited liability company, the board of managers, board of directors, manager or managing member of such Person or the functional equivalent of the foregoing, (c) in the case of any partnership, the board of directors, board of managers, manager or managing member of a general partner of such Person or the functional equivalent of the foregoing and (d) in any other case, the functional equivalent of the foregoing.

“**Borrower**” shall have the meaning given to such term in the preamble hereto.

“**Business Day**” means any day that is not a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to remain closed.

“**Business Optimization Initiative**” has the meaning assigned to such term in the definition of Consolidated Adjusted EBITDA.

“**Call Protection Termination Date**” has the meaning assigned to such term in [Section 2.03\(a\)](#).

“**Capital Stock**” means any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation, any and all equivalent ownership interests in a Person (other than a corporation), including partnership interests and membership interests, and any and all warrants, rights or options to purchase or other arrangements or rights to acquire any of the foregoing, but excluding for the avoidance of doubt any Indebtedness convertible into or exchangeable for any of the foregoing.

“**Cash**” means money, currency or a credit balance in any demand account or deposit account. For the avoidance of doubt, and in respect of any financial covenant or ratio, the amount of Cash at any time shall be determined in accordance with GAAP.

“**Cash Equivalents**” means, as at any date of determination,

(a) readily marketable securities (i) issued or directly and unconditionally guaranteed or insured as to interest and principal by the government of the U.S., Canada, the United Kingdom or any member nation of the European Union rated at least A-2 from S&P or at least P-2 from Moody’s (or, if at any time either S&P or Moody’s is not rating such obligations, an equivalent rating from another nationally recognized statistical rating agency) or (ii) issued by any agency or instrumentality of any of the foregoing, the obligations of which are backed by the full faith and credit of the U.S., Canada, the United Kingdom or any such member nation of the European Union, as applicable, in each case having average maturities of not more than 24 months from the date of acquisition thereof and, in each case, repurchase agreements and reverse repurchase agreements relating thereto;

(b) readily marketable direct obligations issued by any state, commonwealth or territory of the U.S. or any political subdivision, taxing authority or any public instrumentality thereof or by any foreign government, in each case having average maturities of not more than 24 months from the acquisition thereof and having, at the time of the acquisition thereof, a rating of at least A-2 from S&P or at least P-2 from Moody’s (or, if at any time either S&P or Moody’s is not rating such obligations, an equivalent rating from another nationally recognized statistical rating agency) or otherwise having an investment grade rating from S&P or Moody’s and, in each case, repurchase agreements and reverse repurchase agreements relating thereto;

(c) commercial paper and variable fixed rate notes having average maturities of not more than 24 months from the date of creation thereof and having, at the time of the acquisition thereof, a rating of at least A-2 from S&P or at least P-2 from Moody’s (or, if at any time either S&P or Moody’s is not rating such obligations, an equivalent rating from another nationally recognized statistical rating agency);

(d) deposits, money market deposits, time deposit accounts, certificates of deposit or bankers’ acceptances (or similar instruments) maturing within one year after such date and issued or accepted by the Lender or by any bank organized under, or authorized to operate as a bank under, the laws of the U.S., any state thereof or the District of Columbia or any political subdivision thereof and that has capital and surplus of not less than \$100,000,000 and, in each case, repurchase agreements and reverse repurchase agreements relating thereto;

(e) securities with maturities of six months or less from the date of acquisition backed by standby letters of credit issued by any commercial bank having capital and surplus of not less than \$500,000,000; and

(f) marketable short-term money market and similar highly liquid funds (i) having a rating of at least P-2 or A-2 from either Moody's or S&P, respectively (or, if at any time either S&P or Moody's is not rating such obligations, an equivalent rating from another nationally recognized statistical rating agency) or (ii) having assets in excess of (x) \$500,000,000 in the case of U.S. banks or other U.S. financial institutions and (y) \$250,000,000 (or the dollar equivalent as of the date of determination) in the case of non-U.S. banks or other non-U.S. financial institutions.

"Casualty/Condemnation Event" means any event that gives rise to the receipt by Holdings or any Subsidiary of any Cash payments or proceeds (i) under any casualty insurance policy in respect of a covered loss thereunder of any assets of Holdings or any of its Subsidiaries or (ii) as a result of the taking of any assets of Holdings or any of its Subsidiaries by any Person pursuant to the power of eminent domain, expropriation, condemnation or otherwise, or pursuant to a sale of any such assets to a purchaser with such power under threat of such a taking.

"CFC" means a "controlled foreign corporation" within the meaning of Section 957 of the Code.

"Change of Control" means the earliest to occur of:

(a) at any time prior to a Qualifying IPO, the Permitted Holders ceasing to beneficially own, either directly or indirectly, Capital Stock representing more than 50.0% of the total voting power of all of the outstanding Voting Stock of Holdings unless the Permitted Holders otherwise have the right (pursuant to contract, proxy or otherwise), directly or indirectly, to designate, nominate or appoint (and do so designate, nominate or appoint) directors of Holdings having a majority of the aggregate votes on the Board of Directors (or functional equivalent thereof) of Holdings, so long as for purposes of this clause (a), the Sponsor shall either directly or indirectly control at least 30% of the outstanding voting equity interests of Holdings;

(b) at any time on or after a Qualifying IPO, the acquisition by any Person or group, including any group acting for the purpose of acquiring, holding or disposing of Securities, other than one or more Permitted Holders, of Capital Stock representing more than the greater of (i) 35.0% of the total voting power of all of the outstanding Voting Stock of Holdings and (ii) the percentage of the total voting power of all of the outstanding Voting Stock of Holdings owned, directly or indirectly, beneficially by the Permitted Holders unless the Permitted Holders otherwise have the right (pursuant to contract, proxy or otherwise), directly or indirectly, to designate, nominate or appoint (and do so designate, nominate or appoint) directors of Holdings having a majority of the aggregate votes on the Board of Directors (or functional equivalent thereof) of Holdings; or

(c) the Borrower ceases to be a direct Wholly-Owned Subsidiary of Holdings.

For purposes of this definition including other defined terms used herein in connection with this definition and notwithstanding anything to the contrary in this definition or any provision of Section 13(d)-3 or 13(d)-5 of the Exchange Act, (i) "beneficial ownership" shall be as defined in Rules 13(d)-3 and 13(d)-5 under the Exchange Act as in effect on the date hereof and (ii) the words "Person" and "group" shall be within the meaning of Section 13(d) or 14(d) of the Exchange Act.

For purposes of this definition and any related definition to the extent used for purposes of this definition, at any time when 50% or more of the total voting power of the Voting Stock is directly or indirectly owned by parent holding companies, all references to Holdings shall be deemed to refer to its ultimate parent holding company (but excluding any Permitted Holder) that directly or indirectly owns such Voting Stock.

“**Closing Date**” means December 9, 2021.

“**Closing Date Intercreditor Agreement**” means that certain First Lien Intercreditor Agreement, dated as of the Closing Date, by and among Holdings, the Borrower, the Lender, as First Lien Agreement Lender (as defined therein), Bank of America, N.A., as PR Authorized Representative and Initial Additional Authorized Representative (each as defined therein), and each additional authorized representative and collateral agent from time to time party thereto (as may be amended, restated, supplemented or otherwise modified from time to time in accordance with its terms).

“**Code**” means the Internal Revenue Code of 1986, as amended.

“**Collateral**” means any and all property of a Loan Party subject to a Lien under the Collateral Documents and any and all other property of any Loan Party, now existing or hereafter acquired, that is or becomes subject to a Lien pursuant to the Collateral Documents to secure the Obligations.

“**Collateral Documents**” means, collectively, the Pledge and Security Agreement, the Mortgages (if any) and each other Collateral Document described on Schedule 5.14 and any other documents granting a Lien upon the Collateral as security for payment of the Obligations pursuant to the terms hereof or any other Loan Document.

“**Compliance Certificate**” means a Compliance Certificate substantially in the form of Exhibit A.

“**Confidential Information**” has the meaning assigned to such term in Section 8.13(a).

“**Consolidated Adjusted EBITDA**” means, for any period, an amount determined for Holdings and its Subsidiaries on a consolidated basis equal to the total of (a) Consolidated Net Income for such period *plus* (b) the sum, without duplication, of (to the extent deducted in calculating Consolidated Net Income, other than in respect of clauses (v), (viii) and (ix) below) the amounts of:

- (i) total interest expense (including non-cash interest expense) and, to the extent not reflected in such total interest expense, any losses on obligations under hedging and similar agreements or other derivative instruments entered into for the purpose of hedging interest rate risk, net of interest income and gains on such hedging and similar agreements or such derivative instruments, bank and letter of credit fees, amortization of deferred financing fees or costs and costs of surety bonds in connection with financing activities;
- (ii) (A) Taxes paid (including pursuant to any Tax sharing arrangements) and provisions for Taxes (including changes in valuation allowances for deferred tax assets) of Holdings and its Subsidiaries, including, in each case federal, state, provincial, territorial, local, foreign, unitary, income, capital, franchise, excise, property, value added, withholding and similar Taxes (including in respect of repatriated funds) and (B) any penalties and interest related to such Taxes or arising from any tax examinations paid or accrued during such period;
- (iii) total depreciation and amortization expense;
- (iv) other non-Cash charges, losses or expenses (including, if applicable, any excess of rent expense over actual cash rent paid due to the use of straight line rent for GAAP purposes); provided that if any such non-Cash charge, loss or expense represents an accrual or reserve for potential Cash items in any future period, (A) Holdings may determine not to add back such non-Cash charge, loss or expense in the current period and (B) to the extent Holdings does decide to add back such non-Cash charge, loss or expense, the Cash payment in respect thereof in such future period shall be subtracted from Consolidated Adjusted EBITDA in the period in which such payment is made;

(v) the amount of any expense or deduction associated with any Subsidiary of Holdings attributable to non-controlling interests or minority or other interests of third parties;

(vi) (A) the amount of any portion of management, monitoring, consulting, transaction and advisory fees (including any subsequent transaction, exit or termination fee), (B) the amount of indemnities and related expenses actually paid by or on behalf of, or accrued by, Holdings or any of its Subsidiaries to the Investors (or their Affiliates or management companies) to the extent permitted under this Agreement and (C) the amount of fees, expenses and indemnities paid to directors, including of Holdings or any direct or indirect parent thereof; provided, that the aggregate amount of any adjustments made pursuant to clause (A) of this clause (vi) shall not exceed in the aggregate 2.0% of Consolidated Adjusted EBITDA for such period (calculated prior to giving effect to any such adjustments);

(vii) the amount of any costs, charges, accruals, reserves or expenses in connection with a single or one-time event, including in connection with the Transactions, any acquisition or any other Investment, in each case, permitted hereunder and consummated or un consummated after the Closing Date (including, without limitation, legal, accounting and other professional fees and expenses incurred in connection with any acquisition or other Investments);

(viii) the pro forma “run rate” expected cost savings, operating improvements and expense reductions and other synergies (net of the amount of actual amounts realized and, solely in the case of the Transactions, with such other synergies to be limited to cost synergies) (collectively, “**Expected Run Rate Benefit**”) reasonably identifiable and factually supportable (in the good faith determination of a Financial Officer of the Borrower) related to the Transactions or any asset sales, mergers or other business combinations, acquisitions, Investments, Dispositions or divestitures, operating improvements, expense reductions, restructurings, cost savings initiatives and other initiatives and specified transactions, in each case, not prohibited by this Agreement and whether consummated or adopted, as applicable, on or after the Closing Date (any such operating improvement, expense reduction, restructuring, cost savings initiative and/or other initiative, a “**Business Optimization Initiative**”), which Expected Run Rate Benefit shall be added to Consolidated Adjusted EBITDA until fully realized and calculated on a Pro Forma Basis as though such Expected Run Rate Benefit had been realized on the first day of the relevant period (it being understood and agreed that “run rate” shall mean the full recurring benefit that is associated with any action taken); provided that (A) such Expected Run Rate Benefit is projected by a Financial Officer of the Borrower in good faith to be realized as a result of actions that have been taken or initiated or are expected to be taken within 18 months of the event giving rise thereto or the consummation of such transaction or initiative and (B) the share of any such Expected Run Rate Benefit with respect to a joint venture that are to be allocated to Holdings or any of the Subsidiaries shall not exceed the total amount thereof for any such joint venture multiplied by the percentage of income of such venture expected to be included in Consolidated Adjusted EBITDA for the relevant Test Period; provided, further, that the aggregate amount of any adjustments made pursuant to (1) this clause (b)(viii) for any transactions or Business Optimization Initiatives, (2) clause (b)(xiii) of this definition, (3) clause (c) of the definition of “Consolidated Net Income” and (4) clause (i) of the definition of “Consolidated Net Income” shall not exceed in the aggregate 25% of Consolidated Adjusted EBITDA for such period (calculated prior to giving effect to any such adjustments under such clauses);

(ix) to the extent not otherwise included in Consolidated Net Income, proceeds of business interruption insurance in an amount representing the earnings for the applicable period that such proceeds are intended to replace (whether or not received so long as the Borrower in good faith expects to receive the same within the next four Fiscal Quarters (it being understood that to the extent not actually received within such Fiscal Quarters, such proceeds shall be deducted in calculating Consolidated Adjusted EBITDA for such Fiscal Quarters));

(x) any expenses and charges that are reimbursed by indemnification or other reimbursement provisions in connection with any investment or any sale, conveyance, transfer or other Disposition of assets permitted hereunder;

(xi) Cash actually received (or any netting arrangements resulting in reduced Cash expenditures) during such period, and not included in Consolidated Net Income for such period, to the extent that the non-Cash gain relating to such Cash receipt or netting arrangement was deducted in the calculation of Consolidated Adjusted EBITDA pursuant to clause (c)(i) below for any previous period and not added back or was realized in a period prior to the Closing Date;

(xii) any costs or expense incurred pursuant to any management equity plan, profits interest plan or stock option plan or any other management or employee benefit plan or agreement or any subscription or shareholder agreement, solely to the extent that such cost or expenses are funded solely with cash proceeds contributed to the capital of Holdings or Net Proceeds of an issuance of Capital Stock of Holdings during such applicable measurement period (or any Parent Company) (other than Disqualified Capital Stock);

(xiii) costs, expenses, charges, accruals, reserves (including restructuring costs related to acquisitions prior to, on or after the Closing Date) or expenses attributable to the undertaking and/or the implementation of cost savings initiatives, operating expense reductions, operating improvements and other restructuring and integration and transition costs, costs associated with inventory category and distribution optimization programs, pre-opening, opening and other business optimization expenses (including software development costs), future lease commitments, consolidation, discontinuance and closing and consolidation costs and expenses for locations and/or facilities, contract termination payments, signing, retention and completion bonuses, abandoned acquisition costs, costs related to entry and expansion into new markets (including consulting fees) or the exit from existing markets (including with respect to the termination of customer, vendor, supplier, lease or other contracts) and to modifications to pension and post-retirement employee benefit plans, system design, establishment and implementation costs and project start-up costs; provided, that the aggregate amount of any adjustments made pursuant to (1) this clause (b) (xiii), (2) clause (b)(viii) of this definition, (3) clause (c) of the definition of "Consolidated Net Income" and (4) clause (i) of the definition of "Consolidated Net Income" shall not exceed in the aggregate 25% of Consolidated Adjusted EBITDA for such period (calculated prior to giving effect to any such adjustments under such clauses);

(xiv) adjustments and add backs expressly reflected and for the time periods specified in (a) the model provided by the Lender to the Sponsor, dated as of September 10, 2021 and (b) the Quality of Earnings Analysis provided by the Lender, dated as of September 10, 2021;

(xv) [reserved]; and

(xvi) costs and expenses related to the entry into new contracts during such period, including the start-up and ramp-up costs associated therewith;

minus (c) without duplication and to the extent such amounts increase Consolidated Net Income:

(i) other non-Cash gains, including deductions for the excess of actual Cash rent paid over GAAP rent expense during such period due to the use of a straight line rent for GAAP purposes but excluding any non-cash gains that represent the reversal of any accrual of, or cash reserve for, anticipated cash items that reduced Consolidated EBITDA in any prior period; provided that if any non-Cash gain or income relates to potential Cash items in any future periods, the Borrower may determine not to deduct such non-Cash gain or income in the current period;

(ii) any realized or unrealized net gains in respect of any obligation under hedging and similar agreements;

(iii) the amount of any income associated with any Subsidiary of Holdings attributable to non-controlling interests or minority interests of third parties;

(iv) the amount added back to Consolidated Adjusted EBITDA pursuant to clause (b)(ix) above to the extent such business interruption proceeds were not received within the time period required by such clause; and

(v) to the extent that the amount of any non-Cash charge is added back to Consolidated Adjusted EBITDA pursuant to clause (b)(iv) above, the Cash payment in respect thereof in such future period.

There shall be included in determining Consolidated Adjusted EBITDA for any period, without duplication, the Acquired EBITDA of any Person, property, business or asset acquired by Holdings or any Subsidiary during such period (but not the Acquired EBITDA of any related Person, property, business or assets to the extent not so acquired), to the extent not subsequently sold, transferred or otherwise Disposed of by Holdings or such Subsidiary during such period (each such Person, property, business or asset acquired (including pursuant to a Permitted Acquisition (or similar Investment)) and not subsequently so Disposed of, an “**Acquired Entity or Business**”), based on the actual Acquired EBITDA of such Acquired Entity or Business for such period (including the portion thereof occurring prior to such acquisition) determined on a historical pro forma basis. There shall be excluded in determining Consolidated Adjusted EBITDA for any period the Disposed EBITDA of any Person, property, business or asset sold, transferred or otherwise Disposed of, closed or classified as discontinued operations by Holdings or any Subsidiary during such period (each such Person, property, business or asset so sold or Disposed of, a “**Sold Entity or Business**”), based on the actual Disposed EBITDA of such Sold Entity or Business for such period (including the portion thereof occurring prior to such sale, transfer or Disposition) determined on a historical pro forma basis; provided that for the avoidance of doubt, notwithstanding any classification under GAAP of any Person or business in respect of which a definitive agreement for the Disposition thereof has been entered into as discontinued operations, the Disposed EBITDA of such Person or business shall not be excluded pursuant to this paragraph until such Disposition shall have been consummated.

Notwithstanding anything to the contrary herein, and subject to, without any duplication of any adjustments already included in the amounts below, other adjustments contemplated by clauses (b)(viii) and (b)(xiii) above, it is agreed that for any period that includes the Fiscal Quarters ended December 31, 2020, March 31, 2021, June 30, 2021 or September 30, 2021, Consolidated Adjusted EBITDA for each such applicable Fiscal Quarter shall be as specified on Schedule 1.01(a).

“**Consolidated Net Income**” means, for any period, the net income (or loss) of Holdings and its Subsidiaries on a consolidated basis for such period taken as a single accounting period determined in conformity with GAAP (and, without duplication, taking into account any cash expenses in respect of Financing Lease Obligations and operating leases); provided that there shall be excluded, without duplication,

(a) the income (or loss) of any Person (other than Holdings or a Subsidiary of Holdings) in which any other Person (other than Holdings or any of its Subsidiaries) has a joint interest, except, with respect to any income, to the extent of the amount of dividends or distributions or other payments (including any ordinary course dividend, distribution or other payment) paid in Cash (or to the extent converted into Cash) or Cash Equivalents to Holdings or any of its Subsidiaries by such Person during such period,

(b) gains, income, losses, expenses or charges (less all fees and expenses chargeable thereto) attributable to (i) asset Dispositions or (ii) returned surplus assets of any Pension Plan, in each case outside of the ordinary course of business,

(c) gains, income, expenses, charges or losses arising in connection with exceptional, extraordinary, unusual, non-recurring and/or one-time events (in each case as determined in good faith by the Borrower), and, in each case, any accruals or reserves in respect thereof and, excluding for the avoidance of doubt, any gain resulting from payments received by Holdings or any Subsidiary in respect of the early termination of a customer contract, in each case as set forth in reasonable detail in the Compliance Certificate for the applicable Test Period; provided, that the aggregate amount of any adjustments made pursuant to (1) this clause (c), (2) clause (b)(viii) of the definition of “Consolidated Adjusted EBITDA”, (3) clause (b)(xiii) of the definition of “Consolidated Adjusted EBITDA” and (4) clause (i) of the definition of “Consolidated Net Income”, shall not exceed in the aggregate 25% of Consolidated Adjusted EBITDA for such period (calculated prior to giving effect to any such adjustments under such clauses),

(d) any unrealized or realized net foreign currency translation or transaction gains or losses impacting net income (including currency re-measurements of Indebtedness and any net gains or losses resulting from hedge agreements for currency exchange risk associated with the above or any other currency related risk and those resulting from intercompany Indebtedness and revaluations of intercompany balances or other balance sheet items),

(e) any net gains, income, losses, expenses or charges with respect to (i) disposed, abandoned, divested and discontinued operations and any accretion or accrual of discounted liabilities on the disposal of such disposed, divested, abandoned and discontinued operations (other than, at the option of the Borrower, any asset, property or operation pending the disposal, abandonment, divestiture or termination thereof) and (ii) locations, facilities, stores or distribution centers that have been closed during such period,

(f) any net income or loss (less all fees and expenses or charges related thereto) attributable to the early extinguishment of Indebtedness (and termination of any associated hedge agreements),

(g) (i) effects of adjustments (including the effects of such adjustments pushed down to Holdings and its Subsidiaries) in Holdings' consolidated financial statements pursuant to GAAP (including in the inventory, property and equipment, rights, fee arrangements, software, goodwill, intangible assets, in-process research and development, deferred revenue, advanced billings, leases and debt line items thereof) resulting from the application of recapitalization accounting or acquisition or purchase accounting, as the case may be, in relation to the Transactions or any consummated acquisition or the amortization or write-off of any amounts thereof and (ii) the cumulative effect of changes in accounting principles or policies and changes as a result of the adoption or modification of accounting policies,

(h) (A) Transaction Costs, (B) transaction fees, costs and expenses (including any transaction or retention bonus or similar payment and any non-recurring merger and amalgamation costs) incurred in connection with the consummation of any transaction (or any transaction proposed and not consummated), that is expressly permitted under this Agreement, including the issuance or offering of Capital Stock, Investments, acquisitions, Dispositions, recapitalizations, mergers, consolidations or amalgamations, option buyouts or the incurrence, repayment, refinancing, amendment or modification of Indebtedness (including any amortization or write-off of debt issuance or deferred financing costs, premiums and prepayment penalties and any such fees, costs or expenses related to this Agreement) or similar transactions and (C) the amount of any fee, cost, charge, expense or reserve to the extent actually reimbursed or reimbursable by third parties pursuant to indemnification or reimbursement provisions or similar agreements or insurance, and

(i) charges, expenses, costs, accruals, reserves (including any accruals or reserves in respect of any extraordinary, non-recurring or unusual items) or losses of any kind, attributable to the undertaking of new initiatives, business optimization activities, cost savings initiatives, cost rationalization programs, operating expense reductions, other operating improvements and/or synergies and/or similar initiatives and/or programs, integration, transition, reconstruction, decommissioning, recommissioning or reconfiguration of fixed assets for alternative uses, facility or office opening and pre-opening costs (including unused warehouse, facilities or office space costs and any related employee hiring or retention costs, start-up costs, initial testing and registration costs in new markets, the cost of feasibility studies, travel costs for employees engaged in activities relating to any or all of the foregoing and the allocation of general and administrative support in connection with any or all of the foregoing), any business optimization charge, any charge relating to the destruction of equipment, any restructuring charge (including any charge relating to any tax restructuring), any charge relating to the closure or consolidation of any facility (including but not limited to rent termination costs, reconfiguration costs and moving costs and legal costs), any systems implementation charge, any severance charge, any charge relating to entry into a new market, any charge relating to any strategic initiative, any signing charge, any retention or completion bonus, any expansion and/or relocation charge, any charge associated with any modification to any pension and post-retirement employee benefit plan, any software or intellectual property development charge, any charge associated with new systems design or product development, new systems design costs, any implementation or upgrade charge or expense, any startup charge, any charge in connection with new operations, any charge relating to a new contract, any consulting charge and/or any corporate development charge, consulting and other professional fees and costs, executive recruiting costs, relocation expenses and severance payments, costs related to the closure, consolidation or transfer of production lines between facilities and curtailments; costs related to the consolidation, closing or reconfiguration of facilities, branches or distribution centers; costs related to the exiting of lines of business or products; and contract termination costs, in each case as set forth in reasonable detail in the Compliance Certificate for the applicable Test Period; provided, that the aggregate amount of any adjustments made pursuant to (1) this clause (i), (2) clause (b)(viii) of the definition of "Consolidated Adjusted EBITDA", (3) clause (b)(xiii) of the definition of "Consolidated Adjusted EBITDA" and (4) clause (c) of the definition of "Consolidated Net Income", shall not exceed in the aggregate 25% of Consolidated Adjusted EBITDA for such period (calculated prior to giving effect to any such adjustments under such clauses).

“**Consolidated Total Debt**” means (a) the aggregate principal amount of Indebtedness of Holdings and its Subsidiaries outstanding on such date, determined on a consolidated basis in accordance with GAAP, consisting of Indebtedness for borrowed money, Disqualified Capital Stock, Financing Lease Obligations and debt obligations evidenced by promissory notes, bonds, indentures, credit agreements or similar instruments minus (b) the Unrestricted Cash Amount as of such date in an amount not to exceed \$100,000,000.

“**Consolidated Total Leverage Ratio**” means the ratio, as of any date of determination, of (a) Consolidated Total Debt as of the last day of the Test Period most recently ended on or prior to the date of determination to (b) Consolidated Adjusted EBITDA for the most recently ended Test Period.

“**Contractual Obligation**” means, as applied to any Person, any provision of any Security issued by that Person or of any material indenture, mortgage, deed of trust, contract, undertaking, agreement or other instrument to which that Person is a party or by which it or any of its properties is bound or to which it or any of its properties is subject.

“**Control**” means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. “**Controlling**” and “**Controlled**” have meanings correlative thereto.

“**Debtor Relief Laws**” means the Bankruptcy Code of the U.S., and all other liquidation, conservatorship, bankruptcy, general assignment for the benefit of creditors, moratorium, arrangement, rearrangement, receivership, insolvency, reorganization or similar debtor relief laws of the U.S. or other applicable jurisdictions from time to time in effect and affecting the rights of creditors generally.

“**Declined Proceeds**” has the meaning assigned to such term in Section 2.03(b)(iii).

“**Default**” means any event or condition which upon notice, lapse of time or both would (unless cured or waived) become an Event of Default.

“**Derivative Transaction**” means (a) any interest-rate transaction, including any interest-rate swap, basis swap, forward rate agreement, interest rate option (including a cap, collar or floor), and any other instrument linked to interest rates that gives rise to similar credit risks (including when-issued securities and forward deposits accepted), (b) any exchange-rate transaction, including any cross-currency interest-rate swap, any forward foreign-exchange contract, any currency option, and any other instrument linked to exchange rates that gives rise to similar credit risks, (c) any equity derivative transaction, including any equity-linked swap, any equity-linked option, any forward equity-linked contract, and any other instrument linked to equities that gives rise to similar credit risk and (d) any commodity (including precious metal) derivative transaction, including any commodity-linked swap, any commodity-linked option, any forward commodity-linked contract, and any other instrument linked to commodities that gives rise to similar credit risks.

“**Designated Non-Cash Consideration**” means the Fair Market Value of non-Cash consideration received by Holdings or its Restricted Subsidiaries in connection with a Disposition pursuant to Section 6.06(g) that is designated as “Designated Non-Cash Consideration” pursuant to a certificate of a Responsible Officer of Holdings delivered to the Lender, setting forth the basis of such valuation.

“**Disposed EBITDA**” means, with respect to any Sold Entity or Business for any period, the amount for such period of Consolidated Adjusted EBITDA of such Sold Entity or Business (determined as if references to Holdings and its Subsidiaries in the definition of the term “Consolidated Adjusted EBITDA” (and in the component financial definitions used therein) were references to such Sold Entity or Business and its Subsidiaries), all as determined on a consolidated basis for such Sold Entity or Business.

“**Disposition**” or “**Dispose**” means the sale, lease, sublease, or other disposition of any property of any Person.

“**Disqualified Capital Stock**” means any Capital Stock which, by its terms (or by the terms of any Security into which it is convertible or for which it is exchangeable), or upon the happening of any event, (a) matures (excluding any maturity as the result of an optional redemption by the issuer thereof) or is mandatorily redeemable (other than for Qualified Capital Stock and Cash in lieu of fractional shares), pursuant to a sinking fund obligation or otherwise, or is redeemable at the option of the holder thereof (other than for Qualified Capital Stock and Cash in lieu of fractional shares), in whole or in part, on or prior to 91 days following the Maturity Date at the time such Capital Stock is issued, (b) is or becomes convertible into or exchangeable (unless at the sole option of the issuer thereof) for (i) debt securities or loans or (ii) any Capital Stock that would constitute Disqualified Capital Stock, in each case at any time on or prior to 91 days following the Maturity Date at the time such Capital Stock is issued, (c) contains any mandatory repurchase obligation which may come into effect prior to the Termination Date (or the date that is 91 days following the Maturity Date at the time such Capital Stock is issued) or (d) provides for the scheduled payments of dividends in Cash on or prior to 91 days following the Maturity Date at the time such Capital Stock is issued; provided, however, that only the portion of Capital Stock that so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date shall be deemed to be Disqualified Capital Stock; provided that, if such Capital Stock is issued pursuant to any plan for the benefit of officers, directors, employees or consultants of Holdings (or any Parent Company), the Borrower or any of its Subsidiaries or by any such plan to such officers, directors, employees or consultants, such Capital Stock shall not constitute Disqualified Capital Stock solely because it may be required to be repurchased by Holdings (or any Parent Company), the Borrower or any of its Subsidiaries in order to satisfy applicable statutory or regulatory obligations or as a result of such officer’s, director’s, employee’s or consultant’s termination, death or disability; provided, further, however, that any Capital Stock held by any future, current or former employee, officer, manager, consultant, director, employee or independent contractor of Holdings, the Borrower, any of its Subsidiaries or any Parent Company, in each case pursuant to any equity option or equity appreciation rights plan, any management, director and/or employee equity ownership or incentive plan, equity subscription plan or subscription agreement, employment termination agreement or any other employment agreement or equity holders’ agreement shall not constitute Disqualified Capital Stock solely because it may be required to be repurchased by Holdings, the Borrower or its Subsidiaries; and provided, further, however, that any class of Capital Stock of such Person that by its terms requires such Person to satisfy its obligations thereunder by delivery of Capital Stock that is not Disqualified Capital Stock shall not be deemed to be Disqualified Capital Stock.

“**Disqualified Lender**” means those Persons identified on Schedule 1.01(b).

“**Dollars**” or “**\$**” refers to lawful money of the United States.

“**Domestic Subsidiary**” means any Subsidiary incorporated or organized under the laws of United States or any state thereof.

“Effective Yield” shall mean, as to any Indebtedness on any date of determination, the effective yield paid by the Borrower on such Indebtedness as determined by the Borrower and the Lender in a manner consistent with generally accepted financial practices, taking into account (a) the applicable interest rate margins, (b) any interest rate “floors” (the effect of which floors shall be determined in a manner set forth in the proviso below and assuming that, if interest on such Indebtedness is calculated on the basis of a floating rate, that LIBOR or similar component of such formula is included in the calculation of Effective Yield) or similar devices, (c) any amendment to the relevant interest rate margins and interest rate floors prior to the applicable date of determination and (d) all fees, including upfront or similar fees or original issue discount (amortized over the shorter of (x) the remaining weighted average life to maturity of such Indebtedness and (y) the four years following the date of incurrence thereof) payable generally by or on behalf of the Borrower to the lenders or other institutions providing such Indebtedness, but excluding arrangement fees, structuring fees, commitment fees, underwriting fees, closing payments or other similar fees, in each case payable to any lead arranger, bookrunner, manager, agent or Person in a similar capacity (or their affiliates) in connection with the commitment, syndication, marketing or offering of such Indebtedness and not payable to all lenders, and customary consent or amendment fees paid generally to consenting lenders (and regardless of whether any such fees are paid to, or shared in whole or in part with, any lender), ticking fees accruing prior to the funding of any such Indebtedness and any other fees of the type not paid or payable generally by or on behalf of the Borrower to lenders or other institutions in connection with the commitment, marketing or offering of such Indebtedness; provided that, with respect to any Indebtedness that includes a “floor”, (A) to the extent that the relevant benchmark on the date that the Effective Yield is being calculated is less than such floor, the amount of such difference shall be deemed added to the interest rate margin for such Indebtedness for the purpose of calculating the Effective Yield and (B) to the extent that the relevant benchmark on the date that the Effective Yield is being calculated is greater than such floor, then the floor shall be disregarded in calculating the Effective Yield.

“Environment” shall mean ambient air, indoor air, surface water, groundwater, drinking water, land surface, sediments, and subsurface strata & natural resources such as wetlands, flora and fauna.

“Environmental Claim” means any notice, notice of violation, claim, action, suit, proceeding, demand, abatement order or other order or directive (conditional or otherwise), by any Governmental Authority or any other Person, arising out of any Environmental Law, including (a) pursuant to or in connection with any actual or alleged violation of any Environmental Law; (b) in connection with any Release or threatened Release of Hazardous Material or any actual or alleged Hazardous Materials Activity; or (c) in connection with any actual or alleged damage, injury, threat or harm to natural resources or the environment.

“Environmental Laws” means any and all applicable foreign or domestic, federal, provincial, territorial or state (or any subdivision of either of them), statutes, ordinances, orders, rules, regulations, judgments, Governmental Authorizations, or any other applicable requirements of Governmental Authorities and the common law relating to the protection of the environment, including those relating to any Hazardous Materials Activity, or the generation, use, storage, transportation or disposal of or exposure to Hazardous Materials, in any manner applicable to Holdings or any of its Subsidiaries or any Facility.

“Environmental Liability” means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of Holdings or any Subsidiary directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage or treatment of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the Release or threatened Release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

“ERISA” means the Employee Retirement Income Security Act of 1974.

“**ERISA Affiliate**” means, as applied to any Person, (a) any corporation which is a member of a controlled group of corporations within the meaning of Section 414(b) of the Code of which that Person is a member, (b) any trade or business (whether or not incorporated) which is a member of a group of trades or businesses under common control within the meaning of Section 414(c) of the Code of which that Person is a member and (c) for purposes of Section 302 of ERISA and Section 412 of the Code, any organization which is a member of an affiliated service group within the meaning of Section 414(m) of the Code of which that Person is a member or any other Person which is treated as a single employer with such Person under Section 414(o) of the Code.

“**ERISA Event**” means (a) a “reportable event” within the meaning of Section 4043 of ERISA and the regulations issued thereunder with respect to any Pension Plan (excluding those for which the 30-day notice period has been waived); (b) the failure to meet the minimum funding standard of Section 412 of the Code or Section 302 of ERISA with respect to any Pension Plan; (c) the provision by the administrator of any Pension Plan pursuant to Section 4041(a)(2) of ERISA of a notice of intent to terminate such plan in a distress termination described in Section 4041(c) of ERISA; (d) the withdrawal by Holdings, any of its Subsidiaries or any of their respective ERISA Affiliates from any Pension Plan with two or more contributing sponsors or the termination of any such Pension Plan resulting in liability to Holdings, any of its Subsidiaries or any of their respective ERISA Affiliates pursuant to Section 4063 or 4064 of ERISA; (e) the institution by the PBGC of proceedings to terminate any Pension Plan, or the appointment of a trustee to administer any Pension Plan; (f) the imposition of liability on Holdings, any of its Subsidiaries or any of their respective ERISA Affiliates pursuant to Section 4062(e) or 4069 of ERISA or by reason of the application of Section 4212(c) of ERISA; (g) a complete or partial withdrawal (within the meaning of Sections 4203 and 4205 of ERISA) of Holdings, any of its Subsidiaries or any of their respective ERISA Affiliates from any Multiemployer Plan if there is any liability therefor under Title IV of ERISA, or the receipt by Holdings, any of its Subsidiaries or any of their respective ERISA Affiliates of notice from any Multiemployer Plan that it is in insolvency pursuant to Section 4245 of ERISA, or that it intends to terminate or has terminated under Section 4041A or 4042 of ERISA; (h) the occurrence of an act or omission which could reasonably be expected to give rise to the imposition on Holdings, any of its Subsidiaries or any of their respective ERISA Affiliates of fines, penalties, excise taxes or related charges under Chapter 43 of the Code or under Section 409, Section 502(c), (i) or (l), or Section 4071 of ERISA in respect of any Pension Plan; or (i) the incurrence of liability or the imposition of a Lien pursuant to Section 436 or 430(k) of the Code or pursuant to ERISA with respect to any Pension Plan, other than for PBGC premiums due but not delinquent.

“**Event of Default**” has the meaning assigned to such term in Article 7.

“**Exchange Act**” means the Securities Exchange Act of 1934 and the rules and regulations of the SEC promulgated thereunder.

“**Excluded Accounts**” means (a) payroll and other employee wage and benefit accounts, (b) tax accounts, including, without limitation, sales tax accounts, (c) escrow accounts, (d) fiduciary or trust accounts, (e) accounts containing solely cash reserves maintained by Regulated Entities for the purpose of meeting required reserve requirements, as required by applicable laws or regulations, and, in the case of clauses (a) through (e), the funds or other property held in or maintained in any such account (as long as the accounts described in clauses (a) through (e) are used solely for such purposes), (f) that certain deposit account with account number ending x7928 maintained in the name of Pivotal Home Solutions, LLC with PNC Bank, National Association, so long as the aggregate amount of funds on deposit therein is not in excess of \$1,250,000 (plus any interest declared and paid thereon) at any time and (g) any account with funds on deposit averaging less than \$2,500,000 (and in the aggregate of less than \$5,000,000 at all times for all such accounts).

“Excluded Assets” means (i) any fee-owned real property that is not a Material Real Estate Assets and any leasehold interests in Real Estate Assets, (ii) any governmental licenses or state or local franchises, charters or authorizations, to the extent a security interest in any such licenses, franchise, charter or authorization would be prohibited or restricted thereby (including any legally effective prohibition or restriction) after giving effect to the applicable anti-assignment clauses of the Uniform Commercial Code and other applicable laws, other than the proceeds and receivables thereof the assignment of which is expressly deemed effective under the Uniform Commercial Code and other applicable laws notwithstanding such prohibition, (iii) motor vehicles and other assets and personal property subject to certificates of title to the extent a Lien thereon cannot be perfected by the filing of a UCC financing statement or equivalent under applicable law, (iv) assets and personal property for which a pledge thereof or a security interest therein is prohibited by applicable laws (including any legally effective requirement to obtain the consent of any Governmental Authority) after giving effect to the applicable anti-assignment clauses of the Uniform Commercial Code and other applicable laws, other than the proceeds and receivables thereof the assignment of which is expressly deemed effective under the Uniform Commercial Code and other applicable laws notwithstanding such prohibition, (v) Excluded Capital Stock, (vi) assets and personal property to the extent a security interest in such assets would result in material adverse tax consequences as reasonably determined by the Borrower in good faith and consented to by the Lender, (vii) any intent-to-use trademark application prior to the filing of a “Statement of Use” or “Amendment to Allege Use” with respect thereto, (viii) any assets held directly or indirectly by any CFC or FSHCO, (ix) Excluded Accounts, (x) cash reserves maintained by Regulated Entities for the purpose of meeting required reserve requirements, as required by applicable laws or regulations (for avoidance of doubt, any cash amounts in excess of such requirements shall not constitute Excluded Assets by virtue of this clause (x)) and (xi) any lease, license, contract, instrument or other agreements or any property (including personal property) subject to a purchase money security interest, Financing Lease Obligation or similar arrangements, in each case to the extent permitted under the Loan Documents, to the extent that a pledge thereof or a security interest therein would violate or invalidate such lease, license, contract, instrument or agreement, purchase money, Financing Lease Obligation or similar arrangement, or create a right of termination in favor of any other party thereto (other than the Borrower or a Guarantor) after giving effect to the applicable anti-assignment clauses of the Uniform Commercial Code and other applicable laws, other than the proceeds and receivables thereof the assignment of which is expressly deemed effective under the Uniform Commercial Code and other applicable laws notwithstanding such prohibition.

“Excluded Capital Stock” means (i) any Capital Stock with respect to which, in the reasonable judgment of the Lender and the Borrower, the cost of pledging such Capital Stock shall be excessive in view of the benefits to be obtained by the Lender therefrom, (ii) solely in the case of any pledge of Capital Stock of any Subsidiary that is a CFC or FSHCO to secure the Obligations, any Capital Stock that are Voting Stock of such Subsidiary that is a CFC or FSHCO in excess of 65% of the outstanding Capital Stock that are Voting Stock of such Subsidiary that is a CFC or FSHCO, (iii) any Capital Stock to the extent, and for so long as, the pledge thereof would be prohibited by any applicable law (including any legally effective requirement to obtain the consent of any Governmental Authority unless such consent has been obtained), (iv) Capital Stock of any Person (other than any Wholly-Owned Subsidiary) acquired after the Closing Date to the extent, and for so long as, the pledge of such Capital Stock would be prohibited by, or would create an enforceable right of termination in favor of any other party thereto (other than Holdings, the Borrower or any Wholly-Owned Subsidiary) under, the terms of any Contractual Obligation, Organizational Document, joint venture agreement or shareholders’ agreement applicable to such Person (but only to the extent any of the foregoing is not rendered ineffective by, or is otherwise unenforceable under, the UCC or any other applicable Law) (and so long as such Contractual Obligation or other relevant restriction was not incurred in contemplation of such acquisition), (v) the Capital Stock of any Subsidiary of a CFC or FSHCO and (vi) any Capital Stock of any Subsidiary to the extent that the pledge of such Capital Stock would result in material adverse tax consequences to Holdings, the Borrower or any Subsidiary or Parent Company of the Borrower as reasonably determined by the Borrower in good faith and as consented to by the Lender.

“**Excluded Subsidiary**” means:

(a) any Subsidiary acquired after the Closing Date that is not a Wholly-Owned Subsidiary or is a joint venture on any date such Subsidiary would otherwise be required to become a Guarantor pursuant to the requirements of Section 5.10 (for so long as such Subsidiary remains a non-Wholly-Owned Subsidiary and only so long as there is a bona fide business purpose for the transactions resulting in such Subsidiary being non-Wholly Owned); provided that the aggregate Fair Market Value at the time of the applicable Disposition, of all such Subsidiaries which were Loan Parties, which as a result of a Disposition, become “Excluded Subsidiaries” after the Closing Date by virtue of this clause (a) shall not exceed an amount equal to the greater of (a) \$25,000,000 and (b) 25% of Consolidated Adjusted EBITDA for the most recently ended Test Period,

(b) any Subsidiary that is prohibited by (x) applicable law or (y) Contractual Obligation from guaranteeing the Obligations (and for so long as such restriction is in effect); provided that in the case of clause (y), such Contractual Obligation existed on the Closing Date or, with respect to any Subsidiary acquired by Holdings or a Subsidiary after the Closing Date (and so long as such Contractual Obligation was not incurred in contemplation of such acquisition), on the date such Subsidiary is so acquired,

(c) (i) any direct or indirect Foreign Subsidiary, (ii) any Subsidiary that is a FSHCO, (iii) any direct or indirect Subsidiary of a CFC or FSHCO, or (iv) any other Subsidiary for which the provision of a Guarantee would result in a material adverse tax consequence to Holdings, the Borrower or any Subsidiary or Parent Company (as reasonably determined by the Borrower in good faith and as agreed to by the Lender),

(d) any Immaterial Subsidiary,

(e) any other Subsidiary with respect to which, in the reasonable judgment of the Lender in consultation with the Borrower (confirmed in writing by notice to the Borrower), the cost of providing a Guarantee shall be excessive in view of the benefits to be obtained by the Lender therefrom,

(f) each other Domestic Subsidiary acquired pursuant to a Permitted Acquisition (or similar Investment) and each Subsidiary acquired in such Permitted Acquisition (or similar Investment) that guarantees such Indebtedness, in each case to the extent that, and for so long as, the documentation relating to such Indebtedness to which such Domestic Subsidiary or Subsidiary, as applicable, is a party prohibits such Subsidiary from guaranteeing the Obligations (in each case, so long as such Indebtedness was not incurred in contemplation of such Permitted Acquisition (or similar investment)), and

(g) any Subsidiary that would require any consent, approval, license or authorization from any Governmental Authority to provide a Guarantee unless such consent, approval, license or authorization has been received, or is received after commercially reasonable efforts (including if requested by the Lender to do so) by the Borrower and/or such Subsidiary to obtain the same.

Notwithstanding anything to the contrary in the foregoing, (x) no Subsidiary organized under the laws of the United States shall be considered an Excluded Subsidiary on the basis that the provision of a Loan Guaranty by such Subsidiary would result in material adverse tax consequences as a result of the operation of Section 956 of the Code or otherwise (other than to the extent such Subsidiary would otherwise be an Excluded Subsidiary pursuant to clause (c) of this definition), (y) the Borrower shall not be an Excluded Subsidiary and (z) no Subsidiary that owns Capital Stock of the Borrower shall be an Excluded Subsidiary.

“**Excluded Taxes**” means (a) Taxes imposed on (or measured by) its income (however denominated), franchise Taxes, and Franchise Profits Taxes, in each case, (i) as a result of any recipient of any payment to be made by or on account of any obligation of the Borrower or any other Loan Party hereunder being organized under the laws of, or having its principal office or its applicable lending office located in, the jurisdiction imposing such Tax (or any political subdivision thereof) or (ii) that are Other Connection Taxes, (b) U.S. federal withholding Taxes imposed on amounts payable to or for the account of any recipient with respect to an applicable interest in the Loan pursuant to a law in effect on the date on which (i) such recipient acquires such interest in the Loan or (ii) such recipient changes its lending office, except in each case to the extent that, pursuant to Section 2.06, amounts with respect to such Taxes were payable either to such recipient’s assignor immediately before such recipient became a party hereto or to such recipient immediately before it changed its lending office, (c) any Tax under FATCA and (d) U.S. federal backup withholding Taxes pursuant to Section 3406 of the Code.

“**Expected Run Rate Benefit**” has the meaning assigned to such term in the definition of Consolidated Adjusted EBITDA.

“**Facility**” means any real property (including all buildings, fixtures or other improvements located thereon) now, hereafter or, except with respect to Articles 5 and 6, heretofore owned, leased, operated or used by Holdings or any of its Subsidiaries.

“**Fair Market Value**” means with respect to any asset or group of assets on any date of determination, the value of the consideration obtainable in a sale of such asset at such date of determination assuming a sale by a willing seller to a willing purchaser dealing at arm’s length and arranged in an orderly manner over a reasonable period of time having regard to the nature and characteristics of such asset. Except as otherwise expressly set forth herein, such value shall be determined in good faith by the Borrower.

“**FATCA**” means Sections 1471 through 1474 of the Code, as of the Closing Date (or any amended or successor version that is substantively comparable and not materially more onerous to comply with) and any current or future regulations promulgated thereunder or official interpretations thereof and any agreements entered into pursuant to Section 1471(b)(1) of the Code, and any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement, treaty or convention entered into in connection with the implementation of such Sections of the Code.

“**Financial Officer**” of any Person means (i) the chief financial officer, the treasurer, any assistant treasurer, any vice president of finance or the controller of such Person or any officer with substantially equivalent responsibilities of any of the foregoing or (ii) the chief executive officer or president of such Person.

“**Financial Officer Certification**” means, with respect to the financial statements for which such certification is required, the certification of a Financial Officer of Holdings or the Borrower that such financial statements fairly present, in all material respects, in accordance with GAAP, the consolidated financial condition of Holdings as at the dates indicated and the results of its consolidated operations and cash flows for the periods indicated, subject to, in the case of quarterly financial statements, the absence of footnotes and changes resulting from audit and normal year-end audit adjustments.

“**Financing Lease Obligation**” means, as applied to any Person, an obligation that is required to be accounted for as a financing or capital lease (and, for the avoidance of doubt, not as an operating lease) for financial reporting purposes in accordance with GAAP. At the time any determination thereof is to be made, the amount of the liability in respect of a financing or capital lease would be the amount required to be reflected on the applicable financial statements of such Person as a liability in accordance with GAAP.

“**First Priority**” means, with respect to any Lien purported to be created in any Collateral pursuant to any Collateral Document that, subject to any Acceptable Intercreditor Agreement then in effect, such Lien is senior in priority to any other Lien to which such Collateral is subject, other than any Permitted Lien.

“**Fiscal Quarter**” means a fiscal quarter of any Fiscal Year.

“**Fiscal Year**” means the fiscal year of Holdings, ending on December 31 of each year.

“**Flood Hazard Property**” means any Real Estate Asset subject to a Mortgage and located in an area designated by the Federal Emergency Management Agency as having special flood or mud slide hazards.

“**Flood Insurance Laws**” means, any insurance laws in effect in the jurisdiction where a Facility is located which address flood or mud slide hazards and are comparable to the following U.S. legislation: (a) the National Flood Insurance Reform Act of 1994 (which comprehensively revised the National Flood Insurance Act of 1968 and the Flood Disaster Protection Act of 1973) as now or hereafter in effect or any successor statute thereto, (b) the Flood Insurance Reform Act of 2004 as now or hereafter in effect or any successor statute thereto and (c) the Biggert-Waters Flood Insurance Reform Act of 2012 as now or hereafter in effect or any successor statute thereto.

“**Foreign Subsidiary**” means any Subsidiary that is not a Domestic Subsidiary.

“**FSHCO**” means any direct or indirect Subsidiary of the Borrower that has no material assets other than equity and/or indebtedness of one or more Foreign Subsidiaries of the Borrower that are CFCs.

“**GAAP**” means generally accepted accounting principles in the U.S. in effect and applicable to the accounting period in respect of which reference to GAAP is being made, subject to the provisions of Section 1.03.

“**Global Intercompany Note**” means an intercompany promissory note substantially in the form of Exhibit G attached hereto or otherwise reasonably acceptable to the Lender and the Borrower.

“**Governmental Authority**” means any federal, state, provincial, territorial, municipal, national or other government, governmental department, commission, board, bureau, court, agency or instrumentality or political subdivision thereof or any entity or officer exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to any government or any court (including any supra-national body exercising such powers or functions, such as the European Union or the European Central Bank), in each case, whether associated with a state or locality of the U.S., the U.S., or a foreign government.

“**Governmental Authorization**” means any permit, license, authorization, plan, directive, consent order or consent decree of or from any Governmental Authority.

“**Guarantee**” of or by any Person (the “**guarantor**”) means any obligation, contingent or otherwise, of the guarantor guaranteeing or having the economic effect of guaranteeing any Indebtedness of any other Person (the “**Primary Obligor**”) in any manner and including any obligation of the guarantor, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or to purchase (or to advance or supply funds for the purchase of) any security for the payment thereof, (b) to purchase or lease property, securities or services for the purpose of assuring the owner of such Indebtedness of the payment thereof, (c) to maintain working capital, equity capital or any other financial statement condition or liquidity of the Primary Obligor so as to enable the Primary Obligor to pay such Indebtedness,

(d) as an account party in respect of any letter of credit or letter of guaranty issued to support such Indebtedness or monetary obligation, (e) entered into for the purpose of assuring in any other manner the obligee in respect of such Indebtedness of the payment or performance thereof or to protect such obligee against loss in respect thereof (in whole or in part) or (f) secured by any Lien on any assets of such guarantor securing any Indebtedness of any other Person, whether or not such Indebtedness is assumed by such guarantor (or any right, contingent or otherwise, of any holder of such Indebtedness to obtain any such Lien); provided that the term "Guarantee" shall not include endorsements for collection or deposit in the ordinary course of business, or customary and reasonable indemnity obligations in effect on the Closing Date or entered into in connection with any acquisition, Disposition or other transaction permitted under this Agreement (other than such obligations with respect to Indebtedness). The amount of any Guarantee shall be deemed to be an amount equal to the stated or determinable amount of the related primary obligation, or portion thereof, in respect of which such Guarantee is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof as determined by the guaranteeing Person in good faith.

"**Guaranteed Obligations**" has the meaning assigned to such term in Section 9.01.

"**guarantor**" has the meaning assigned to such term in the definition of "Guarantee".

"**Guarantor Percentage**" has the meaning assigned to such term in Section 9.10.

"**Hazardous Materials**" means petroleum products and other hydrocarbons, solvents, polychlorinated bi-phenyls, asbestos and asbestos-containing materials and any other chemical, material, substance or waste, or any constituent thereof, that is prohibited, limited or regulated by any Environmental Law.

"**Hazardous Materials Activity**" means any past, current, proposed or threatened activity, event or occurrence involving any Hazardous Material, including the use, manufacture, possession, storage, holding, presence, existence, location, Release, threatened Release, discharge, placement, generation, transportation, processing, construction, treatment, abatement, removal, remediation, disposal, disposition or handling of any Hazardous Material, and any corrective action or response action with respect to any of the foregoing.

"**Holdings**" has the meaning assigned to such term in the preamble to this Agreement.

"**Immaterial Subsidiary**" means, as of any date, any Subsidiary of Holdings (other than the Borrower) for which (a) the consolidated total assets (determined in accordance with GAAP) of such Subsidiary and its Subsidiaries constitute less than 2.5% of consolidated total assets and (b) the consolidated revenues (determined in accordance with GAAP) of such Subsidiary and its Subsidiaries constitute less than 2.5% of the consolidated revenues (determined in accordance with GAAP) of Holdings and its Subsidiaries, in each case, as of the last day of and for the most recently ended Test Period; provided that the consolidated total assets (as so determined) and revenues (as so determined) of all Immaterial Subsidiaries shall not exceed 5% of consolidated total assets or 5% of the consolidated revenues of Holdings and its Subsidiaries that are not otherwise Excluded Subsidiaries by virtue of any of clauses (a) through (c) or (e) through (g) of the definition of "Excluded Subsidiary" as of the last day of and for the relevant Test Period, as the case may be. Notwithstanding the foregoing, for purposes of Article 7 of this Agreement, the term "Immaterial Subsidiary" shall not include any "significant subsidiaries" (as defined in Article 1 of Regulation S-X) or group of subsidiaries that would together constitute a "significant subsidiary" (as so defined).

“Indebtedness”, as applied to any Person, means, without duplication, (a) all indebtedness for borrowed money (including, for the avoidance of doubt, the Loan); (b) Financing Lease Obligations; (c) all obligations of such Person evidenced by bonds, debentures, notes, loan agreements or similar instruments; (d) any obligation owed for all or any part of the deferred purchase price of property or services (other than (i) trade accounts payable or accrued expenses in the ordinary course of business and not overdue by more than 60 days past the due date thereof and (ii) any earnout obligation until such obligation becomes a liability on the balance sheet of such Person in accordance with GAAP and if not paid after becoming due and payable); (e) all Indebtedness of others secured by any Lien on any property or asset owned or held by such Person regardless of whether the Indebtedness secured thereby shall have been assumed by such Person or is non-recourse to the credit of such Person; (f) the amount of any letter of credit issued for the account of such Person or as to which such Person is otherwise liable for reimbursement of drawings; (g) the Guarantee by such Person of the Indebtedness of another; (h) all obligations of such Person in respect of any Disqualified Capital Stock and (i) all net obligations of such Person in respect of any Derivative Transaction, including any hedge agreement, whether or not entered into for hedging or speculative purposes. For all purposes hereof, the Indebtedness of any Person shall include the Indebtedness of any partnership or joint venture in which such Person is a general partner or a joint venturer, except to the extent such Person’s liability for such Indebtedness is otherwise limited.

Indebtedness shall not include (i) prepaid or deferred revenue arising in the ordinary course of business, (ii) purchase price holdbacks arising in the ordinary course of business in respect of a portion of the purchase price of an asset to satisfy warrants or other unperformed obligations of the seller of such asset and (iii) Non-Financing Lease Obligations or other obligations under or in respect of operating leases.

“Indemnified Taxes” means (a) Taxes imposed on or with respect to any payment made by or on account of any obligation of any Loan Party under any Loan Document other than Excluded Taxes and (b) to the extent not otherwise described in clause (a), Other Taxes.

“Indemnitee” has the meaning set forth in Section 8.03(b).

“Intercreditor Agreement” means any Acceptable Intercreditor Agreement.

“Interest Payment Date” means the last Business Day of each March and September.

“Investment” means (a) any purchase or other acquisition, or ownership, by Holdings or any of its Subsidiaries of any of the Securities of any other Person (other than Holdings or any other Loan Party), (b) the acquisition by purchase or otherwise (other than purchases or other acquisitions of inventory, materials, supplies and/or equipment in the ordinary course of business) of all or substantially all of the business, property or fixed assets of any Person or any division or line of business or other business unit of any Person, (c) any Guarantee by Holdings or any of its Subsidiaries of Indebtedness of any other Person (other than Holdings or any other Loan Party) and (d) any loan, advance (other than advances made on an intercompany basis between or among Holdings and the other Loan Parties in the ordinary course of business for the purchase of inventory, materials, supplies and/or equipment or in respect of allocation of corporate overhead expenses) or capital contribution by Holdings or any of its Subsidiaries to any other Person (other than Holdings or any Subsidiary Guarantor). The amount, as of any date of determination, of any Investment in the form of a Guarantee shall be equal to the stated or determinable amount of the related primary obligation, or portion thereof, in respect of which such Guarantee is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof, as determined in good faith by Holdings in accordance with GAAP.

“**Investors**” means (a) the Sponsor and (b) certain other investors that, directly or indirectly, beneficially own Capital Stock in Holdings on the Closing Date (which Persons have been identified in writing to the Lender prior to Closing Date).

“**IP Rights**” has the meaning assigned to such term in Section 3.05(c).

“**IRS**” means the U.S. Internal Revenue Service.

“**Joinder Agreement**” has the meaning assigned to such term in Section 5.10(a).

“**Junior Debt**” means any Indebtedness of Holdings and its Subsidiaries that is (i) expressly subordinated in right of payment to the Obligations (other than Indebtedness among Holdings and its Subsidiaries) or (ii) secured by a Lien on the Collateral that ranks junior in right of security to the Liens on the Collateral securing the Obligations.

“**LCT Election**” has the meaning assigned to such term in Section 1.06.

“**LCT Test Date**” has the meaning assigned to such term in Section 1.06.

“**Lender**” means American Water Enterprises, LLC, a Delaware limited liability company, together with its permitted successors and assigns, acting in such capacity under this Agreement on its own behalf as a Seller and on behalf of the other Sellers under the Purchase Agreement.

“**Lien**” means any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), charge, or preference, priority or other security interest or preferential arrangement of any kind or nature whatsoever (including any conditional sale or other title retention agreement, any easement, right of way or other encumbrance on title to real property, and any Financing Lease Obligation having substantially the same economic effect as any of the foregoing), in each case, in the nature of security; provided that in no event shall a Non-Financing Lease Obligation be deemed to be a Lien.

“**Limited Condition Transaction**” means any acquisition or Investment by one or more of Holdings and its Subsidiaries of any assets, business or Person permitted to be acquired by this Agreement, in each case whose consummation is not conditioned on the availability of, or on obtaining, third party financing.

“**Loan Documents**” means this Agreement, any Promissory Note, the Collateral Documents and each Acceptable Intercreditor Agreement then in effect and any other document or instrument designated by the Borrower and the Lender as a “Loan Document” entered into in accordance with Section 8.02. Any reference in this Agreement or any other Loan Document to a Loan Document shall include all appendices, exhibits or schedules thereto, and all amendments, restatements, amendments and restatements, supplements or other modifications thereto.

“**Loan Guarantor**” means each Loan Party (except, solely with respect to obligations of the Borrower, the Borrower).

“**Loan Guaranty**” means the guaranty set forth in Article 9 of this Agreement.

“**Loan Parties**” means Holdings, the Borrower and each Subsidiary Guarantor.

“**Loan**” has the meaning assigned to such term in Section 2.01.

“**Margin Stock**” has the meaning assigned to such term in Regulation U.

“**Market Disruption Event**” means the occurrence of an event or a set of circumstances that, in either case, has eliminated the ability of market participants in general to borrow, refinance or to otherwise arrange debt financing in the broadly syndicated term loan “B” market in the ordinary course.

“**Material Adverse Effect**” means a material adverse effect on (i) the business, financial condition or results of operations, in each case, of Holdings and its Subsidiaries, taken as a whole, (ii) the rights and remedies of the Lender under the applicable Loan Documents or (iii) the ability of the Borrower and the Loan Guarantors to perform their payment obligations under the Loan Documents.

“**Material Real Estate Asset**” means (a) any fee-owned Real Estate Asset owned by any Loan Party as of the Closing Date having a Fair Market Value in excess of \$5,000,000 as of such date and (b) any fee-owned Real Estate Asset acquired by any Loan Party after the Closing Date having a Fair Market Value in excess of \$5,000,000 as of the date of acquisition thereof.

“**Maturity Date**” means the date that is five years after the Closing Date, *provided* that if such date is not a Business Day, the “Maturity Date” will be the next succeeding Business Day.

“**Maximum Liability**” has the meaning assigned to such term in Section 9.09.

“**Moody’s**” means Moody’s Investors Service, Inc. and any successor to its rating agency business.

“**Mortgaged Properties**” means, initially, the owned real properties of the Loan Parties specified on Schedule 1.01(c) (if any), and shall include each other Material Real Estate Asset and improvements thereto with respect to which a Mortgage is required to be granted pursuant to Section 5.10.

“**Mortgages**” means any mortgage, deed of trust or other agreement which conveys or evidences a Lien in favor of the Lender, for the benefit of the Lender, on any Material Real Estate Assets (it being understood and agreed that any requirement for Mortgages shall be subject to the provisions of Section 5.10).

“**Multemployer Plan**” means any employee benefit plan which is a “multiemployer plan” as defined in Section 3(37) of ERISA, to which Holdings or any of its Subsidiaries, or any of their respective ERISA Affiliates, makes or is obligated to make contributions and with respect to which any of them has an ongoing obligation.

“**Net Proceeds**” means:

(a) with respect to the Disposition of any asset by Holdings or any Subsidiary or any Casualty/Condemnation Event, the excess, if any, of (i) the sum of cash and Cash Equivalents received by or on behalf of Holdings and its Subsidiaries in connection with such Disposition or Casualty/Condemnation Event (including any cash or Cash Equivalents received by way of deferred payment (but excluding any interest payments) pursuant to, or by monetization of, a note receivable or otherwise, but only as and when so received and, with respect to any Casualty/Condemnation Event, any insurance proceeds or condemnation awards in respect of such Casualty/Condemnation Event actually received by or paid to or for the account of Holdings, the Borrower or any Subsidiary) over (ii) the sum of (A) the principal amount, premium or penalty, if any, interest and other amounts on any Indebtedness that is secured by the asset subject to such Disposition or Casualty/Condemnation Event and that is required to be repaid (and is actually repaid) in connection with such Disposition or Casualty/Condemnation Event under the existing

terms of the documentation thereof (other than Indebtedness under the Loan Documents and Indebtedness secured by Liens that are subject to an Acceptable Intercreditor Agreement), (B) the out-of-pocket fees and expenses (including attorneys' fees, investment banking fees, survey costs, title insurance premiums, and related search and recording charges, transfer taxes, deed or mortgage recording taxes, other customary expenses and brokerage, consultant and other customary fees) actually incurred by Holdings, the Borrower or such Subsidiary in connection with such Disposition or Casualty/Condemnation Event, (C) taxes paid or reasonably estimated to be actually payable in connection therewith (including withholding taxes imposed on the repatriation of any such Net Proceeds) and the amount of any reserves established by Holdings, the Borrower and the Subsidiaries to fund contingent liabilities reasonably estimated to be payable, that are directly attributable to such event, (D) in the case of any Disposition by a non-Wholly-Owned Subsidiary or Casualty/Condemnation Event with respect to assets of a non-Wholly-Owned Subsidiary, the pro rata portion of the net cash proceeds thereof (calculated without regard to this clause (D)) attributable to minority interests and not available for distribution to or for the account of Holdings the Borrower or a Wholly-Owned Subsidiary as a result thereof, and (E) any reserve for adjustment in respect of (x) the sale price of such asset or assets established in accordance with GAAP and (y) any liabilities associated with such asset or assets and retained by Holdings, the Borrower or any Restricted Subsidiary after such sale or other Disposition thereof, including pension and other post-employment benefit liabilities and liabilities related to environmental matters or with respect to any indemnification obligations associated with such transaction; it being understood that "Net Proceeds" shall include (i) any cash or Cash Equivalents received upon the Disposition of any non-cash consideration by Holdings, the Borrower or any Subsidiary in any such Disposition and (ii) upon the reversal (without the satisfaction of any applicable liabilities in cash in a corresponding amount) of any reserve described in clause (E) above or if such liabilities have not been satisfied in cash and such reserve is not reversed within 180 days after such Disposition or Casualty/Condemnation Event, the amount of such reserve; and

(b) with respect to the incurrence of any Indebtedness by Holdings, the Borrower or any Subsidiary or any sale or issuance of Capital Stock by any Borrower, the excess, if any, of (A) the sum of the cash and Cash Equivalents received by or on behalf of Holdings, the Borrower and its Subsidiaries in connection with such incurrence, issuance or sale over (B) the reasonable and customary investment banking fees, discounts, issuance costs, commissions, costs and other out-of-pocket expenses and other customary expenses (and, in the case of the incurrence of any Indebtedness the proceeds of which are required to be used to prepay the Loan hereunder, accrued interest and premium, if any, on the Loan and any other amounts (other than principal) required to be paid in respect of the Loan in connection with any such prepayment and/or reduction), incurred by Holdings, the Borrower or such Subsidiary in connection with such incurrence, issuance or sale.

"**Non-Compliant Subsidiary or Asset**" means (i) any Subsidiary acquired pursuant to a Permitted Acquisition that will not become a Loan Party or (ii) any assets acquired pursuant to a Permitted Acquisition that will not be owned by a Loan Party after giving effect to such Permitted Acquisition.

"**Non-Financing Lease Obligations**" means a lease obligation that is not required to be accounted for as a financing or capital lease on both the balance sheet and the income statement for financial reporting purposes in accordance with GAAP. For avoidance of doubt, a straight-line or operating lease shall be considered a Non-Financing Lease Obligation.

"**Non-Paying Guarantor**" has the meaning assigned to such term in Section 9.10.

"**Obligated Party**" has the meaning assigned to such term in Section 9.02.

“**Obligations**” means all unpaid principal of and accrued and unpaid interest (including any Applicable Premium, interest, fees and other amounts accruing during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding) on the Loan, all accrued and unpaid fees and all expenses, reimbursements, indemnities, any Applicable Premium and all other advances to, debts, liabilities, obligations, covenants and duties of any Loan Party to the Lender or any indemnified party arising under the Loan Documents, whether direct or indirect (including those acquired by assumption), absolute, contingent, due or to become due, now existing or hereafter arising.

“**OFAC**” means the U.S. Department of the Treasury’s Office of Foreign Assets Control.

“**Organizational Documents**” means (a) with respect to any corporation, its certificate or articles of incorporation, formation or organization and its by-laws, (b) with respect to any limited partnership, its certificate of limited partnership, and its partnership agreement, (c) with respect to any general partnership, its partnership agreement, (d) with respect to any limited liability company, its articles of organization or certificate of formation, and its operating agreement and (e) with respect to any other form of entity, such other organizational documents required by local Requirements of Law or customary under such jurisdiction to document the formation and governance principles of such type of entity. In the event any term or condition of this Agreement or any other Loan Document requires any Organizational Document to be certified by a secretary of state or similar governmental official, the reference to any such “Organizational Document” shall only be to a document of a type customarily certified by such governmental official.

“**Other Connection Taxes**” means Taxes imposed on any recipient of any payment to be made by or on account of any obligation of the Borrower or any other Loan Party hereunder as a result of a present or former connection between such recipient and the jurisdiction imposing such Tax (other than connections arising solely from such recipient having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, or engaged in any other transaction pursuant to or enforced any Loan Document, or sold or assigned an interest in the Loan or any Loan Document).

“**Other Taxes**” means any and all present or future stamp, court or documentary, recording or filing Taxes or any other similar Taxes arising from any payment made hereunder or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement or the other Loan Documents, except any such Taxes that are Other Connection Taxes imposed with respect to an assignment.

“**Parent Company**” means (a) any Person of which Holdings is or becomes a subsidiary on or after the Closing Date, (b) any holding company established by any Permitted Holder for purposes of holding its investment in Holdings or any other Parent Company and (c) any other Person of which Holdings is a direct or indirect Subsidiary.

“**Paying Guarantor**” has the meaning assigned to such term in [Section 9.10](#).

“**PBGC**” means the Pension Benefit Guaranty Corporation or any successor thereto.

“**Pension Plan**” means any employee pension benefit plan, as defined in Section 3(2) of ERISA (other than a Multiemployer Plan), subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 302 of ERISA, and in respect of which Holdings or any of its Subsidiaries, or any of their respective ERISA Affiliates, is (or, if such plan were terminated, would under Section 4069 of ERISA be deemed to be) an “employer” as defined in Section 3(5) of ERISA.

“Permitted Acquisition” means any purchase or acquisition by Holdings or any of its Subsidiaries, whether by purchase, merger, amalgamation or otherwise, of all or substantially all of the assets of, or of any business or product line, unit or division of, any Person or a majority of the outstanding Capital Stock of any Person (but in any event including (a) any Investment in a Subsidiary which serves to increase Holdings’ or any Subsidiary’s respective equity ownership in such Subsidiary and (b) any acquisition of or Investment in any joint venture); provided, in each case, (i) (A) such Person becomes a Subsidiary or (B) such Person, in one transaction or a series of related transaction, is amalgamated, merged or consolidated with or into, or transfers or conveys all or substantially all of its assets (or of such business or product line, unit or division) to, or is liquidated into, Holdings or any Subsidiary as a result of such Investments, (ii) such Person (or such business or product line, unit or division) is engaged in a Similar Business, or property and assets or businesses of any Person or of assets constituting a business unit, a line of business or division of such Person, or Capital Stock in a Person that, upon the consummation thereof, will be a Subsidiary of Holdings, provided, in each case, (x) no Event of Default (or in the case of a Limited Condition Transaction, no Specified Event of Default) shall have occurred and be continuing at the time of the consummation of such acquisition and (y) the Consolidated Total Leverage Ratio after giving pro forma effect to the making of such acquisition is not greater than either (1) 7.50:1.00 as of the last day of the Test Period most recently ended on or prior to the making of such acquisition or (2) the Consolidated Total Leverage Ratio immediately prior to the making of such acquisition.

“Permitted Additional Debt” means (i) secured or unsecured bonds, notes or debentures (which bonds, notes or debentures, if secured, may be secured either by Liens on the Collateral that rank equal in priority with the Liens on the Collateral securing the Obligations or by Liens on the Collateral that rank junior in priority relative to the Liens on the Collateral securing the Obligations) or (ii) secured or unsecured loans or commitments to provide secured or unsecured loans (which loans or commitments, if secured, may be secured by Liens on the Collateral that rank junior in priority relative to the Liens on the Collateral securing the Obligations or by Liens on the Collateral that rank equal in priority with the Liens on the Collateral securing the Obligations), in each case incurred by the Borrower or a Guarantor; provided that (a) such Indebtedness has a final maturity date that is not later than 91 days following the Maturity Date, (b) the covenants, events of default, Subsidiary guarantees and other terms for such Indebtedness or commitments (excluding interest rates (including through fixed interest rates), interest rate margins, rate floors, fees, funding discounts, original issue discounts and redemption or prepayment terms and premiums determined by the Borrower to be market rates, margins, rate floors, fees, discounts, terms and premiums at the time of incurrence of such Indebtedness) not materially more restrictive on Holdings and its Subsidiaries, when taken as a whole, than the terms of this Agreement, when taken as a whole; provided that such terms shall not be deemed to be more restrictive solely as a result of (i) the inclusion in the documentation governing such Indebtedness or commitment of any financial maintenance covenant so long as an equivalent financial maintenance covenant is added to this Agreement for the benefit of the Lender or (ii) covenants or other provisions applicable only to periods after the Maturity Date at such time; provided that, in the event that the Effective Yield for any Permitted Additional Debt that is secured by Liens on all or any part of the Collateral that rank equal in priority with the Liens on the Collateral securing the Obligations is greater than the Effective Yield for the Loan by more than 0.50% per annum, then the interest rate for the Loan shall be increased to the extent necessary so that the Effective Yield for the Loan is equal to the Effective Yield for such Permitted Additional Debt minus 0.50% per annum, (c) if such Indebtedness is secured, such Indebtedness shall not be secured by any property or assets other than the Collateral and shall be subject to an applicable Acceptable Intercreditor Agreement, and (d) no Subsidiary of Holdings (other than a Guarantor) shall be an obligor under such Indebtedness.

“Permitted Additional Debt Documents” means any document or instrument (including any guarantee, security agreement or mortgage and which may include any or all of the Loan Documents) issued or executed and delivered with respect to any Permitted Additional Debt by any Loan Party.

“Permitted Additional Debt Obligations” means, if any secured Permitted Additional Debt has been incurred and is outstanding, the collective reference to (a) the due and punctual payment of (i) the principal of and premium, if any, and interest at the applicable rate provided in the applicable Permitted Additional Debt Documents (including interest accruing during the pendency of any proceeding under any Debtor Relief Law, regardless of whether allowed or allowable in such proceeding) on any such Permitted Additional Debt, when and as due, whether at maturity, by acceleration, upon one or more dates set for prepayment, redemption or otherwise and (ii) all other monetary obligations, including fees, costs, expenses and indemnities, whether primary, secondary, direct, contingent, fixed or otherwise (including monetary obligations incurred during the pendency of any proceeding under any Debtor Relief Law, regardless of whether allowed or allowable in such proceeding), of the Borrower or any other Loan Party to any of the Permitted Additional Debt Secured Parties under the applicable Permitted Additional Debt Documents and (b) the due and punctual performance of all covenants, agreements, obligations and liabilities of the Borrower or any Loan Party under or pursuant to applicable Permitted Additional Debt Documents.

“Permitted Additional Debt Secured Parties” means the holders from time to time of the secured Permitted Additional Debt Obligations (and any representative on their behalf).

“Permitted Holders” means (a) the Investors and (b) any group (within the meaning of Rules 13d-3 and 13d-5 under the Exchange Act (or any successor provision)) of which the Investors are members and any other member of such group; provided, that in the case of such group and without giving effect to the existence of such group or any other group, Persons referred to in clauses (a) and (b), collectively, have beneficial ownership of more than 50% of the total voting power of the issued and outstanding Voting Stock of Holdings or any of its direct or indirect parent companies held by such group.

“Permitted Liens” means Liens permitted pursuant to Section 6.02.

“Permitted Refinancing Indebtedness” means, with respect to any Indebtedness (the **“Refinanced Indebtedness”**), any Indebtedness incurred in exchange for or as a replacement of (including by entering into alternative financing arrangements in respect of such exchange or replacement (in whole or in part), either by adding or replacing lenders, creditors, agents, borrowers and/or guarantors, or after the original instrument giving rise to such Indebtedness has been terminated and including, by entering into any new credit agreement, loan agreement, note purchase agreement, indenture or other agreement), or the net proceeds of which are incurred for the purpose of modifying, extending, refinancing, renewing, replacing, redeeming, repurchasing, defeasing, amending, supplementing, restructuring, repaying or refunding (collectively to **“Refinance”** or a **“Refinancing”** or **“Refinanced”**), such Refinanced Indebtedness (or previous refinancing thereof constituting Permitted Refinancing Indebtedness); provided that (a) after giving effect to such Refinancing, the principal amount (or accreted value, if applicable) thereof will not exceed the principal amount (or accreted value, if applicable) of the Refinanced Indebtedness except by an amount equal to unpaid accrued interest and premium thereon plus other customary and reasonable amounts paid, and fees and expenses incurred, in connection with such Refinancing plus an amount equal to any existing commitments unutilized thereunder, (b) other than with respect to a Refinancing of Indebtedness permitted pursuant to Section 6.01(j), such Permitted Refinancing Indebtedness has a maturity date that is equal to or greater than the maturity date of the Refinanced Indebtedness, (c) (i) if such Refinanced Indebtedness is unsecured, such Permitted Refinancing Indebtedness shall be unsecured and (ii) if such Refinanced Indebtedness is secured, such Permitted Refinancing Indebtedness shall either be unsecured or secured by the same collateral, and with the same (or junior) lien priority, as exists with respect to the Refinanced Indebtedness, (d) each of the obligors with respect to such Permitted Refinancing Indebtedness are Guarantors, (e) other than with respect to revolving Indebtedness, such Refinancing Indebtedness has (1) a Weighted Average Life to Maturity equal to or greater than the Weighted Average Life to Maturity of the Indebtedness being refinanced, refunded or replaced (without giving effect to any prepayments thereof) or (2) a Weighted Average Life to Maturity

equal to or greater than the Weighted Average Life to Maturity of the outstanding Loan at such time, and (f) (i) to the extent such Refinanced Indebtedness is subordinated in right of payment to the Obligations, such Permitted Refinancing Indebtedness is subordinated in right of payment to the Obligations on terms at least as favorable to the Lender, when taken as a whole, as those contained in the documentation governing the Indebtedness being so Refinanced and (ii) the terms and conditions (including, if applicable, as to collateral but excluding as to subordination, interest rates (including through fixed interest rates), interest rate margins, rate floors, fees, funding discounts, original issue discounts and redemption or prepayment terms and premiums) of any such Permitted Refinancing Indebtedness, taken as a whole, are not materially more restrictive on Holdings and its Subsidiaries, when taken as a whole, than the terms and conditions of the Refinanced Indebtedness; provided that such terms and conditions shall not be deemed to be more restrictive solely as a result of (x) the inclusion in the documentation governing such Indebtedness or commitment of any financial maintenance covenant or (y) covenants or other provisions applicable only to periods after the Maturity Date at the time of such Refinancing.

“**Person**” means any natural person, corporation, unlimited liability company, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or any other entity.

“**Pledge and Security Agreement**” means that certain Pledge and Security Agreement, dated as of the date hereof, among the Borrower, the other Loan Parties and the Lender in the form attached hereto as Exhibit H.

“**Prepayment Asset Sale**” means any Disposition by Holdings or its Subsidiaries made pursuant to Section 6.06(g), (m) or (q).

“**Primary Obligor**” has the meaning assigned to such term in the definition of “Guarantee”.

“**Pro Forma Basis**” or “**pro forma effect**” means with respect to any determination of the Consolidated Total Leverage Ratio, or Consolidated Adjusted EBITDA (including, in each case, component definitions thereof) that:

(a) (i) in the case of any Disposition of all or substantially all of the Capital Stock of any Subsidiary or any business or product line, unit or division of Holdings and/or any Subsidiary, income statement items attributable to the property or Person subject to such Subject Transaction shall be excluded as of the first day of the applicable Test Period with respect to any test or covenant for which the relevant determination is being made and (ii) in the case of any Permitted Acquisition and/or Investment, income statement items (whether positive or negative and including any Expected Run Rate Benefit) attributable to the property or Person subject to such Subject Transaction shall be included as of the first day of the applicable Test Period with respect to any test or covenant for which the relevant determination is being made; provided that the pro forma adjustments described in this clause (a) may be applied to any such test or covenant solely to the extent that such adjustments are consistent with the definition of “Consolidated Adjusted EBITDA”,

(b) any Business Optimization Initiative (and any Expected Run Rate Benefit attributable thereto) shall be deemed to have occurred as of the first day of the applicable Test Period with respect to any test or covenant for which the relevant determination is being made,

(c) any retirement or repayment of Indebtedness (other than Indebtedness retired or repaid under any revolving credit facility or line of credit unless such Indebtedness has been permanently repaid and not replaced) by Holdings, any of its Subsidiaries shall be deemed to have occurred as of the first day of the applicable Test Period with respect to any test or covenant for which the relevant determination is being made,

(d) any Indebtedness incurred or assumed by Holdings or any of its Subsidiaries shall be deemed to have occurred as of the first day of the applicable Test Period with respect to any test or covenant for which the relevant determination is being made; provided that, (i) if such Indebtedness has a floating or formula rate, such Indebtedness shall have an implied rate of interest for the applicable Test Period for purposes of this definition determined by utilizing the rate that is or would be in effect with respect to such Indebtedness at the relevant date of determination (taking into account any interest hedging arrangements applicable to such Indebtedness), (ii) interest on any obligation with respect to any Financing Lease Obligation shall be deemed to accrue at an interest rate reasonably determined by a Responsible Officer of the Borrower to be the rate of interest implicit in such obligation in accordance with GAAP and (iii) interest on any Indebtedness that may optionally be determined at an interest rate based upon a factor of a prime or similar rate, a eurocurrency interbank offered rate or other rate shall be determined to have been based upon the rate actually chosen, or if none, then based upon such optional rate chosen by the Borrower,

(e) each other Subject Transaction shall be deemed to have occurred as of the first day of the applicable Test Period (or, in the case of consolidated total assets, as of the last day of such Test Period) with respect to any test or covenant for which such calculation is being made,

(f) the Unrestricted Cash Amount shall be calculated as of the date of the consummation of such Subject Transaction after giving pro forma effect thereto (other than, for the avoidance of doubt, the cash proceeds of any Indebtedness that is the Subject Transaction for which such a calculation in being made or is incurred to finance such Subject Transaction); and

(g) solely with respect to applicable calculations or determinations to be made in connection with a Permitted Acquisition or similar Investment, any Revolving Facility Indebtedness outstanding or incurred (including by assumption or guarantee) prior to, or simultaneously with, the event for which the Pro Forma Basis or pro forma effect determination of such ratio or other test is being made that is used to finance working capital needs of the Holdings and its Subsidiaries (as reasonably determined by the Borrower) shall, in each case, be disregarded.

Whenever a financial ratio or test or covenant is to be calculated on a Pro Forma Basis, the reference to the "Test Period" for purposes of calculating such financial ratio or test shall be deemed to be a reference to, and shall be based on, the most recently ended Test Period.

"Promissory Note" means a promissory note of the Borrower payable to the Lender or its registered assigns, in substantially the form of Exhibit C hereto, evidencing the aggregate outstanding principal amount of Loan of the Borrower to such Lender resulting from the Loan made by such Lender.

"Public Company" shall mean any Person with a class or series of Capital Stock that is traded on the New York Stock Exchange, the NASDAQ, the Luxembourg Stock Exchange, the London Stock Exchange, the Hong Kong Stock Exchange, The International Stock Exchange or any comparable stock exchange or similar market.

"Purchase" means the purchase of the Units (as defined in the Purchase Agreement) by the Purchaser pursuant to the Purchase Agreement.

“**Purchase Agreement**” means the Membership Interest Purchase Agreement, dated as of October 28, 2021, by and among American Water Enterprises, LLC, a Delaware limited liability company (“**American Water Enterprises**”), American Water (USA), LLC, a Delaware limited liability company (“**American Water USA**”) and together with American Water Enterprises, the “**Sellers**”), American Water Resources, LLC, a Virginia limited liability company (“**American Water Resources**”), Pivotal Home Solutions, LLC, a Delaware limited liability company (“**Pivotal**”), American Water Resources Holdings, LLC, a Delaware limited liability company (“**American Water Holdings**”), American Water Works Company, Inc., a Delaware corporation, and the Borrower (acting in its capacity as the “**Purchaser**” under the Purchase Agreement, the “**Purchaser**”), as amended, restated, supplemented or otherwise modified from time to time in accordance with its terms.

“**Purchase Documents**” means the Purchase Agreement and all schedules, exhibits and annexes to each of the foregoing, the Ancillary Documents (as defined in the Purchase Agreement) and all side letters, instruments and agreements affecting the terms of the foregoing or entered into in connection therewith.

“**Purchaser**” has the meaning assigned to such term in the definition of Purchase Agreement.

“**Qualified Capital Stock**” of any Person means any Capital Stock of such Person that is not Disqualified Capital Stock.

“**Qualifying IPO**” means any transaction or series of related transactions that results in any of the common Capital Stock of Holdings and/or any Parent Company (and/or any permitted successor thereto) being publicly traded on any U.S. national securities exchange or over-the-counter market or any analogous exchange in any jurisdiction.

“**Real Estate Asset**” means, at any time of determination, all right, title and interest (fee, leasehold or otherwise) in and to real property (including, but not limited to, land, improvements and fixtures thereon).

“**Refinance, Refinanced and Refinancing**” each has the meaning assigned to such term in the definition of the term “Permitted Refinancing Indebtedness.”

“**Refinanced Indebtedness**” has the meaning assigned to such term in the definition of the term “Permitted Refinancing Indebtedness.”

“**Regulated Entity**” means any Subsidiary or Affiliate of Holdings, including American Water Resources, LLC, a Virginia limited liability company, American Water Resources of Texas, LLC, a Delaware limited liability company, American Water Resources of Florida, LLC, a Delaware limited liability company, and Pivotal Home Solutions, LLC, a Delaware limited liability company, that engages in the service contract business pursuant to applicable state insurance and service contract regulatory laws.

“**Regulation U**” means Regulation U of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

“**Regulation X**” means Regulation X of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

“**Related Parties**” means, with respect to any specified Person, such Person’s Affiliates and the respective directors, officers, trustees, employees, partners, agents, advisors and other representatives of such Person and such Person’s Affiliates.

“**Release**” means any release, spill, emission, leaking, pumping, pouring, injection, escaping, deposit, disposal, discharge, dispersal, dumping, leaching or migration of any Hazardous Material into the Environment (including the abandonment or disposal of any barrels, containers or other closed receptacles containing any Hazardous Material), including the movement of any Hazardous Material through the air, soil, surface water or groundwater.

“**Representatives**” has the meaning assigned to such term in Section 8.13(a).

“**Requirements of Law**” means, with respect to any Person, collectively, the common law and all federal, state, provincial, territorial, local, foreign, multinational or international laws, statutes, codes, treaties, standards, rules and regulations, guidelines, ordinances, orders, judgments, writs, injunctions, decrees (including administrative or judicial precedents or authorities) and the interpretation or administration thereof by, and other determinations, directives, requirements or requests of any Governmental Authority, in each case whether or not having the force of law and that are applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

“**Responsible Officer**” of any Person means the chief executive officer, a director, the president, executive vice president, any senior vice president, any vice president, the chief operating officer or any Financial Officer of such Person and any other individual or similar official thereof responsible for the administration of the obligations of such Person in respect of this Agreement, and, as to any document delivered on the Closing Date (but subject to the express requirements set forth in Section 5.14), shall include any secretary or assistant secretary or any other individual or similar official thereof with substantially equivalent responsibilities of a Loan Party. The Lender shall be entitled to conclusively presume that (i) any document delivered hereunder that is signed by a Responsible Officer of a Loan Party has been authorized by all necessary corporate, partnership and/or other action on the part of such Loan Party, and (ii) such Responsible Officer has acted on behalf of such Loan Party.

“**Restricted Debt Payment**” has the meaning set forth in Section 6.04(c).

“**Restricted Payment**” means (a) any dividend or other distribution on account of any shares of any class of the Capital Stock of Holdings or any Subsidiary now or hereafter outstanding, except a dividend payable solely in shares of Qualified Capital Stock to the holders of such class, (b) any redemption, retirement, sinking fund or similar payment, purchase or other acquisition for value of any shares of any class of the Capital Stock of Holdings or any Subsidiary now or hereafter outstanding, (c) any payment made to retire, or to obtain the surrender of, any outstanding warrants, options or other rights to acquire shares of any class of the Capital Stock of Holdings or any Subsidiary now or hereafter outstanding and (d) any payment made by Holdings or any Subsidiary pursuant to the Revenue Share Agreement (as defined in the Purchase Agreement).

“**Return**” shall mean, with respect to any Investment, any dividend, distribution, interest, fee, premium, return of capital, repayment of principal, income, profit (from a Disposition or otherwise) and any other similar amount received or realized in respect thereof.

“**Revolving Facility Indebtedness**” means obligations pursuant to secured or unsecured revolving credit facilities and letter of credit facilities; provided that such Indebtedness (i) shall rank equal in right of payment with the Loan and, if secured, shall be secured by Liens on the Collateral that rank equal in priority with the Liens on the Collateral securing the Obligations and, if secured, shall be secured only by the Collateral securing the Obligations pursuant to an Acceptable Intercreditor Agreement, (ii) shall not be guaranteed by any Person that is not a Guarantor hereunder, (iii) shall have interest rates (including through fixed interest rates), interest margins, rate floors, upfront fees, undrawn commitment fees, funding

discounts, original issue discounts, prepayment terms and premiums and commitment reduction and termination terms as determined by the Borrower and the lenders of such commitments and (iv) other than with respect to any financial maintenance covenant shall have terms and conditions not be materially more restrictive (when taken as a whole) on Holdings and the Subsidiaries than the terms of this Agreement, when taken as a whole (except for covenants or other provisions applicable only to the periods after the Maturity Date (it being understood to the extent that any covenant or other provision is added for the benefit of any Revolving Facility Indebtedness, no consent shall be required from any party to the extent that such covenant or provision is also added for the benefit of this Agreement).

“**S&P**” means S&P Global Ratings, a subsidiary of S&P Global Inc., and any successor to its rating agency business.

“**Sale and Lease-Back Transaction**” has the meaning assigned to such term in [Section 6.07](#).

“**Sanctioned Country**” means any country or territory that, at the relevant time, is the subject or target of any comprehensive or countrywide Sanctions. As at the date hereof, Sanctioned Countries include Cuba (solely with respect to any Person organized under the laws of the United States or any political subdivision thereof), Iran, North Korea, Syria, and the Crimea Region.

“**Sanctions**” means any United States sanctions administered by OFAC or the U.S. Department of State.

“**SEC**” means the Securities and Exchange Commission.

“**Securities**” means any stock, shares, partnership interests, voting trust certificates, certificates of interest or participation in any profit-sharing agreement or arrangement, options, warrants, bonds, debentures, notes, or other evidences of indebtedness, secured or unsecured, convertible, subordinated or otherwise, or in general any instruments commonly known as “securities” or any certificates of interest, shares or participations in temporary or interim certificates for the purchase or acquisition of, or any right to subscribe to, purchase or acquire, any of the foregoing; provided that “Securities” shall not include any earn-out agreement or obligation or any employee bonus or other incentive compensation plan or agreement.

“**Securities Act**” means the Securities Act of 1933 and the rules and regulations of the SEC promulgated thereunder.

“**Security Agreement Joinder Agreement**” has the meaning assigned to such term in the Pledge and Security Agreement.

“**Seller Note Amount**” has the meaning assigned to such term in the Purchase Agreement, with the Seller Note Amount being equal to and constituting an initial principal amount of the Loan of \$720,000,000 as of the date of this Agreement.

“**Sellers**” has the meaning assigned to such term in the definition of “Purchase Agreement”.

“**Similar Business**” means any Person the majority of the revenues of which are derived from a business that would be permitted by [Section 5.11](#) if the references to “Subsidiaries” in [Section 5.11](#) were read to refer to such Person.

“**Sold Entity or Business**” has the meaning assigned to such term in the definition of “Consolidated Adjusted EBITDA.”

“Specified Event of Default” means an Event of Default specified in Sections 7.01(a), 7.01(c) (solely as it relates to Sections 2.01(b) or 2.01(d)), 7.01(f) or 7.01(g)

“Sponsor” means Apax Partners, L.P. and each of its Affiliates and any funds, partnerships or other investment vehicles managed or controlled by it or its Affiliates, but not including, however, any of their operating portfolio companies.

“Subject Transaction” means (a) the Transactions, (b) any Permitted Acquisition or any other acquisition or Investment, (c) any sale, transfer or Disposition of all or substantially all assets of a Subsidiary or a line of business or division, (d) any incurrence or assumption of Indebtedness, (e) any prepayment, redemption, repurchase, defeasance, acquisition similar payment, extinguishment, retirement or repayment of Indebtedness and/or (f) the implementation of any Business Optimization Initiative.

“subsidiary” means, with respect to any Person, any corporation, partnership, limited liability company, association, joint venture or other business entity of which more than 50% of the total voting power of shares of stock or other ownership interests entitled (without regard to the occurrence of any contingency) to vote in the election of the Person or Persons (whether directors, managers, trustees or other Persons performing similar functions) having the power to direct or cause the direction of the management and policies thereof is at the time owned or controlled, directly or indirectly, by such Person or one or more of the other subsidiaries of such Person or a combination thereof; provided that in determining the percentage of ownership interests of any Person controlled by another Person, no ownership interest in the nature of a “qualifying share” of the former Person shall be deemed to be outstanding.

“Subsidiary” means any subsidiary of Holdings.

“Subsidiary Guarantor” means (a) on the Closing Date, each Subsidiary of Holdings (other than any Excluded Subsidiary and other than the Borrower) and (b) thereafter, each Subsidiary of Holdings (other than any Excluded Subsidiary and other than the Borrower) that thereafter guarantees the Obligations pursuant to the terms of this Agreement, in each case, until such time as the respective Subsidiary is released from its obligations under the Loan Guaranty in accordance with the express terms and provisions hereof.

“Taxes” means any and all present and future taxes, assessments, levies, imposts, duties, deductions, charges or withholdings (including backup withholding) imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

“Termination Date” has the meaning assigned to such term in the lead-in to Article 5.

“Test Period” means, as of any date, the period of four consecutive Fiscal Quarters then most recently ended for which financial statements of the type described in Section 5.01(a) or 5.01(b), as applicable, have been delivered.

“Threshold Amount” means the greater of (a) \$15,000,000 and (b) 15% of Consolidated Adjusted EBITDA for the most recently ended Test Period.

“Transaction Costs” means fees, premiums, expenses and other transaction costs (including original issue discount and upfront fees) payable or otherwise borne by Holdings, any Parent Company, the Borrower and its subsidiaries in connection with the Transactions, this Agreement, the other Loan Documents, the Purchase Documents and the transactions contemplated hereby and thereby.

“Transactions” means, collectively, (a) the Purchase, (b) the execution, delivery and performance by the Loan Parties of the Loan Documents to which they are a party and the borrowing of the Loan hereunder, (c) the payment of the Transaction Costs and (d) the consummation of any other transactions in connection with the foregoing (including in connection with the Purchase Documents).

“UCC” means the Uniform Commercial Code as in effect from time to time in the State of New York or any other state the laws of which are required to be applied in connection with the grant or perfection of security interests.

“U.S.” means the United States of America.

“**Unrestricted Cash Amount**” means, as of any date of determination, the aggregate amount of unrestricted Cash and Cash Equivalents of the Loan Parties that is held in an account pledged to the Lender and subject to a perfected First Priority Lien in favor of the Lender, to the extent the use thereof for the application to the payment of Indebtedness is not prohibited by any Requirement of Law or any contract binding on Holdings or any of its Subsidiaries.

“**USA PATRIOT Act**” means The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (Title III of Pub. L. No. 107-56 (signed into law October 26, 2001)).

“**Voting Stock**” shall mean, with respect to any Person, shares of such Person’s Capital Stock that is at the time generally entitled, without regard to contingencies, to vote in the election of the Board of Directors of such Person. To the extent that a partnership agreement, limited liability company agreement or other agreement governing a partnership or limited liability company provides that the members of the Board of Directors of such partnership or limited liability company (or, in the case of a limited partnership whose business and affairs are managed or controlled by its general partner, the Board of Directors of the general partner of such limited partnership) are appointed or designated by one or more Persons rather than by a vote of Voting Stock, each of the Persons who are entitled to appoint or designate the members of such Board of Directors will be deemed to own a percentage of Voting Stock of such partnership or limited liability company equal to (a) the aggregate votes entitled to be cast on such Board of Directors by the members of such Board of Directors which such Person or Persons are entitled to appoint or designate divided by (b) the aggregate number of votes of all members of such Board of Directors.

“**Weighted Average Life to Maturity**” means, when applied to any Indebtedness at any date, the number of years obtained by dividing: (a) the sum of the products obtained by multiplying (i) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect thereof, by (ii) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment (it being understood that the Weighted Average Life to Maturity shall be determined without giving effect to any change in installment or other payments of principal resulting from prepayments of such Indebtedness); by (b) the then outstanding principal amount of such Indebtedness.

“**Wholly-Owned Subsidiary**” of any Person means a subsidiary of such Person, 100% of the Capital Stock (including all voting and economic rights) of which (other than directors’ qualifying shares or shares required by law to be owned by a resident of the relevant jurisdiction) shall be owned by such Person or by one or more Wholly-Owned Subsidiaries of such Person.

SECTION 1.02. Terms Generally; Reclassification.

(a) The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words “include”, “includes” and “including” shall be

deemed to be followed by the phrase “without limitation”. The word “will” shall be construed to have the same meaning and effect as the word “shall”. Unless the context requires otherwise, (a) any definition of or reference to any agreement, instrument or other document herein or in any Loan Document shall be construed as referring to such agreement, instrument or other document as from time to time amended, restated, amended and restated, supplemented or otherwise modified, extended, refinanced or replaced (subject to any restrictions or qualifications on such amendments, restatements, amendment and restatements, supplements or modifications, extensions, refinancings or replacements set forth herein or in any Loan Document), (b) any reference to any law in any Loan Document shall include all statutory and regulatory provisions consolidating, amending, replacing, supplementing or interpreting such law, (c) any reference herein or in any Loan Document to any Person shall be construed to include such Person’s successors and permitted assigns, (d) the words “herein”, “hereof” and “hereunder”, and words of similar import, when used in any Loan Document, shall be construed to refer to such Loan Document in its entirety and not to any particular provision hereof or thereof, (e) all references herein or in any Loan Document to Articles, Sections, clauses, paragraphs, Exhibits and Schedules shall be construed to refer to Articles, Sections, clauses and paragraphs of, and Exhibits and Schedules to, such Loan Document, (f) in the computation of periods of time in any Loan Document from a specified date to a later specified date, the word “from” means “from and including”, the words “to” and “until” mean “to but excluding” and the word “through” means “to and including” and (g) the words “asset” and “property”, when used in any Loan Document, shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including Cash, securities, accounts and contract rights.

SECTION 1.03. Accounting Terms; GAAP; Certain Calculations.

(a) All financial statements to be delivered pursuant to this Agreement shall be prepared in accordance with GAAP as in effect from time to time and, except as otherwise expressly provided herein, all terms of an accounting or financial nature that are used in calculating the Consolidated Total Leverage Ratio, or Consolidated Adjusted EBITDA shall be construed and interpreted in accordance with GAAP as in effect from time to time; provided that, if the Borrower notifies the Lender that the Borrower requests an amendment to any provision hereof to eliminate the effect of any change occurring after the date of delivery of the first financial statements pursuant to Section 5.01(a) or 5.01(b), as applicable, in GAAP or in the application thereof on the operation of such provision (or if the Lender notifies the Borrower that it requests an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change becomes effective until such notice have been withdrawn or such provision amended in accordance herewith; provided, further, that if such an amendment is requested by the Borrower or the Lender, then the Borrower and the Lender shall negotiate in good faith to enter into an amendment of the relevant affected provisions (without the payment of any amendment or similar fee to the Lender) to preserve the original intent thereof in light of such change in GAAP or the application thereof.

(b) Notwithstanding anything to the contrary herein, all terms of an accounting or financial nature used herein shall be construed, and all computations of amounts and ratios referred to herein shall be made without giving effect to (i) any election under Accounting Standards Codification Topic 815 (or any other Accounting Standards Codification or Financial Accounting Standard having a similar result or effect) to value any Indebtedness or other liabilities of Holdings or any subsidiary at “fair value,” as defined therein, and (ii) any treatment of Indebtedness in respect of convertible debt instruments under applicable standards promulgated by the US Financial Accounting Standards Board and GAAP to value any such Indebtedness in a reduced or bifurcated manner as described therein, and such Indebtedness shall at all times be valued at the full stated principal amount thereof.

(c) Notwithstanding anything to the contrary herein, financial tests (including the Consolidated Total Leverage Ratio and Consolidated Adjusted EBITDA) contained in this Agreement that are calculated with respect to any Test Period during which any Subject Transaction occurs shall be calculated with respect to such Test Period and such Subject Transaction on a Pro Forma Basis and to the extent the proceeds of any new Indebtedness are to be used to repay other Indebtedness (including by repurchase, redemption, retirement, extinguishment, defeasance, discharge or pursuant to escrow or similar arrangements), Holdings shall be permitted to give effect to such repayment of Indebtedness on a Pro Forma Basis.

SECTION 1.04. Timing of Payment of Performance; Times of Day. When payment of any obligation or the performance of any covenant, duty or obligation is stated to be due or performance required on a day which is not a Business Day, the date of such payment or performance shall extend to the immediately succeeding Business Day, and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension. Unless otherwise specified herein, all references herein to times of day shall be references to New York City time (daylight or standard, as applicable).

SECTION 1.05. Division of Limited Liability Company. Any reference herein to a merger, transfer, consolidation, amalgamation, consolidation, assignment, sale, disposition or transfer, or similar term, shall be deemed to apply to a division of or by a limited liability company, or an allocation of assets to a series of a limited liability company (or the unwinding of such a division or allocation), as if it were a merger, transfer, consolidation, amalgamation, consolidation, assignment, sale or transfer, or similar term, as applicable, to, of or with a separate Person. Any division of a limited liability company shall constitute a separate Person hereunder (and each division of any limited liability company that is a subsidiary, Subsidiary, joint venture or any other like term shall also constitute such a Person or entity).

SECTION 1.06. Limited Condition Transactions. In connection with any action being taken solely in connection with a Limited Condition Transaction, for purposes of:

- (i) determining compliance with any provision of this Agreement which requires the calculation of the Consolidated Total Leverage Ratio;
- (ii) determining the accuracy of representations and warranties and/or whether a Default or Event of Default shall have occurred and be continuing (or any subset of Defaults or Events of Default); or
- (iii) testing availability under baskets set forth in this Agreement (including baskets measured as a percentage of Consolidated Adjusted EBITDA);

in each case, at the option of the Borrower (the Borrower's election to exercise such option in connection with any Limited Condition Transaction, an "**LCT Election**"), with such option to be exercised on or prior to the date of execution of the definitive agreements related to such Limited Condition Transaction, the date of determination of whether any such action is permitted hereunder, shall be deemed to be the date the definitive agreements for such Limited Condition Transaction are entered into (the "**LCT Test Date**"), and if, after giving pro forma effect to the Limited Condition Transaction and the other transactions to be entered into in connection therewith (including any incurrence of Indebtedness or Liens and the use of proceeds thereof) as if they had occurred at the beginning of the most recent Test Period

ending prior to the LCT Test Date, the Borrower could have taken such action on the relevant LCT Test Date in compliance with such ratio or basket, such ratio or basket shall be deemed to have been complied with. For the avoidance of doubt, if the Borrower has made an LCT Election and any of the ratios or baskets for which compliance was determined or tested as of the LCT Test Date are exceeded as a result of fluctuations in any such ratio or basket, including due to fluctuations in Consolidated Adjusted EBITDA of the Borrower or the Person subject to such Limited Condition Transaction, at or prior to the consummation of the relevant transaction or action, such baskets or ratios will not be deemed to have been exceeded as a result of such fluctuations. If the Borrower has made an LCT Election for any Limited Condition Transaction, then in connection with any subsequent calculation of the incurrence ratios subject to the LCT Election on or following the relevant LCT Test Date and prior to the earlier of (i) the date on which such Limited Condition Transaction is consummated or (ii) the date that the definitive agreement for such Limited Condition Transaction is terminated or expires without consummation of such Limited Condition Transaction, any such ratio or basket shall be calculated on a Pro Forma Basis assuming such Limited Condition Transaction and other transactions in connection therewith (including any incurrence of Indebtedness or Liens and the use of proceeds thereof) have been consummated, except that (other than solely with respect to the incurrence ratios subject to the LCT Election) Consolidated Adjusted EBITDA, and Consolidated Net Income of any target or targets of such Limited Condition Transaction shall only be used in the determination of any incurrence ratio and/or asset-based basket if and when such Limited Condition Transaction has been consummated.

ARTICLE 2 THE LOAN

SECTION 2.01. The Loan. As contemplated by the Purchase Agreement and for value received, on the Closing Date and upon the occurrence of the Closing (as defined in the Purchase Agreement) for all purposes hereunder the aggregate amount of the Seller Note Amount shall, automatically and without further action by any Person, constitute the “**Loan**” to be paid by the Borrower to the Lender in accordance with the terms hereof. On and as of the Closing Date, the Borrower acknowledges and agrees that the outstanding principal amount owed to the Lender pursuant to the Loan, this Agreement and the other Loan Documents is \$720,000,000.

SECTION 2.02. Repayment of the Loan; Evidence of Debt.

(a) The Borrower hereby unconditionally promises to repay in full the outstanding principal amount of the Loan to the Lender on the Maturity Date, together in each case with accrued and unpaid interest on the principal amount to be paid to but excluding the date of such payment; and together with any other Obligations due and owing under this Agreement and the other Loan Documents. For the avoidance of doubt, amounts paid or prepaid in respect of the Loan may not be reborrowed.

(b) The Lender shall maintain an account or accounts evidencing the indebtedness of the Borrower to the Lender resulting from the Loan made by the Lender, including the amounts of principal and interest payable and paid to the Lender from time to time hereunder.

(c) The entries made in the accounts maintained pursuant to clause (b) of this Section 2.02 shall be prima facie evidence of the existence and amounts of the Obligations recorded therein (absent manifest error); provided that the failure of the Lender to maintain such accounts or any manifest error therein shall not in any manner affect the obligation of the Borrower to repay the Loan and/or any other Obligations in accordance with the terms of this Agreement and the other Loan Documents.

(d) The Loan shall be evidenced by a Promissory Note. In furtherance of the foregoing, the Borrower shall prepare, execute and deliver to the Lender a Promissory Note payable to the Lender; it being understood and agreed that the Lender shall be required to return such Promissory Note to the Borrower for cancellation upon the Termination Date. If the Lender loses the original copy of its Promissory Note, it shall execute an affidavit of loss containing an indemnification provision that is reasonably satisfactory to the Borrower. The obligation of the Lender to execute an affidavit of loss containing an indemnification provision that is reasonably satisfactory to the Borrower shall survive the Termination Date.

SECTION 2.03. Prepayment of the Loan.

(a) Optional Prepayments. Prior to the earlier of (i) the Put Right Election Date and (ii) the date that is four years after the Closing Date (such earlier date, the “**Call Protection Termination Date**”), the Borrower shall not voluntarily prepay the Loan in whole or in part. At any time on or after the Call Protection Termination Date, the Borrower may, upon three Business Days prior notice to the Lender, at any time or from time to time voluntarily prepay the Loan in whole or in part without premium or penalty but together in each case with accrued and unpaid interest on the principal amount to be paid to but excluding the date of such payment; and together with any other Obligations then due and owing, if any, under this Agreement and the other Loan Documents; provided that any prepayment shall be in a minimum principal amount of \$500,000 or a whole multiple of \$100,000 in excess thereof or, the entire principal amount thereof then outstanding. Prepayments shall be accompanied by accrued interest as required by Section 2.05. The Borrower acknowledges and agrees that a breach of this Section 2.03(a) will result in an immediate Event of Default pursuant to Section 7.01, entitling the Lender to exercise any and all remedies pursuant to Article 7, including the payment of the Applicable Premium as provided in Article 7.

(b) Mandatory Prepayments.

(i) At the option of the Lender in its sole and absolute discretion, no later than the fifth Business Day following the receipt of any Net Proceeds in respect of any Prepayment Asset Sale or any Casualty/Condemnation Event, in each case, in excess of (x) \$5,000,000 in a single transaction or series of related transactions and (y) \$20,000,000 in any fiscal year, the Borrower shall apply an amount (collectively, the “**Subject Proceeds**”) equal to 100% of such Net Proceeds in excess of such thresholds set forth in the foregoing clauses (x) and (y) to prepay the outstanding Loan, together in each case with accrued and unpaid interest on the principal amount to be paid to but excluding the date of such payment; and together with any other Obligations then due and owing, if any, under this Agreement and the other Loan Documents; provided, that if Holdings or any of its Subsidiaries intends to reinvest such Net Proceeds in the business of Holdings or any of its subsidiaries (including any acquisitions or other Investment permitted under Section 6.05) within 18 months following receipt thereof, then no prepayment shall be required pursuant to this clause (i) in respect of such Net Proceeds (or the applicable portion thereof, if applicable) except to the extent of any such Net Proceeds that have not been so invested (or contractually committed to be invested) by the end of such 18-month period (or, if contractually committed to be so invested within such 18-month period, have not been so invested within 24 months after receipt thereof), at which time a prepayment shall be required in an amount equal to such Net Proceeds that have not been so invested (or contractually committed to be invested).

(ii) At the option of the Lender in its sole and absolute discretion, in the event that Holdings or any of its Subsidiaries shall receive Net Proceeds from the issuance or incurrence of Indebtedness of Holdings or any of its Subsidiaries (other than with respect to Indebtedness permitted under Section 6.01), the Borrower shall, substantially simultaneously with (and in any

event not later than the Business Day immediately following) the receipt of such Net Proceeds by Holdings or such Subsidiary, only an amount equal to 100% of such Net Proceeds to prepay the outstanding Loan together in each case with accrued and unpaid interest on the principal amount to be paid to but excluding the date of such payment; and together with any other Obligations, if any, then due and owing under this Agreement and the other Loan Documents.

(iii) The Lender may elect in its sole and absolute discretion, by written notice to the Borrower no later than 1:00 p.m. one Business Day prior to any prepayment of the Loan required to be made by the Borrower pursuant to this Section 2.03(b), to decline all or any portion of any such mandatory prepayment (such declined amounts, the “**Declined Proceeds**”), in which case such Declined Proceeds may be retained by the Borrower. If the Lender fails to deliver a notice of election declining receipt of such mandatory prepayment to the Borrower within the time frame specified above, the Borrower shall promptly (but in any event within one Business Day) send a written notice to the Lender requesting the Lender to make a determination whether or not to decline such amounts.

(iv) The Borrower shall deliver to the Lender written notice no later than 12:00 p.m. two Business Days prior to the time of each prepayment required under Section 2.03(b); furthermore, the Borrower shall deliver to the Lender, at the time of each prepayment required under this Section 2.03(b), a certificate signed by a Responsible Officer of the Borrower setting forth in reasonable detail the calculation of the amount of such prepayment. Each such certificate shall specify the principal amount of the Loan or portion thereof to be prepaid. Prepayments shall be accompanied by accrued interest as required by Section 2.05. All prepayments of the Loan under this Section 2.03(b) shall be subject to Section 2.03(c).

(c) If the Borrower makes any prepayment of the Loan pursuant to Section 2.03(b) prior to the Call Protection Termination Date, the Borrower will pay to the Lender, in addition to the outstanding principal amount of the Loan being prepaid plus any accrued and unpaid interest thereon and any other Obligations then due and owing, if any, to but excluding, the prepayment date, a premium in an amount equal to the Applicable Premium.

SECTION 2.04. Put Option. Upon not less than six months’ prior written notice to the Borrower (the date such notice is delivered to the Borrower, the “**Put Right Election Date**”; provided that the Put Right Election Date may not occur prior to the date that is 36 months after the Closing Date), the Lender may, in its sole and absolute discretion, require that the Borrower prepay the outstanding principal amount of the Loan in full, in Cash in Dollars, together with the payment of accrued but unpaid interest and any other accrued but unpaid amounts hereunder to the date of prepayment and any other Obligations then due and owing on the date specified in such written notice (the “**Put Right Repayment Date**”), but without premium or penalty (and for the avoidance of doubt, without any Applicable Premium); provided, however, that if a Market Disruption Event shall have occurred and is continuing as of the Put Right Repayment Date, then so long as the Market Disruption Event shall continue, the Borrower shall not be required to prepay the outstanding principal amount of the Loan in full as provided in this Section 2.04. For the avoidance of doubt, upon the termination of any Market Disruption Event, the Borrower shall immediately comply with its obligations under this Section 2.04 to immediately prepay in full in Cash in Dollars the outstanding principal amount of the Loan together with accrued but unpaid interest and any other accrued but unpaid amounts hereunder to the date of prepayment and any other Obligations then due and owing.

SECTION 2.05. Interest.

(a) The Loan shall bear interest at 7.00% per annum.

(b) Notwithstanding the foregoing, if any principal of or interest on the Loan or any fee payable by the Borrower hereunder is not paid when due, whether at stated maturity, upon acceleration or otherwise, or upon the occurrence of an Event of Default, any and all overdue amounts (including, but not limited to, principal, interest and fees) payable hereunder shall bear interest, to the fullest extent permitted by law, after as well as before judgment, at a rate per annum equal to 2.00% *plus* the rate otherwise applicable to the Loan as provided in Section 2.05(a).

(c) Accrued interest on the Loan shall be payable in cash in arrears on each Interest Payment Date for the Loan, and upon the Maturity Date; provided in the event of any repayment or prepayment of the Loan (in whole or in part), accrued interest on the principal amount repaid or prepaid shall be payable on the date of such repayment or prepayment.

(d) All interest hereunder shall be computed on the basis of a year of 365 days (or 366 days in a leap year), and in each case shall be payable for the actual number of days elapsed (including the first day but excluding the last day). Interest shall accrue on the Loan for the day on which the Loan is made and shall not accrue on the Loan, or any portion thereof, for the day on which the Loan or such portion is paid.

SECTION 2.06. Taxes.

(a) Payments Free of Taxes. All payments by or on account of any obligation of any Loan Party hereunder shall be made free and clear of and without deduction or withholding for any Taxes, except as required by applicable law. If any applicable law (as determined in the good faith discretion of an applicable Loan Party or other applicable withholding agent) requires the deduction or withholding of any Tax from any such payment by a Loan Party, then the applicable withholding agent shall be entitled to make such deduction or withholding and shall timely pay the full amount deducted or withheld to the relevant Governmental Authority in accordance with the applicable law; provided that if a Loan Party shall be required to deduct or withhold any Indemnified Taxes from such payments, the sum payable by such Loan Party shall be increased as necessary so that after making such deduction or withholding (including deductions and withholdings applicable to additional sums payable under this Section 2.06(a)) the Lender receives an amount equal to the sum it would have received had no such deductions or withholding been made.

(b) Other Taxes. In addition, the Loan Parties shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) Indemnification by Loan Parties. Each Loan Party shall indemnify the Lender within 10 days after written demand therefor, for the full amount of any Indemnified Taxes paid by the Lender, on or with respect to any payment by or any payment on account of any obligation of such Loan Party hereunder (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this Section) and any reasonable out-of-pocket expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Loan Parties by the Lender shall be conclusive absent manifest error.

(d) Evidence of Payments. As soon as practicable after any payment of Taxes by a Loan Party to a Governmental Authority in accordance with this Section, such Loan Party shall deliver to the Lender the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Lender.

(e) Survival. Each party's obligations under this Section 2.06 shall survive the replacement of the Lender or any assignment of rights by, or the replacement of, the Lender and the repayment, satisfaction or discharge of all obligations under any Loan Document.

(f) Status of Lender. The Lender shall provide executed copies of IRS Form W-9 certifying that Lender is exempt from U.S. federal backup withholding tax.

(g) Treatment of Certain Refunds. If the Lender determines, in its sole discretion exercised in good faith, that it has received a refund of any Taxes as to which it has been indemnified pursuant to this Section 2.06 (including by the payment of additional amounts pursuant to this Section 2.06), it shall pay to the indemnifying Loan Party an amount equal to such refund (but only to the extent of indemnity payments made under this Section 2.06 with respect to the Taxes giving rise to such refund), net of all out-of-pocket expenses (including Taxes) of the Lender and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund). Such Loan Party, upon the request of Lender, shall repay to the Lender the amount paid over pursuant to this paragraph (g) (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) in the event that the Lender is required to repay such refund to such Governmental Authority. Notwithstanding anything to the contrary in this paragraph (g), in no event will the Lender be required to pay any amount to a Loan Party pursuant to this paragraph (g) the payment of which would place the Lender in a less favorable net after-Tax position than the Lender would have been in if the Tax subject to indemnification and giving rise to such refund had not been deducted, withheld or otherwise imposed and the indemnification payments or additional amounts with respect to such Tax had never been paid. This paragraph shall not be construed to require the Lender to make available its Tax returns (or any other information relating to its Taxes that it deems confidential) to the Loan Party or any other Person.

SECTION 2.07. Payments Generally; Allocation of Proceeds.

(a) Unless otherwise specified, the Borrower shall make each payment required to be made by it hereunder (whether of principal, interest or fees or reimbursements, or of amounts payable under Section 2.06, or otherwise) prior to 2:00 p.m. on the date when due, in immediately available funds in Cash in Dollars, without set-off (except as otherwise provided in Section 2.06) or counterclaim; provided that, if agreed by the Lender as part of a transaction that is not otherwise prohibited by this Agreement, the Borrower may make any payment required to be made in immediately available funds by it hereunder to the Lender in respect of the Lender's Loan in any other form of consideration as the Lender may agree to accept in its sole discretion. Any amounts received after such time on any date may, in the discretion of the Lender, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to the Lender to the applicable account designated to the Borrower by the Lender, except that payments pursuant to Section 2.06 and 8.03 shall be made directly to the Persons entitled thereto. The Lender shall distribute any such payments received by it for the account of any other Person to the appropriate recipient promptly following receipt thereof. Subject to the proviso set forth in the first sentence of this paragraph, all payments hereunder shall be made in Cash and in Dollars. Subject in all respects to the provisions of any Acceptable Intercreditor Agreement then in effect, all proceeds of Collateral received by the Lender after an Event of Default has occurred and is continuing or all or any portion of the Loan shall have been accelerated hereunder pursuant to Section 7.01, shall, upon election by the Lender, be applied, first, to the payment of all costs and expenses then due incurred by the Lender in connection with any collection, sale or realization on Collateral or otherwise in connection with this Agreement, any other Loan Document or any of the Obligations, including all court costs and the fees and expenses of agents and legal counsel, the repayment of all advances made by the Lender hereunder or under any other Loan Document on

behalf of any Loan Party and any other costs or expenses incurred in connection with the exercise of any right or remedy hereunder or under any other Loan Document, second, to pay any fees, indemnities or expense reimbursements then due to the Lender (other than those covered in clause first above) from the Borrower constituting Obligations, third, in accordance with the amounts of the Obligations (other than contingent indemnification obligations for which no claim or demand has been made) owed to the Lender on the date of any such distribution, to the payment in full of the Obligations, and fourth, after payment in full of all Obligations (other than contingent indemnification obligations for which no claim or demand has been made), to, or at the direction of, the Borrower or as a court of competent jurisdiction may otherwise direct.

ARTICLE 3 REPRESENTATIONS AND WARRANTIES

On the Closing Date and on any other applicable date, each of Holdings, the Borrower and the other Loan Parties, on behalf of themselves and their respective Subsidiaries, represents and warrants to the Lender that (provided that, notwithstanding anything in this Agreement to the contrary, solely with respect to the making of the representations and warranties set forth in Sections 3.01(b) and (c), 3.03(c), 3.04, 3.05, 3.06, 3.07, 3.09, 3.10, 3.11, 3.13, 3.15 and 3.17 on the Closing Date, such representations and warranties shall be made solely by, and solely with respect to, Holdings and the Borrower (as applicable)):

SECTION 3.01. Organization; Powers. Each of the Loan Parties and each of their Subsidiaries (a) is (i) duly organized and validly existing and (ii) in good standing (to the extent such concept exists in the relevant jurisdiction) under the laws of the jurisdiction of its organization, (b) has all requisite power and authority to own its property and assets and to carry on its business as now conducted and (c) is qualified to do business in, and is in good standing (to the extent such concept exists in the relevant jurisdiction) in, every jurisdiction where its ownership, lease or operation of properties or conduct of its business requires such qualification; except, in each case referred to in this Section 3.01 (other than clauses (a)(i) and (b) with respect to Holdings and the Borrower) where the failure to do so, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect.

SECTION 3.02. Authorization; Enforceability. The execution, delivery and performance of each of the Loan Documents are within each applicable Loan Party's corporate or other organizational powers and have been duly authorized by all necessary corporate or other organizational action of such Loan Party. Each Loan Document to which any Loan Party is a party has been duly executed and delivered by such Loan Party and is a legal, valid and binding obligation of such Loan Party, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency or similar laws affecting creditors' rights generally and to general principles of equity and principles of good faith and dealing.

SECTION 3.03. Governmental Approvals; No Conflicts. The execution and delivery of the Loan Documents by each Loan Party party thereto and the performance by such Loan Party thereof (a) do not require any consent or approval of, registration or filing with, or any other action by, any Governmental Authority, except (i) such as have been obtained or made and are in full force and effect, (ii) for filings necessary to perfect Liens created pursuant to the Loan Documents and (iii) such consents, approvals, registrations, filings, or other actions the failure to obtain or make which could not be reasonably expected to have a Material Adverse Effect, (b) will not violate (i) any of such Loan Party's Organizational Documents or (ii) any Requirements of Law applicable to such Loan Party which, in the case of this clause (b)(ii), could reasonably be expected to have a Material Adverse Effect and (c) will not violate or result in a default under any material Contractual Obligation of any of the Loan Parties which violation or default could reasonably be expected to result in a Material Adverse Effect.

SECTION 3.04. No Material Adverse Effect. Since the Closing Date, there has been no event or condition that has resulted or would reasonably be expected to result, in a Material Adverse Effect.

SECTION 3.05. Properties.

(a) Holdings and each of its Subsidiaries has good and valid fee simple title (or similar concept under any applicable jurisdiction) to or rights to purchase, or valid leasehold interests in, or other limited property interests in, all its Real Estate Assets (including any Mortgaged Properties) acquired after the Closing Date and has good title to its personal property and assets, in each case, except (i) for defects in title that do not materially interfere with its ability to conduct its business as currently conducted or to utilize such properties and assets for their intended purposes or (ii) where the failure to have such title or rights would not reasonably be expected to have a Material Adverse Effect. All such properties and assets are free and clear of Liens, other than Permitted Liens.

(b) Holdings and its Subsidiaries have valid title to or a valid license or right to use all patents, trademarks, service marks, trade names, copyrights, proprietary know how and data and other rights in works of authorship (including all copyrights embodied in software) and all other similar intellectual property rights (the foregoing, collectively, "**IP Rights**") acquired after the Closing Date necessary to conduct the businesses of Holdings and its Subsidiaries as presently conducted without, to the knowledge of Holdings, any infringement or misappropriation of the IP Rights of third parties, except where such failure to own or license or have rights to use would not, or where such infringement or misappropriation would not, have, individually or in the aggregate, a Material Adverse Effect.

SECTION 3.06. Litigation and Environmental Matters.

(a) There are no actions, suits or proceedings by or before any arbitrator or Governmental Authority pending against or, to the knowledge of Holdings, threatened against or affecting the Loan Parties or any of their Subsidiaries which would reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect.

(b) Except for any matters that, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect, (i) no Loan Party nor any of its Subsidiaries has received notice of any Environmental Claim or knows of any basis for any Environmental Liability and (ii) no Loan Party nor any of its Subsidiaries has failed to comply with any Environmental Law or to obtain, maintain or comply with any permit, license or other approval required under any Environmental Law.

(c) Neither Holdings nor any of its Subsidiaries has treated, stored, transported or disposed of Hazardous Materials at or from any currently or formerly operated real estate or facility relating to its business in a manner that would reasonably be expected to have a Material Adverse Effect.

Except with respect to Holdings and the Borrower, the representations made in this Section 3.06 shall only be applicable since the Closing Date.

SECTION 3.07. Compliance with Laws. Each of Holdings and its Subsidiaries is in compliance with all Requirements of Law applicable to it or its property, except, in each case, where the failure to do so, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect. Except with respect to Holdings and the Borrower, the representations made in this Section 3.07 shall only be applicable since the Closing Date.

SECTION 3.08. Investment Company Status. No Loan Party is required to register as an “investment company” under the Investment Company Act of 1940, as amended. The execution and delivery of the Loan Documents by the Loan Parties and the consummation by the Loan Parties of the transactions contemplated by this Agreement do not violate, and are not subject to avoidance under, the Investment Company Act of 1940, as amended.

SECTION 3.09. Taxes. Each of Holdings and its Subsidiaries has timely filed or caused to be filed all Tax returns and reports required to have been filed by it and has paid or caused to be paid all Taxes required to have been paid by it that are due and payable, except (a) Taxes (or any requirement to file Tax returns with respect thereto) that are being contested in good faith by appropriate proceedings and for which Holdings or such Subsidiary, as applicable, has set aside on its books adequate reserves in accordance with GAAP, or (b) in each case, to the extent that the failure to do so, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect. Except with respect to Holdings and the Borrower the representations made in this Section 3.09 shall only be applicable since the Closing Date.

SECTION 3.10. ERISA; Plan Assets. No ERISA Event has occurred in the five-year period prior to the date on which this representation is made or deemed made and is continuing that, when taken together with all other such ERISA Events, would reasonably be expected to result in a Material Adverse Effect. Except with respect to Holdings and the Borrower, the representations made in this Section 3.10 shall only be applicable since the Closing Date.

SECTION 3.11. Disclosure. As of the Closing Date, all information (other than (i) forecasts, financial estimates, other forward-looking information and/or (ii) projected information and information of a general economic or industry-specific nature) concerning Holdings and the Borrower that was prepared by or on behalf of Holdings or the Borrower or their respective representatives and made available to the Lender in connection with the Transactions on or before the Closing Date, when taken as a whole, did not, when furnished, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein not materially misleading in light of the circumstances under which such statements are made (after giving effect to all supplements and updates thereto from time to time prior to the Closing Date).

SECTION 3.12. Solvency. As of the Closing Date, immediately after the incurrence of Indebtedness being incurred under this Agreement on the Closing Date and the consummation of the other Transactions, (i) the sum of the debt (including contingent liabilities) of Holdings and its Subsidiaries, on a consolidated basis taken as a whole, does not exceed the fair value of the assets of Holdings and its Subsidiaries, on a consolidated basis taken as a whole, (ii) the present fair saleable value of the assets of Holdings and its Subsidiaries, on a consolidated basis taken as a whole, is not less than the amount that will be required to pay the probable liabilities (including contingent liabilities) of Holdings and its Subsidiaries, on a consolidated basis taken as a whole, on their debts as they become absolute and matured, (iii) the capital of Holdings and its Subsidiaries, on a consolidated basis taken as a whole, is not unreasonably small in relation to the business of Holdings and its Subsidiaries, on a consolidated basis taken as a whole, contemplated as of the Closing Date, and (iv) Holdings and its Subsidiaries, on a consolidated basis taken as a whole, do not intend to incur, or believe that they will incur, debts (including current obligations and contingent liabilities) beyond their ability to pay such debts as they mature in the ordinary course of business. For purposes of the foregoing determination, the amount of any contingent liability at any time shall be computed as the amount that, in light of all of the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

SECTION 3.13. Capitalization and Subsidiaries. Schedule 3.13 sets forth, in each case, as of the Closing Date (or, if the extent applicable, as of the date of the most recent Compliance Certificate provided pursuant to Section 5.01(c)), (a) a correct and complete list of the name of each Subsidiary of Holdings and the ownership interest therein held by Holdings or its applicable Subsidiary, and (b) the type of entity of each Holdings' Subsidiaries.

SECTION 3.14. Security Interest in Collateral. The provisions of this Agreement and the other Loan Documents create legal, valid and enforceable Liens on the Collateral in favor of the Lender, subject, as to enforceability, to applicable bankruptcy, insolvency or similar laws affecting creditors' rights generally and to general principles of equity and principles of good faith and dealing, and upon the making of such filings and taking of such other actions required to be taken hereby or by the applicable Loan Documents (including the filing of appropriate financing statements with the office of the Secretary of State of the state of organization of each Loan Party that is a Domestic Subsidiary, as the case may be, the filing of appropriate notices with the U.S. Patent and Trademark Office and the U.S. Copyright Office, and the proper recordation of Mortgages and fixture filings with respect to any Material Real Estate Assets, in each case in favor of the Lender, and the delivery to the Lender of any stock certificates or promissory notes required to be delivered pursuant to the applicable Loan Documents), such Liens will constitute perfected Liens (with the priority such Liens are expressed to have within the relevant Collateral Document) on the Collateral (to the extent such Liens are required to be perfected under the terms of the Loan Documents and to the extent such Liens may be perfected by such filings), securing the Obligations, in each case as and to the extent set forth therein.

SECTION 3.15. Senior Indebtedness. The Obligations constitute "Senior Indebtedness" (or any comparable term) and "Designated Senior Debt" (or any comparable term) (if applicable) under and as defined in the documentation governing any Junior Debt.

SECTION 3.16. Federal Reserve Regulations.

(a) On the Closing Date, not more than 25% of the value of the assets of Holdings, and its Subsidiaries, taken as a whole, is represented by Margin Stock.

(b) None of Holdings or any of its Subsidiaries is engaged principally, or as one of its important activities, in the business of extending credit for the purpose of buying or carrying Margin Stock.

(c) No part of the proceeds of the Loan will be used, whether directly or indirectly, and whether immediately, incidentally or ultimately, for any purpose that entails a violation of the provisions of Regulation U or X.

SECTION 3.17. Sanctions; Anti-Terrorism Laws; Anti-Corruption Laws.

(a) None of Holdings or any of its Subsidiaries, nor, to the knowledge of Holdings, any Affiliate, director, officer agent or employee of any of the foregoing, is (i) the target of any Sanctions or (ii) organized in, resident in, or doing business within a Sanctioned Country; and the Borrower will not directly or, to the knowledge of the Borrower, indirectly use the proceeds of the Loan or otherwise directly or, knowingly, indirectly make available such proceeds to any Person for the purpose of financing the activities or business of any Person, or in any Sanctioned Country, except to the extent permissible for a Person required to comply with Sanctions.

(b) To the extent applicable, each Loan Party is in compliance, in all material respects, with (i) applicable Sanctions and (ii) Anti-Terrorism Laws.

(c) No part of the proceeds of the Loan will be used, directly or, to the knowledge of the Borrower, indirectly, for any payments to any governmental official or employee, political party, official of a political party, candidate for political office, or anyone else acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, in violation of Anti-Corruption Laws.

Except with respect to Holdings and the Borrower, the representations made in this Section 3.17 shall only be applicable since the Closing Date.

SECTION 3.18. Use of Proceeds. The Borrower has used the proceeds of the Loan only in compliance with (and not in contravention of) Section 5.09.

ARTICLE 4 RESERVED

ARTICLE 5 AFFIRMATIVE COVENANTS

Until the date that all the principal of and interest on the Loan and all fees, expenses, other amounts and Obligations payable under any Loan Document (other than contingent indemnification obligations for which no claim or demand has been made) have been paid in full in Cash (such date, the “**Termination Date**”), each of Holdings, the Borrower and its Subsidiaries covenant and agree with the Lender that:

SECTION 5.01. Financial Statements and Other Reports. Holdings will deliver to the Lender:

(a) Unaudited Financial Statements. Commencing with the financial statements for the Fiscal Quarter ending March 31, 2022, within 60 days (or with respect to the first three Fiscal Quarters ending after the Closing Date, 75 days) following the end of each Fiscal Quarter of each Fiscal Year (or, if applicable, any later date by which Holdings is required to file its quarterly report on Form 10-Q under applicable SEC rules), the consolidated statement of financial position of Holdings as at the end of such Fiscal Quarter and the related consolidated statements of comprehensive income (loss) and cash flows of Holdings for such Fiscal Quarter and for the period from the beginning of the then current Fiscal Year to the end of such Fiscal Quarter, setting forth in each case in comparative form (other than for the first four quarters following the Closing Date) the corresponding figures for the corresponding periods of the previous Fiscal Year, all in reasonable detail, together with a Financial Officer Certification with respect thereto, subject to changes resulting from audit and normal year-end audit adjustments and to the absence of footnotes; provided, however, that such financial statements shall not be required to reflect any purchase accounting adjustments relating to the Purchase or any other acquisition consummated after the Closing Date until after the delivery of financial statements pursuant to Section 5.01(b) which include such adjustments;

(b) Annual Financial Statements. Beginning with the Fiscal Year ending December 31, 2021, as soon as available and in any event within 120 days (or with respect to the Fiscal Year ending December 31, 2021, 150 days) after the end of each Fiscal Year (or, if applicable, any later date by which Holdings is required to file its annual report on Form 10-K under applicable SEC rules), (i) the consolidated statement of financial position of Holdings as at the end of such Fiscal Year and the related consolidated statements of comprehensive income (loss), changes in equity and

cash flows of Holdings for such Fiscal Year, setting forth in each case in comparative form the corresponding figures for the previous Fiscal Year, in reasonable detail; and (ii) with respect to such consolidated financial statements, a report thereon of independent registered public accountants of recognized national standing (which report shall be unqualified as to “going concern” and scope of audit (other than solely with respect to, or resulting solely from, (i) an upcoming maturity date under any documentation governing any Indebtedness within one year or (ii) any prospective or potential inability to satisfy a financial maintenance covenant on a future date or in a future period (or, other than in the case of any revolving facility, any actual inability to satisfy or breach of a financial maintenance covenant)), and shall state that such consolidated financial statements fairly present, in all material respects, the consolidated financial position of Holdings as at the dates indicated and the results of its consolidated operations and cash flows for the periods indicated in conformity with GAAP;

(c) Compliance Certificate. Not later than five Business Days after each delivery of consolidated financial statements of Holdings pursuant to Sections 5.01(a) and 5.01(b), a duly executed and completed Compliance Certificate certifying that no Default or Event of Default has occurred and is continuing (or if a Default or Event of Default has occurred and is continuing, describing in reasonable detail such Default or Event of Default and the steps being taken to cure, remedy or waive the same) and, to the extent necessary to maintain its accuracy, providing an updated Schedule 3.13;

(d) Notice of Default. Promptly upon the occurrence of any Default or Event of Default, written notice thereof;

(e) Notice of Litigation. Promptly upon the occurrence of (i) the institution of, or threat of, any Adverse Proceeding not previously disclosed in writing by the Loan Parties to the Lender or (ii) any material development in any Adverse Proceeding that, in the case of either clauses (i) or (ii), could reasonably be expected to have a Material Adverse Effect, written notice specifying the nature thereof;

(f) ERISA. Promptly upon the occurrence of any ERISA Event that could reasonably be expected to have a Material Adverse Effect, a written notice specifying the nature thereof;

(g) Budget. As soon as available and in any event no later than 120 days (or with respect to the Fiscal Year beginning January 1, 2022, 150 days) after the beginning of each Fiscal Year commencing after the Closing Date, a consolidated budget of Holdings and its Subsidiaries for such Fiscal Year (in the form customarily prepared by Holdings);

(h) Information Regarding Collateral. Holdings will furnish to the Lender prompt (and in any event within thirty (30) days (or such later date as the Lender may reasonable agree)) written notice with respect to the Borrower, Holdings or any other Loan Party that is organized in the United States, of any change (A) in any such Person’s legal name, (B) in any such Person’s type of organization, (C) in any such Person’s jurisdiction of organization, incorporation or amalgamation, chief executive office or domicile or (D) in any such Person’s organizational identification number (to the extent necessary to perfect or maintain the perfection and priority of the Lender’s security interest in the applicable Collateral);

(i) Certain Reports. Promptly upon their becoming available and without duplication of any obligations with respect to any such information that is otherwise required to be delivered under the provisions of any Loan Document, copies of (i) following a Qualifying IPO, all financial statements, reports, notices and proxy statements sent or made available generally by any Parent

Company to its public security holders acting in such capacity or by any Subsidiary of Holdings to its public security holders other than Holdings or another Subsidiary of Holdings and (ii) all regular and periodic reports and all registration statements (other than amendments to any registration statement (to the extent such registration statement, in the form it became effective, is delivered to the Lender), exhibits to any registration statement and, if applicable, any registration statement on Form S-8 or similar form) and prospectuses, if any, furnished or filed by any Parent Company (other than a Parent Company under clause (c) of the definition thereof), Holdings or any of its Subsidiaries with any securities exchange or with the SEC or any governmental or private regulatory authority with jurisdiction over matters relating to securities;

(a) Other Information. Subject to the limitations set forth in Section 5.06 and the confidentiality provisions of Section 8.13, such additional information (financial or otherwise) as the Lender may reasonably request from time to time in connection with the financial condition or business of Holdings and its Subsidiaries; and

(b) Quarterly Conference Calls. After delivery of consolidated financial statements of Holdings pursuant to Sections 5.01(a) and 5.01(b), if reasonably requested by the Lender in its sole discretion, the Borrower shall conduct a quarterly conference call with the Lender to discuss the financial condition and results of operations of the Borrower for the most recently ended Fiscal Quarter or Fiscal Year, as applicable, for which financial statements have been delivered pursuant to Sections 5.01(a) and (b), at a date and time to be determined by the Borrower with reasonable advance notice to the Lender.

Documents required to be delivered pursuant to this Section 5.01 may be delivered electronically and if so delivered, shall be deemed to have been delivered on the date (i) on which executed certificates or other documents are faxed to the Lender (or electronically mailed to an address provided by the Lender); or (ii) in respect of the items required to be delivered pursuant to Section 5.01(i) above in respect of information furnished or filed by any Parent Company, Holdings or any of its subsidiaries with any securities exchange or with the SEC or any governmental or private regulatory authority, such items have been made available on the SEC website or the website of the relevant analogous governmental or private regulatory authority or securities exchange. Notwithstanding the foregoing, the obligations in paragraphs (a) and (b) of this Section 5.01 may be satisfied with respect to financial information of Holdings and its consolidated Subsidiaries by furnishing Holdings's Form 10-K, 10-Q, Annual Information Form and quarterly financial statements, as applicable, filed with the SEC.

SECTION 5.02. Existence. Except as otherwise permitted under Section 6.06, Holdings will, and will cause each of its Subsidiaries to, at all times preserve and keep in full force and effect its existence and all rights and franchises, licenses and permits necessary in the normal conduct of its business except to the extent (other than with respect to the preservation of existence of Holdings or the Borrower) failure to do so could not reasonably be expected to result in a Material Adverse Effect; provided that neither Holdings nor any of its Subsidiaries shall be required to preserve any such existence (other than the preservation of existence of Holdings and the Borrower), right or franchise, licenses or permits if such Person or such Person's board of directors (or similar governing body) shall determine that the preservation thereof is no longer desirable in the conduct of the business of such Person, and that the loss thereof is not disadvantageous in any material respect to such Person or to the Lender.

SECTION 5.03. Payment of Taxes. Holdings will, and will cause each of its Subsidiaries to, pay all Taxes imposed upon it or any of its properties or assets or in respect of any of its income, businesses or franchises before any penalty or fine accrues thereon; provided that no such Tax need be paid if (a) it is being contested in good faith by appropriate proceedings and adequate reserves or other

appropriate provisions, as shall be required in conformity with GAAP, shall have been made therefor and, in the case of a Tax which has or may become a Lien against any of the Collateral, such contest proceedings operate to stay the sale of any portion of the Collateral to satisfy such Tax or (b) failure to pay or discharge the same could not reasonably be expected to result in a Material Adverse Effect.

SECTION 5.04. Maintenance of Properties. Holdings will, and will cause each of its Subsidiaries to, maintain or cause to be maintained in good repair, working order and condition, ordinary wear and tear and casualty and condemnation excepted, all property and maintain and renew all intellectual property, in each case, reasonably necessary to the normal conduct of business of Holdings and its Subsidiaries and from time to time will make or cause to be made all needed and appropriate repairs, renewals and replacements thereof except as expressly permitted by this Agreement or where the failure to maintain or renew such properties or make such repairs, renewals or replacements could not reasonably be expected to have a Material Adverse Effect.

SECTION 5.05. Insurance. Holdings will maintain or cause to be maintained, with financially sound and reputable insurers, such insurance coverage with respect to liabilities, losses or damage in respect of the assets, properties and businesses of Holdings and its Subsidiaries as may customarily be carried or maintained under similar circumstances by Persons of established reputations engaged in similar businesses (as determined in good faith by Holdings), in each case in such amounts, with such deductibles, covering such risks and otherwise on such terms and conditions as Holdings believes in good faith is reasonable and prudent in light of the size or nature of its business. Without limiting the generality of the foregoing, Holdings and its Subsidiaries will maintain flood insurance with respect to each Flood Hazard Property, in each case in compliance with the Flood Insurance Laws. Not later than 30 days after the Closing Date (or such later date as the Lender may reasonably agree), each such policy of insurance shall (a) name the Lender, as an additional insured thereunder as its interests may appear and (b) in the case of each casualty insurance policy with respect to the Collateral, contain a lender's loss payable and mortgagee, as applicable, clause or endorsement from such insurance carrier that names the Lender, as lender's loss payee and mortgagee, as applicable, thereunder and, to the extent available, provides for at least 30 days' prior written notice to the Lender of any modification or cancellation of such policy (or 10 days' prior written notice for any cancellation due to non-payment of premiums).

SECTION 5.06. Inspections. Holdings will, and will cause each of its Subsidiaries to, permit any authorized representatives designated by the Lender to visit and inspect any of the properties of Holdings and any of its Subsidiaries at which the principal financial records and executive officers of the applicable Person are located, to inspect, copy and take extracts from its financial and accounting records, and to discuss its affairs, finances and accounts with its Responsible Officers and independent public accountants (provided that Holdings may, if it so chooses, be present at or participate in any such discussion), all upon reasonable notice, reasonable coordination in and at such reasonable times during normal business hours; provided that, except as provided in the proviso below in connection with the occurrence and continuance of an Event of Default, (i) the Lender shall not exercise such rights more often than twice during any calendar year and (ii) only twice per calendar year shall be at the expense of Holdings; provided, further, that when an Event of Default has occurred and is continuing, the Lender (or any of its representatives or independent contractors) may do any of the foregoing at the expense of Holdings in accordance with Section 8.03(a) at any time during normal business hours and upon reasonable advance notice. Notwithstanding anything to the contrary in Section 5.06, none of Holdings or any Subsidiary will be required to disclose, permit the inspection, examination or making copies or abstracts of, or discussion of, any document, information or other matter (i) that constitutes non-financial trade secrets or non-financial proprietary information, (ii) in respect of which disclosure to the Lender (or its respective representatives or contractors) is prohibited by applicable law or any binding agreement or (iii) that is subject to attorney-client or similar privilege or constitutes attorney work product.

SECTION 5.07. Maintenance of Book and Records. Holdings will, and will cause its Subsidiaries to, maintain proper books of record and account, in which entries that are full, true and correct in all material respects shall be made of all material financial transactions and matters involving the assets and business of Holdings and its Subsidiaries, as the case may be, and permit the preparation of consolidated financial statements in accordance with GAAP.

SECTION 5.08. Compliance with Laws. Holdings will comply, and shall cause each of its Subsidiaries to comply, with Requirements of Law (including all Environmental Laws, ERISA, Anti-Corruption Laws, Anti-Terrorism Laws and Sanctions), except to the extent the failure of Holdings or such Subsidiary to comply could not reasonably be expected to have a Material Adverse Effect.

SECTION 5.09. Use of Proceeds.

(a) The Borrower shall use proceeds of the Loan solely to finance a portion of the Transactions.

(b) No part of the proceeds of the Loan will be used, whether directly or indirectly, for any purpose that would entail a violation of Regulations U or X.

SECTION 5.10. Additional Collateral; Further Assurances

(a) Subject to applicable law and the limitations expressly set forth in this Agreement and the Collateral Documents, the Borrower and each other Loan Party shall cause each Subsidiary (other than any Excluded Subsidiary) formed or acquired after the Closing Date (including, without limitation, upon the formation of any Subsidiary resulting from a division of a limited liability company) to become a Loan Party on or prior to the earlier to occur of (i) the date that is 30 days following the date of such formation or acquisition and (ii) the next date a Compliance Certificate is required to be delivered following the date of such formation or acquisition (including, without limitation, upon the formation of any Subsidiary resulting from a division of a limited liability company) (or, in either case, such later date as may be acceptable to the Lender in its sole discretion), by executing (i) a Joinder Agreement in substantially the form attached as Exhibit B hereto (the "**Joinder Agreement**"), (ii) a Security Agreement Joinder Agreement or such other customary supplements or joinders to the other applicable Collateral Documents or new security or collateral documents in the United States, in each case to create Liens over its assets of scope substantially similar to the Liens granted pursuant to the Collateral Documents executed on the Closing Date or pursuant to Section 5.13, (iii) the Global Intercompany Note and (iv) such other documentation as the Lender may reasonably request and that is contemplated by the terms hereof (including, for the avoidance of doubt, documents contemplated by clause (c) of this Section 5.10) or of the applicable Collateral Documents, together with such customary closing certificates, evidences of authority and good standing and legal opinions as the Lender may reasonably request. Upon execution and delivery thereof, each such Person (x) shall automatically become a Subsidiary Guarantor hereunder and thereupon shall have all of the rights, benefits, duties, and obligations in such capacity under the Loan Documents and (y) will take such actions as may be required by the terms hereof or of the applicable Collateral Documents to grant and perfect Liens to the Lender in any property (subject to the limitations set forth herein and in the other Loan Documents) of such Loan Party which constitutes Collateral, on such terms as are required pursuant to the terms of the Collateral Documents and in such priority as may be required pursuant to the terms of any Acceptable Intercreditor Agreement.

(b) the Borrower and each other Loan Party will cause all Capital Stock (other than any Capital Stock constituting an Excluded Asset) directly owned by them to be subject at all times to a First Priority perfected Lien in favor of the Lender pursuant to the terms and conditions of, and to the extent required by, the Collateral Documents.

(c) Without limiting the foregoing, subject to any Acceptable Intercreditor Agreement and the limitations expressly set forth in this Agreement and the Collateral Documents, each Loan Party will promptly execute and deliver, or cause to be promptly executed and delivered, to the Lender such documents, agreements (including, for the avoidance of doubt, deposit account and securities account control agreements to the extent required by the Collateral Documents) and instruments, and will take or cause to be taken such further actions (including the filing and recording of financing statements, fixture filings, mortgages, deeds of trust and other documents and such other actions or deliveries of the type required by Section 5.14), which the Lender may, from time to time, reasonably request to carry out the terms and conditions of this Agreement and the other Loan Documents and to ensure perfection and priority of the Liens created or intended to be created by the Collateral Documents (to the extent required herein or therein), all at the expense of the Borrower in accordance with Section 8.03(a).

(d) Subject to the limitations set forth or referred to in this Section 5.10, if any Material Real Estate Asset is acquired by any Loan Party after the Closing Date or any Real Estate Asset which becomes a Material Real Estate Asset after the Closing Date, the Borrower will promptly notify the Lender, and, if requested by the Lender in its sole discretion, within 75 days of such request (or such longer period as may be acceptable to the Lender) the Borrower will cause such assets to be subjected to a Lien securing the Obligations and will take, and cause each Subsidiary that is a Loan Party to take, such actions as shall be reasonably requested by the Lender to grant and perfect such Liens, including actions described in clause (c) of this Section 5.10, all at the expense of the Borrower in accordance with Section 8.03(a). The Loan Parties shall within 75 days following a request by the Lender (or such longer period as the Lender may agree) cause the Mortgages on each such Material Real Estate Asset acquired by any Loan Party, or which becomes a Material Real Estate Asset, after the Closing Date to be executed, delivered and recorded and in connection therewith deliver corresponding UCC fixture filings, financing statements and filings in applicable land registry offices (to the extent required), flood hazard determinations and if required, evidence of flood insurance, title insurance policies (including any customary endorsements thereto), surveys, local counsel opinions and other documentation, in each case, that the Lender shall reasonably require.

(e) After any Subsidiary ceases to constitute an Excluded Subsidiary in accordance with the definition thereof, Holdings shall cause such Subsidiary to take all actions required by this Section 5.10 (within the time periods specified herein) as if such Subsidiary were then formed or acquired.

SECTION 5.11. Conduct of Business. From and after the Closing Date, Holdings and the Subsidiaries, taken as a whole, shall not fundamentally and substantively alter the character of their business, taken as a whole, from the business conducted by them on the Closing Date and other business activities which are reasonable extensions thereof or incidental, related or ancillary thereto.

SECTION 5.12. Fiscal Year. Holdings shall not change its Fiscal Year-end to a date other than as described in the definition of Fiscal Year; provided that Holdings may, upon written notice to the Lender, change its Fiscal Year-end to another date, in which case Holdings and the Lender will make any adjustments to this Agreement that are necessary and appropriate to reflect such change in Fiscal Year (which adjustments may include, among other things, adjustments to financial reporting requirements to account for such changes, including without limitation, the impact on year over year comparison reporting and stub period reporting obligations, in each case subject to the approval and agreement of the Lender in its reasonable discretion.

SECTION 5.13. Post-Closing Matters. The Loan Parties shall satisfy each of the requirements set forth in Schedule 5.13 on or before the date specified in Schedule 5.13 for each such requirement, or such later date as may be permitted by the Lender with respect thereto.

SECTION 5.14. Closing Date Covenants. The Loan Parties shall satisfy each of the following requirements on the Closing Date (except to the extent waived by the Lender in accordance with the terms of this Agreement):

(a) Loan Documents. The Lender (or its counsel) shall have received from each of the Loan Parties party thereto either (i) a counterpart of this Agreement, each Collateral Document described on Schedule 5.14, the Global Intercompany Note, the Promissory Note and each other Loan Document to be executed on the Closing Date, in each case signed on behalf of such party or (ii) evidence reasonably satisfactory to the Lender (which may include facsimile or e-mail transmission) that such party has signed a counterpart of the applicable agreements referred to in clause (i) above.

(b) Legal Opinions. On the Closing Date, the Borrower shall deliver to the Lender a customary written opinion of Simpson Thacher & Bartlett LLP, New York counsel for Holdings, the Borrower and each other Loan Party in the form of Exhibit D-1, and McGuireWoods LLP, Virginia counsel for Holdings, the Borrower and each other Loan Party in the form of Exhibit D-2, in each case (A) dated the Closing Date and (B) addressed to the Lender.

(c) Closing Certificates; Certified Charters; Good Standing Certificates. On the Closing Date, the Lender shall have received (i) a certificate of each Loan Party, dated the Closing Date and executed by a Responsible Officer of such Loan Party in the form of Exhibit E, and (ii) a certificate of good standing (or equivalent) from the relevant office of each Loan Party's jurisdiction of organization (to the extent relevant, customary and available in the jurisdiction of incorporation, formation or organization of each Loan Party) dated on or about the Closing Date.

(d) Solvency. On the Closing Date, the Lender shall have received a certificate dated as of the Closing Date in substantially the form of Exhibit F from a Financial Officer of the Borrower certifying as to the matters set forth therein.

(e) Representations. The representations and warranties in this Agreement (for the avoidance of doubt, as qualified and limited by the first sentence of Article 3) and the other Loan Documents shall be accurate in all material respects on and as of the Closing Date; provided that any representation and warranty that is qualified as to "materiality," "Material Adverse Effect" or similar language shall be true and correct in all respects, as the case may be.

(f) Filings, Registrations and Recordings. Subject to the terms of each applicable Collateral Document, each document (including any UCC financing statement) required by the Collateral Documents to be filed, registered, recorded or delivered in order to create in favor of the Lender, a perfected Lien on the Collateral described therein, prior and superior in right to any other Person (other than with respect to Permitted Liens), shall be in proper form for filing, registration or recordation.

(g) Pledged Stock, Stock Powers, Pledged Notes and Endorsements. The Lender shall have received (i) the certificates, if any, representing the Capital Stock constituting Collateral required to be delivered pursuant to the Collateral Documents, together with undated stock powers for each such certificate duly executed in blank by an authorized officer of each pledgor thereof, or other instruments of transfer contemplated by the Collateral Documents, have been delivered to the Borrower by the Lender and (ii) the Global Intercompany Note and each other promissory note and other instrument, if any, representing any other Collateral under the Collateral Documents required to be delivered to the Lender pursuant to the terms of the Collateral Documents, duly endorsed in blank by an authorized officer of each pledgor thereof.

(h) USA PATRIOT Act. No later than three Business Days in advance of the Closing Date, the Lender shall have received a duly executed IRS Form W-9 (or other applicable tax form) and all documentation and other information reasonably requested by them with respect to Holdings or the Borrower in writing at least 10 Business Days in advance of the Closing Date, which documentation or other information is required by United States regulatory authorities under applicable “know your customer” and anti-money laundering rules and regulations, including the USA PATRIOT Act.

SECTION 5.15. Senior Indebtedness. The Obligations shall at all times constitute “Senior Indebtedness” (or any comparable term) and “Designated Senior Debt” (or any comparable term) (if applicable) under and as defined in the documentation governing any Junior Debt.

Notwithstanding anything in this Article 5 to the contrary, Holdings, the Borrower and its Subsidiaries shall not be deemed to have breached or be in violation of any of the provisions of Sections 5.02, 5.03, 5.04, 5.05, 5.06, 5.07 or 5.08 of this Article 5 solely to the extent such breach or violation directly resulted from or is directly related to events solely applicable to the Loan Parties and their Subsidiaries (other than Holdings and the Borrower) or actions solely taken by the Loan Parties and their Subsidiaries (other than Holdings and the Borrower), in each case that occurred prior to the consummation of the Purchase.

ARTICLE 6 NEGATIVE COVENANTS

Until the Termination Date has occurred, each of Holdings and the other Loan Parties covenant and agree with the Lender that:

SECTION 6.01. Indebtedness. Holdings shall not, nor shall it permit any of its Subsidiaries to, directly or indirectly, create, incur, assume or otherwise become or remain liable with respect to any Indebtedness, except:

(a) the Obligations;

(b) Indebtedness of Holdings owed to any Subsidiary, the Borrower owed to Holdings or any Subsidiary and of any Subsidiary owed to Holdings, the Borrower or any other Subsidiary; provided, that in the case of any Indebtedness of a Subsidiary that is not a Loan Party owing to a Loan Party, such Indebtedness (other than any such Indebtedness in connection with intercompany loans made solely for the purpose to fund cash reserves to the extent required to be maintained by Subsidiaries that are Regulated Entities for the purpose of meeting required reserve requirements pursuant to applicable laws or regulations) shall at the time of any such incurrence of Indebtedness and after giving pro forma effect thereto and the use of proceeds thereof, not exceed the greater of (i) \$15,000,000 and (ii) 15% of Consolidated Adjusted EBITDA for the most recently ended Test Period; provided, that, all such Indebtedness of any Loan Party owing to any Subsidiary that is not a Loan Party must be expressly subordinated to the Obligations of such Loan Party pursuant to the terms set forth in the Global Intercompany Note (or such other terms as are acceptable to the Lender);

(c) Indebtedness arising from agreements providing for indemnification, adjustment of purchase price or similar obligations (including contingent earn-out obligations) incurred in connection with the Transactions, any Disposition permitted hereunder, any acquisitions permitted hereunder, other purchases of assets or Capital Stock or other Investments permitted hereunder, and Indebtedness arising from guaranties, letters of credit, bank guaranties, surety bonds, performance bonds or similar instruments securing the performance of Holdings or any such Subsidiary pursuant to such agreements;

(d) Indebtedness (i) as a result of or which may be deemed to exist pursuant to any performance and completion guaranties or customs, stay, performance, bid, surety, statutory, appeal, performance and return of money bonds, tenders, statutory obligations, leases, governmental contracts, trade contracts or other similar obligations (including relating to any litigation being contested in good faith) incurred in the ordinary course of business or (ii) in respect of any letters of credit, bank guaranties, surety bonds, performance bonds or similar instruments to support any of the foregoing items;

(e) Indebtedness in respect of commercial credit cards, stored value cards, employee credit cards, purchasing cards and treasury management services and other netting services, overdraft protections, check drawing services, automated clearing-house arrangements, employee credit card programs, automated payment services (including depository, overdraft, controlled disbursement, return items and interstate depository network services) and, cash pooling, and, in each case, including similar arrangements and otherwise in connection with cash management, including cash management arrangements among Holdings, and its Subsidiaries, and deposit accounts and incentive, supplier finance or similar programs in the ordinary course of business and to the extent such Indebtedness remains outstanding for no longer than 30 days;

(f) (i) Indebtedness in respect of Guarantees of the obligations of suppliers, customers and licensees in the ordinary course of business and (ii) Indebtedness in respect of any letter of credit, bankers' acceptance, bank guaranties or similar instrument supporting trade payables, warehouse receipts or similar facilities entered into in the ordinary course of business;

(g) Indebtedness existing, or pursuant to commitments existing, on the Closing Date and described on Schedule 6.01(g) and any Permitted Refinancing Indebtedness thereof;

(h) so long as no Specified Event of Default shall have occurred and be continuing at the time of the incurrence thereof, Indebtedness of Subsidiaries that are not Loan Parties; provided that, at the time of any such incurrence of Indebtedness and after giving pro forma effect thereto and the use of proceeds thereof, the aggregate principal amount of Indebtedness that is outstanding in reliance on this clause (h) and clause (t) below shall not exceed the greater of (i) \$15,000,000 and (ii) 15% of Consolidated Adjusted EBITDA for the most recently ended Test Period;

(i) Indebtedness consisting of obligations owing under any dealer, customer or supplier incentive, supply, license or similar agreements entered into in the ordinary course of business;

(j) Indebtedness (including with respect to Financing Lease Obligations and purchase money Indebtedness) financing the acquisition, lease, construction, repair, replacement, improvement or installation of assets or capital expenditures and any Permitted Refinancing Indebtedness incurred to refinance such Indebtedness; provided that (i) such Indebtedness is incurred prior to or within 270 days of the applicable acquisition or lease or completion of the applicable construction, repair, replacement, improvement or installation or (ii) such Indebtedness refinances

debt previously incurred under Section 6.01(j)(i) and any Permitted Refinancing Indebtedness incurred to refinance such Indebtedness; provided, further, that, at the time of any such incurrence of Indebtedness and after giving pro forma effect thereto and the use of the proceeds thereof, the aggregate principal amount of Indebtedness that is outstanding in reliance on this clause (j) shall not exceed, except as contemplated by the definition of "Permitted Refinancing Indebtedness," the greater of (x) \$15,000,000 and (y) 15% of Consolidated Adjusted EBITDA for the most recently ended Test Period as of such time; provided, further, that at the time of any such incurrence of Indebtedness and after giving pro forma effect thereto and the use of the proceeds thereof, the aggregate principal amount of Indebtedness of non-Loan Parties that is outstanding in reliance on this clause (j) shall not exceed the greater of (x) \$5,000,000 and (y) 5% of Consolidated Adjusted EBITDA for the most recently ended Test Period as of such time;

(k) Indebtedness of a Person that becomes a Subsidiary or Indebtedness assumed in connection with a Permitted Acquisition or any other Investment permitted hereunder after the Closing Date; provided that after giving pro forma effect (but without giving pro forma effect to any substantially simultaneous incurrence pursuant to clause (A) of Section 6.01(s)) to any such Permitted Acquisition, the incurrence of any Indebtedness and the use of the proceeds thereof, (i) the Consolidated Total Leverage Ratio (calculated on a Pro Forma Basis) is less than or equal to 7.00:1.00, (ii) such Indebtedness was not created in contemplation of such Permitted Acquisition and (iii) such Indebtedness is only the obligation of the Person and/or Person's Subsidiaries that are acquired or that acquired the relevant assets and such Indebtedness; provided, further, that at the time of any such assumption of Indebtedness and after giving pro forma effect thereto, the aggregate principal amount of Indebtedness of non-Loan Parties that is outstanding in reliance on this clause (k) shall not exceed the greater of (x) \$50,000,000 and (y) 50% of Consolidated Adjusted EBITDA for the most recently ended Test Period as of such time;

(l) Indebtedness in an aggregate principal amount or face amount at any time outstanding not to exceed \$10,000,000 in respect of letters of credit, bank guaranties, surety bonds, performance bonds and similar instruments issued for general corporate purposes and denominated in currencies other than Dollars;

(m) Indebtedness of Holdings or any Subsidiary under any Derivative Transaction not entered into for speculative purposes and otherwise in the ordinary course of business;

(n) additional Indebtedness provided that (i) no Event of Default shall have occurred and be continuing at the time of the incurrence thereof and (ii) at the time of any such incurrence of Indebtedness and after giving pro forma effect thereto and the use of the proceeds thereof, the aggregate principal amount of Indebtedness that is outstanding in reliance on this clause (n) shall not exceed the greater of (A) \$15,000,000 and (B) 15% of Consolidated Adjusted EBITDA for the most recently ended Test Period; provided, further, that at the time of any such incurrence of Indebtedness and after giving pro forma effect thereto and the use of the proceeds thereof, the aggregate principal amount of Indebtedness of non-Loan Parties that is outstanding in reliance on this clause (n) shall not exceed the greater of (x) \$5,000,000 and (y) 5% of Consolidated Adjusted EBITDA for the most recently ended Test Period as of such time

(o) Indebtedness incurred in connection with Sale and Lease-Back Transactions permitted pursuant to Section 6.07; provided that, at the time of any such incurrence of Indebtedness and after giving pro forma effect thereto and the use of the proceeds thereof, the aggregate principal amount of Indebtedness that is outstanding in reliance on this clause (o) shall not exceed the greater of (A) \$10,000,000 and (B) 10% of Consolidated Adjusted EBITDA for the most recently ended Test Period; provided, further, that at the time of any such incurrence of Indebtedness and after giving pro forma effect thereto and the use of the proceeds thereof, the aggregate principal amount of Indebtedness of non-Loan Parties that is outstanding in reliance on this clause (o) shall not exceed the greater of (x) \$3,500,000 and (y) 3.5% of Consolidated Adjusted EBITDA for the most recently ended Test Period as of such time

(p) Indebtedness (including obligations in respect of letters of credit, bank guarantees, bankers' acceptances, surety bonds, performance bonds or similar instruments with respect to such Indebtedness) incurred in respect of workers compensation claims, unemployment, property, casualty or liability insurance (including premiums related thereto) or self-insurance, other reimbursement-type obligations regarding workers compensation claims, other types of social security, pension obligations, vacation pay, or health, disability or other employee benefits, in each case entered into in the ordinary course of business;

(q) customer deposits and advance payments received in the ordinary course of business from customers for goods and services purchased in the ordinary course of business;

(r) Revolving Facility Indebtedness (including any guarantees in respect thereof and the issuance and creation of letters of credit and bankers' acceptances thereunder (with letters of credit and bankers' acceptances being deemed to have a principal amount equal to the undrawn face amount thereof)) in an aggregate principal amount at any time outstanding not to exceed \$75,000,000;

(s) so long as no Specified Event of Default shall have occurred and be continuing at the time of the incurrence thereof, (i) Permitted Additional Debt; provided that, in the case of this clause (s), at the time of incurrence thereof and after giving pro forma effect thereto and the use of the proceeds thereof, assuming that all commitments thereunder were fully drawn, the aggregate principal amount of all such Indebtedness incurred under this clause (s) shall not exceed, as of the date of incurrence of such Indebtedness or commitments, the sum of (A) the greater of (x) \$96,000,000 and (y) 100% of Consolidated Adjusted EBITDA for the most recently ended Test Period as of such time less the aggregate amount of Indebtedness incurred in reliance on this clause (A) prior to the applicable date of incurrence plus (B) an aggregate amount of Indebtedness, such that, after giving effect to such incurrence on a Pro Forma Basis (and after giving effect to any Subject Transaction to be consummated in connection therewith but without giving pro forma effect to any substantially simultaneous incurrence pursuant to clause (A) above)) Holdings would be in compliance with a Consolidated Total Leverage Ratio of no greater than 7.00:1.00 and (ii) any Permitted Refinancing Indebtedness incurred to Refinance such Permitted Additional Debt; provided that without limitation of the requirements set forth in the definition of "Permitted Refinancing Indebtedness," such Permitted Refinancing Indebtedness shall be of the type described in clause (i) or clause (ii) of the definition of "Permitted Additional Debt";

(t) Indebtedness incurred to finance a Permitted Acquisition (or similar Investment); provided that (i) the aggregate amount of Indebtedness, measured at the time of incurrence and after giving pro forma effect thereto and the use of the proceeds thereof, of non-Loan Parties under this clause (t), shall not exceed the amount set forth in clause (h) above, (ii) after giving effect thereto no Event of Default (or in the case of a Limited Condition Transaction, no Specified Event of Default) shall exist or result therefrom, (iii) no portion of such Indebtedness shall mature prior to the Maturity Date, and (iv) after giving pro forma effect to any such purchase or other acquisition, the incurrence of any Indebtedness and the use of the proceeds thereof, the Consolidated Total Leverage Ratio (calculated on a Pro Forma Basis) is less than or equal to 7.00:1.00;

(u) Guarantee Obligations of Holdings and its Subsidiaries in respect of Indebtedness of Holdings or any Subsidiary otherwise permitted hereunder (except that a non-Loan Party may not, by virtue of this Section 6.01(u), guarantee Indebtedness that such non-Loan Party could not otherwise incur under this Section 6.01); provided that (i) if the Indebtedness being guaranteed is subordinated in right of payment to the Obligations, such Guarantee Obligation shall be subordinated in right of payment to the Guarantee of the Obligations on terms at least as favorable to the Lender as those contained in the subordination of such Indebtedness and (ii) no Guarantee by any Subsidiary of any Indebtedness of a Loan Party shall be permitted unless such Subsidiary shall have also provided a Guarantee of the Obligations;

(v) Indebtedness consisting of (i) the financing of insurance premiums or (ii) take or pay obligations entered into in the ordinary course of business;

(w) (i) Indebtedness representing deferred compensation to employees, directors, consultants, contract providers, independent contractors or other service providers of Holdings, the Borrower and the Subsidiaries incurred in the ordinary course of business; and (ii) Indebtedness consisting of obligations of Holdings, the Borrower or the Subsidiaries under deferred compensation arrangements to their employees, directors, consultants, independent contractors or other service providers;

(x) Indebtedness arising from agreements of Holdings or any Subsidiary providing for indemnification, adjustment of purchase price or similar obligations (including earn-outs), in each case entered into in connection with Permitted Acquisitions, other Investments and the Disposition of any business, assets or Capital Stock permitted hereunder, other than Guarantee Obligations incurred by any Person acquiring all or any portion of such business, assets or Capital Stock for the purpose of financing such acquisition; and

(y) all premiums (if any), interest (including post-petition interest), fees, expenses, charges and additional or contingent interest on obligations described in clauses (a) through (x) above.

For purposes of determining compliance with this Section 6.01, (x) in the event that an item of Indebtedness meets the criteria of more than one of the categories of Indebtedness described in clauses (a) through (q) and (u) through (y) above (or any sub-category thereof), the Borrower shall, in its sole discretion, classify and reclassify or later divide, classify or reclassify such item of Indebtedness (or any portion thereof) and will only be required to include the amount and type of such Indebtedness in one or more of the above clauses and (y) (i) amortization of debt discount or the accretion of principal with respect to a non interest bearing or other discount security, (ii) the payment of regularly scheduled interest in the form of additional Indebtedness of the same instrument or the payment of regularly scheduled dividends on Qualified Capital Stock in the form of additional Qualified Capital Stock of the same class and with the same terms and (iii) the obligation to pay a premium in respect of Indebtedness arising in connection with the issuance of a notice of prepayment, redemption, repurchase, defeasance, acquisition or similar payment or making of a mandatory offer to prepay, redeem, repurchase, defease, acquire, or similarly pay such Indebtedness, will not be deemed to be an incurrence of Indebtedness.

Notwithstanding the foregoing, (x) no Loan Party will create or incur any Indebtedness which is contractually subordinated or ranking junior in right of payment to any other Indebtedness of the Loan Parties, unless such Indebtedness is also subordinated or ranking junior in right of payment, in the same manner and to the same extent, to the Obligations and (y) other than with respect to such Indebtedness as is described in Section 6.01(c), (d), (e), (f), (g), (i), (l), (m), (p), (q), (v), (w), (x) or (y), no non-Loan Party will incur Indebtedness except to the extent of Indebtedness expressly permitted by this Section 6.01 to be incurred by non-Loan Parties or with respect to which there is a cap on the amount of such Indebtedness that can be incurred or assumed, as applicable, by non-Loan Parties.

SECTION 6.02. Liens. Holdings shall not, nor shall they permit any of its Subsidiaries to, create, incur, assume or permit or suffer to exist any Lien on or with respect to any property of any kind owned by it, whether now owned or hereafter acquired, or any income or profits therefrom, except:

(a) Liens created pursuant to the Loan Documents securing the Obligations;

(b) Liens for Taxes, assessments or other governmental charges or levies (i) that are not then due or, if due, obligations with respect to such Taxes that are not at such time required to be paid pursuant to Section 5.03 or (ii) that are being contested in good faith in accordance with Section 5.03;

(c) statutory Liens (and rights of set-off) of landlords, banks, carriers, warehousemen, mechanics, repairmen, workmen and materialmen, and other Liens imposed by applicable Requirements of Law (i) for amounts not yet overdue by more than 30 days or (ii) for amounts that are overdue by more than 30 days and that are being contested in good faith by appropriate proceedings, so long as such reserves or other appropriate provisions, if any, as shall be required by GAAP shall have been made for any such contested amounts;

(d) Liens incurred or deposits made (i) in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security laws and regulations, (ii) in the ordinary course of business, to secure the performance of tenders, statutory obligations, surety, stay, customs and appeal bonds, bids, leases, government contracts, trade contracts, performance and return-of-money bonds and other similar obligations (exclusive of obligations for the payment of borrowed money), (iii) pursuant to pledges and deposits of Cash or Cash Equivalents in the ordinary course of business, securing (A) any liability for reimbursement or indemnification obligations of insurance carriers providing property, casualty, liability or other insurance to Holdings and its subsidiaries or (B) leases or licenses of property otherwise permitted by this Agreement or (iv) to secure obligations in respect of letters of credit, bank guaranties, surety bonds, performance bonds or similar instruments posted with respect to the items described in clauses (i) through (iii) above;

(e) Liens consisting of survey exceptions, easements, rights-of-way, restrictions, covenants, conditions, declarations, encroachments, zoning restrictions and other defects or irregularities in title, or environmental deed restrictions, in each case which do not, in the aggregate, materially interfere with the ordinary conduct of the business of Holdings and its Subsidiaries, taken as a whole;

(f) Liens consisting of any (i) interest or title of a lessor or sub-lessor under any lease of real estate permitted hereunder, (ii) customary landlord liens permitted by the terms of any lease, (iii) restriction or encumbrance to which the interest or title of such lessor or sub-lessor may be subject or (iv) subordination of the interest of the lessee or sub-lessee under such lease to any restriction or encumbrance referred to in the preceding clause (iii);

(g) Liens solely on any Cash earnest money deposits made by Holdings or any of its Subsidiaries in connection with any letter of intent or purchase agreement with respect to any Investment or Disposition permitted hereunder;

(h) purported Liens (i) evidenced by the filing of UCC financing statements relating solely to operating leases or hire arrangements, (ii) consisting of the prior rights of consignees and their lenders under consignment arrangements, in each case entered into in the ordinary course of business, and (iii) arising from precautionary UCC filings;

(i) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods;

(j) (i) Liens in connection with any zoning, building, environmental or similar Requirement of Law or right reserved to or vested in any Governmental Authority to control or regulate the use of any or dimensions of real property or the structure thereon, including Liens in connection with any condemnation, expropriation or eminent domain proceeding or compulsory purchase order and (ii) security given to a public utility or any municipality or governmental authority when required by such utility or authority in connection with the operations of such Person in the ordinary course of business;

(k) Liens existing on the Closing Date and any modifications, replacements, refinancings, renewals or extensions of the foregoing; provided that any such Lien shall be described on Schedule 6.02; provided, further that (i) no such Lien extends to any additional property other than (A) after-acquired property that is affixed or incorporated into the property covered by such Lien and (B) proceeds and products thereof, accessions thereto and improvements thereon and (ii) such modification, replacement, refinancing, renewal or extension of the obligations secured or benefited by such Liens, if constituting Indebtedness, is permitted by Section 6.01;

(l) Liens arising out of Sale and Lease-Back Transactions permitted under Section 6.07 securing Indebtedness permitted by Section 6.01(o);

(m) Liens securing Indebtedness permitted pursuant to Section 6.01(j); provided that any such Lien shall encumber only (i) the property financed by such Indebtedness and replacements thereof and accessions and additions to such property and ancillary rights thereto and the proceeds and the products thereof, improvements thereon and customary security deposits, related contract rights and payment intangibles and other assets related thereto and any cross collateral and (ii) proceeds and products thereof, accessions thereto and improvements thereon;

(n) (i) Liens securing Indebtedness permitted pursuant to Section 6.01(k) on assets acquired or on the Capital Stock and assets of the relevant newly acquired Subsidiary; provided that such Lien (A) such Lien does not extend to or cover any other assets (other than the proceeds or products thereof, replacements thereof, accessions or additions thereto and improvements thereon, after-acquired property subject to a Lien securing Indebtedness and other obligations incurred prior to such time and which Indebtedness and other obligations are permitted hereunder that require or include, pursuant to their terms at such time, a pledge of after-acquired property of such Subsidiary, and the proceeds and the products thereof and customary security deposits in respect thereof and in the case of multiple financings of equipment provided by any lender, other equipment financed by such lender, it being understood that such requirement shall not be permitted to apply to any property to which such requirement would not have applied but for such acquisition) and (B) such Lien was not created in contemplation of the applicable acquisition of assets or Capital Stock;

(o) Liens (i) that are contractual rights of setoff or netting relating to (A) the establishment of depositary relations with banks not granted in connection with the issuance of Indebtedness, (B) pooled deposit or sweep accounts of Holdings or any Subsidiary to permit satisfaction of overdraft or similar obligations incurred in the ordinary course of business of Holdings or any Subsidiary, (C) purchase orders and other agreements entered into with customers of Holdings or any Subsidiary in the ordinary course of business, and (D) commodity trading or other brokerage

accounts incurred in the ordinary course of business, (ii) Liens encumbering reasonable customary initial deposits and margin deposits, (iii) bankers Liens and rights and remedies as to deposit accounts, (iv) on the proceeds of any Indebtedness incurred in connection with any transaction permitted hereunder, which proceeds have been deposited into an escrow account on customary terms to secure such Indebtedness pending the application of such proceeds to finance such transaction and (v) Liens consisting of an agreement to dispose of any property in a Disposition permitted under Section 6.06, in each case, solely to the extent such Investment or Disposition, as the case may be, would have been permitted on the date of the creation of such Lien;

(p) Liens on assets of Subsidiaries that are non-Loan Parties (including Capital Stock owned by such Persons) securing Indebtedness of Subsidiaries that are non-Loan Parties permitted pursuant to Section 6.01(h);

(q) Liens securing obligations (other than obligations representing Indebtedness for borrowed money) under operating, reciprocal easement or similar agreements entered into in the ordinary course of business, of Holdings and its Subsidiaries;

(r) Liens disclosed in the title insurance policies delivered pursuant to Section 5.10 with respect to any Mortgaged Property and acceptable to the Lender and any replacement, extension or renewal of any such Lien; provided that no such replacement, extension or renewal Lien shall cover any property other than the property that was subject to such Lien prior to such replacement, extension or renewal (and additions thereto, improvements thereon and the proceeds thereof);

(s) so long as no Specified Event of Default shall have occurred and be continuing at the time of the incurrence thereof, Liens on assets securing Indebtedness or other obligations in an aggregate principal amount at any time outstanding not to exceed the greater of (i) \$15,000,000 and (ii) 15% of Consolidated Adjusted EBITDA for the most recently ended Test Period;

(t) Liens on assets securing judgments, awards, attachments or decrees and notices of *lis pendens* and associated rights relating to litigation not constituting an Event of Default under Section 7.01(h);

(u) leases, licenses, subleases of IP Rights or sublicenses granted to others in the ordinary course of business, which do not secure any Indebtedness and as otherwise permitted pursuant to Section 6.06(n);

(v) Liens securing obligations in respect letters of credit, bank guaranties, surety bonds, performance bonds or similar instruments permitted under Sections 6.01(c), (d), (f) and (p);

(w) Liens arising (i) out of conditional sale, title retention, consignment or similar arrangements for the sale of any assets or property in the ordinary course of business and permitted by this Agreement or (ii) by operation of law under Article 2 of the UCC (or similar Requirement of Law under any jurisdiction);

(x) Liens on insurance policies and the proceeds thereof securing the financing of the premiums with respect thereto;

(y) (i) receipt of progress payments and advances from customers in the ordinary course of business to the extent the same creates a Lien on the related inventory and proceeds thereof and (ii) Liens on specific items of inventory or other goods and the proceeds thereof securing such Person's obligations in respect of commercial letters of credit or banker's acceptances issued or created for the account of such Person to facilitate the purchase, shipment or storage of such inventory or goods;

(z) Liens securing Revolving Facility Indebtedness (including any guarantees in respect thereof and the issuance and creation of letters of credit and bankers' acceptances thereunder (with letters of credit and bankers' acceptances being deemed to have a principal amount equal to the undrawn face amount thereof) and Derivatives Transactions entered into solely to hedge floating interest rate exposure for such Revolving Facility Indebtedness (and not, for the avoidance of any doubt, any speculative or other purpose) secured in connection therewith; provided that the holders (or a representative thereof on behalf of such holders) and the Lender shall have entered into an Acceptable Intercreditor Agreement;

(aa) Liens created pursuant to the Permitted Additional Debt Documents securing Permitted Additional Debt Obligations permitted to be incurred under Section 6.01(s) (provided that such Liens do not extend to any assets that are not Collateral); provided that the applicable Permitted Additional Debt Secured Parties (or a representative thereof on behalf of such holders) shall have entered into with the Lender an Acceptable Intercreditor Agreement and the Lender shall have executed such Acceptable Intercreditor Agreement;

(bb) Liens on securities that are the subject of repurchase agreements constituting Cash Equivalents permitted under Section 6.06;

(cc) Liens on Capital Stock in joint ventures; provided that any such Lien is in favor of a creditor or partner of such joint venture; and

(dd) ground leases in respect of Real Estate Assets on which facilities owned or leased by Holdings or any of its Subsidiaries are located.

For purposes of determining compliance with this Section 6.02, in the event that a Lien meets the criteria of more than one of the categories of Liens described in clauses (a) through (dd) above (or any sub-category thereof), the Borrower shall, in its sole discretion, classify and reclassify or later divide, classify or reclassify such item of Liens (or any portion thereof) and will only be required to include the amount and type of such Liens in one or more of the above clauses.

SECTION 6.03. Restrictive Agreements. Holdings shall not nor shall it permit any of its Subsidiaries to enter into any agreement (x) prohibiting the creation or assumption of any Lien upon any of its properties, whether now owned or hereafter acquired, for the benefit of the Lender with respect to the Obligations, or (y) prohibiting or restricting any Subsidiary's ability to make or declare dividends or other distributions with respect to its Capital Stock, except with respect to:

(a) specific property to be sold pursuant to any Disposition permitted by Section 6.06;

(b) solely in the case of clause (x) of the foregoing, restrictions contained in any agreement with respect to Indebtedness permitted by Section 6.01 that is secured by a Permitted Lien, but only if such restrictions apply only to the Person or Persons obligated under such Indebtedness and its or their Subsidiaries or the property or assets securing such Indebtedness;

(c) solely in the case of clause (x) of the foregoing, restrictions contained in the documentation governing Indebtedness permitted by clauses (j), (k) and (o) of Section 6.01;

(d) solely in the case of clause (x) of the foregoing, restrictions by reason of customary provisions restricting assignments, pledging or other transfers (including the granting of any Lien) contained in leases (including customary net worth provisions contained in real property leases entered into by Subsidiaries), subleases, licenses, sublicenses and other agreements entered into in the ordinary course of business (provided that such restrictions are limited to the relevant leases, subleases, licenses, sublicenses or other agreements and/or the property or assets secured by such Liens or the property or assets subject to such leases, subleases, licenses, sublicenses or other agreements, as the case may be);

(e) solely in the case of clause (x) of the foregoing, Permitted Liens and restrictions in the agreements relating thereto that limit the right of Holdings or any of its Subsidiaries to Dispose of, or encumber the assets subject to such Liens;

(f) any encumbrance or restriction assumed in connection with an acquisition of property or the Capital Stock of any Person, so long as such encumbrance or restriction relates solely to the property so acquired (or to the Person or Persons (and its or their subsidiaries) bound thereby) and was not created in connection with or in contemplation of such acquisition;

(g) solely in the case of clause (x) of the foregoing, restrictions imposed by customary provisions in partnership agreements, limited liability company organizational governance documents, joint venture agreements and other similar agreements that restrict the transfer of the assets of, or ownership interests in, such partnership, limited liability company, joint venture or similar Person;

(h) restrictions on Cash or other deposits imposed by Persons under contracts entered into in the ordinary course of business or for whose benefit such Cash or other deposits exist;

(i) customary restrictions and conditions existing on the Closing Date;

(j) customary provisions in joint venture agreements and other similar agreements applicable to joint ventures permitted by Section 6.05 and applicable solely to such joint venture and entered into in the ordinary course of business;

(k) provisions restricting the granting of a security interest in intellectual property contained in licenses or sublicenses by Holdings and its Subsidiaries of such intellectual property, which licenses and sublicenses were entered into in the ordinary course of business (in which case such restriction shall relate only to such intellectual property); and

(l) other restrictions or encumbrances imposed by any amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings of the contracts, instruments or obligations referred to in clauses (a) through (k) above; provided that such amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings are, in the good faith judgment of the Borrower, no more restrictive with respect to such encumbrances and other restrictions, taken as a whole, than those in effect prior to such amendment, modification, restatement, renewal, increase, supplement, refunding, replacement or refinancing.

SECTION 6.04. Restricted Payments; Certain Payments of Indebtedness.

(a) Holdings shall not pay or make, directly or indirectly, any Restricted Payment, except that:

(i) Except with respect to clause (A)(y) below, so long as no Specified Event of Default shall have occurred and be continuing at the time of the making thereof, Holdings may make Restricted Payments to the extent necessary to permit any Parent Company of Holdings:

(A) to pay (x) general administrative costs and expenses (including corporate overhead, audit and other accounting and reporting expenses, administrative, legal or similar expenses and customary wages, salary, bonus and other benefits payable to directors, officers, employees, members of management, consultants and/or independent contractors of any Parent Company) in an aggregate amount not to exceed \$2,500,000 per fiscal year, and (y) franchise fees, franchise Taxes and similar fees, Taxes and expenses required to maintain the organizational existence of such Parent Company and any reasonable and customary indemnification claims made by directors or officers of Parent Company attributable to the direct or indirect ownership or operations of Holdings and its Subsidiaries, in each case, incurred in the ordinary course of business;

(B) for any taxable period ending after the Closing Date with respect to which Holdings or any of its subsidiaries is a member of a consolidated, combined or similar income tax group of which any Parent Company is the common parent (a "**Tax Group**"), or in which Holdings or the Borrower is disregarded from a direct or indirect parent entity that is a C corporation for U.S. federal income tax purposes, to pay the portion of any consolidated, combined or similar income Taxes of such Tax Group that is attributable to the taxable income of Holdings and its subsidiaries; provided that for each taxable period, the amount of such payments made in respect of such period shall not exceed the amount that Holdings and its applicable subsidiaries would have been required to pay as a stand-alone taxpayer or stand-alone Tax Group;

(C) to finance any Investment permitted to be made pursuant to Section 6.05; provided that (x) such Restricted Payment shall be made substantially concurrently with the closing of such Investment and (y) Holdings or such Parent Company shall, immediately following the closing thereof, cause all property acquired (whether assets or Capital Stock) to be held by or contributed to Holdings or another Loan Party or, subject to compliance with Section 6.05(b), any Subsidiary; and

(D) in an amount equal to withholding or similar taxes payable or expected to be payable by any future, current or former employee, director, manager, consultant or independent contractor (or any of their respective Immediate Family Members) of any Parent Company of Holdings, any Equityholding Vehicle, the Borrower or any Subsidiary of the Borrower in connection with the exercise or vesting of Capital Stock or other equity awards or any repurchases, redemptions, acquisitions, retirements or withholdings of Capital Stock in connection with any exercise of Capital Stock or other equity options or warrants or the vesting of Capital Stock or other equity awards if such Capital Stock represent all or a portion of the exercise price of, or withholding obligation with respect to, such options or, warrants or other Capital Stock or equity awards; provided that the aggregate amount of Restricted Payments made pursuant to this subclause (D) shall not exceed \$2,500,000 in any fiscal year (with any unused amounts permitted to be carried forward to the immediately following fiscal year);

in each case, so long as such Parent Company promptly applies the amount of any such Restricted Payment for such purpose;

(ii) Holdings may pay (or make Restricted Payments to allow any Parent Company to pay) for the repurchase, redemption, retirement or other acquisition or retirement for value of Capital Stock of any Parent Company or any subsidiary of Holdings held by any future, present or former employee, vendor, director, member of management, officer, manager or consultant (or any Affiliate thereof) of any Parent Company or any subsidiary of Holdings with Cash and Cash Equivalents in an amount not to exceed the greater of \$5,000,000 and 5% of Consolidated Adjusted EBITDA for the most recently ended Test Period in any Fiscal Year; provided that any unused portion of the preceding basket calculated for any calendar year may be carried forward to the next succeeding calendar year;

(iii) so long as no Event of Default shall have occurred and be continuing at the time of the declaration thereof, Holdings may make Restricted Payments in an aggregate amount not to exceed the greater of \$5,000,000 and 5.0% of Consolidated Adjusted EBITDA for the most recently ended Test Period;

(iv) Holdings may make Restricted Payments in accordance with the Revenue Share Agreement (as defined in the Purchase Agreement);

(v) Holdings may make Restricted Payments the proceeds of which shall be used to pay customary salary, compensation, bonus and other benefits payable to officers, employees, consultants and other service providers of any Parent Company or partner of Holdings to the extent such salaries, compensation, bonuses and other benefits are attributable to the ownership or operation of Holdings, the Borrower and its Restricted Subsidiaries; provided that the aggregate amount of Restricted Payments made pursuant to this subclause (v) shall not exceed \$2,500,000 in any fiscal year (with any unused amounts permitted to be carried forward to the immediately following fiscal year);

(vi) Holdings may pay any dividend or distribution within 60 days after the date of declaration thereof, if at the date of declaration such payment would have complied with the provisions of this Agreement (it being understood that a distribution pursuant to this Section 6.04(a)(vi) shall be deemed to have utilized capacity under such other provision of this Agreement);

(vii) Holdings may make Restricted Payments in an aggregate amount not to exceed an amount equal to the Available Equity Amount at the time such Restricted Payment is paid;

(viii) Holdings may pay Restricted Payments payable solely in its Qualified Capital Stock; and

(ix) Holdings may pay cash in lieu of fractional Qualified Capital Stock in connection with any dividend, split or combination thereof or any Permitted Acquisition (or other similar permitted Investment).

(b) The Borrower shall not, and Holdings shall not permit any Subsidiary to, pay or make, directly or indirectly, any Restricted Payment, except that:

(i) any Subsidiary of the Borrower may make Restricted Payments to its direct equity holders (other than Holdings) on a ratable basis (or greater than ratable basis with respect to equityholders that are the Borrower or a Subsidiary that is a Loan Party); and

(ii) the Borrower may make Restricted Payments to Holdings to the extent necessary to permit Holdings to make Restricted Payments permitted by Section 6.04(a) (or as if such Restricted Payments were to be paid to Holdings instead of a Parent Company); in each case under this clause (ii), so long as Holdings promptly applies the amount of any such Restricted Payment for such purpose.

(c) Holdings shall not, nor shall it permit any Subsidiary to, make any payment in Cash, securities or other property on or in respect of principal or interest on any Junior Debt, including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any Junior Debt (collectively, "**Restricted Debt Payments**"), except:

(i) the purchase, defeasance, redemption, repurchase, repayment or other acquisition or retirement of any Junior Debt made by exchange for, or out of the proceeds of the substantially concurrent incurrence of, Junior Debt permitted by Section 6.01;

(ii) payments of regularly scheduled interest and payments of fees, expenses and indemnification obligations as and when due in respect of any Junior Debt (other than payments prohibited by the subordination provisions thereof (if any));

(iii) to the extent constituting Junior Debt, payments in respect of earn-outs and purchase price adjustments arising under Investments otherwise expressly permitted under this Agreement;

(iv)

(A) payments with respect to intercompany Indebtedness between the Borrower and its Subsidiaries permitted under Section 6.01, subject to the payment subordination provisions applicable thereto;

(B) so long as no Event of Default exists at the time of delivery of notice with respect thereof or would result therefrom, additional Restricted Debt Payments in an aggregate amount not to exceed the greater of \$7,500,000 and 7.5% of Consolidated Adjusted EBITDA for the most recently ended Test Period; and

(C) Restricted Debt Payments in an aggregate amount not to exceed the Available Equity Amount at the time of such Restricted Debt Payment;

(v) the conversion thereof to Capital Stock (other than Disqualified Capital Stock) of Holdings; and

(vi) the refinancing thereof with the Net Proceeds of any Indebtedness that constitutes Junior Debt of the same type as the Junior Debt being refinanced (to the extent such Indebtedness constitutes Permitted Refinancing Indebtedness).

For purposes of determining compliance with this Section 6.04, in the event that a proposed Restricted Payment (or a portion thereof) or Restricted Debt Payment of a portion thereof, as applicable meets the criteria of clauses (a)(i) through (ix), (b)(i) or (ii) or (c)(i) through (vi) (or any sub-category thereof) above, as applicable, the Borrower will be entitled to classify or later reclassify (based on circumstances existing on the date of such reclassification) such Restricted Payment (or portion thereof) among such clauses (a)(i) through (ix), (b)(i) or (ii) or (c)(i) through (vi) (or any sub-category thereof) in a manner that otherwise complies with this Section 6.04.

SECTION 6.05. Investments. Holdings shall not, nor shall it permit any of its Subsidiaries to make or own any Investment in any other Person except:

(a) Cash or Investments that were Cash Equivalents at the time made;

(b) Investments (i) by Holdings, the Borrower or any Subsidiary in any Loan Party, (ii) by any Subsidiary that is not a Loan Party in any other Subsidiary that is also not a Loan Party, (iii) by Holdings or any Subsidiary in any Subsidiary, subject, in the case of this clause (iii) to no Specified Event of Default having occurred that is continuing at the time of any such Investment (other than any intercompany Investments to fund cash reserves to the extent required to be maintained by Subsidiaries that are Regulated Entities solely for the purpose of meeting required reserve requirements pursuant to applicable laws or regulations) in any Subsidiary that is not a Loan Party; provided that the aggregate amount of such Investments (other than (x) intercompany Investments, reorganizations and related activities related to tax planning and reorganization or (y) intercompany Investments to fund cash reserves maintained by Subsidiaries that are Regulated Entities for the purpose of meeting required reserve requirements pursuant to applicable laws or regulations) made by Loan Parties after the Closing Date in Subsidiaries that are not Loan Parties in reliance on this clause (iii) shall not exceed the sum of (A) the greater of \$15,000,000 and 15% of Consolidated Adjusted EBITDA for the most recently ended Test Period and (B) an amount equal to the amount by which any Returns in respect of Investments made in reliance on clause (A) exceeds the amount set forth in clause (A);

(c) Investments (i) constituting deposits, prepayments, trade credit and/or other credits to suppliers made in the ordinary course of business, (ii) made in connection with obtaining, maintaining or renewing client and customer contracts made in the ordinary course of business and (iii) in the form of advances made to distributors, suppliers, licensors and licensees, in each case, in the ordinary course of business, or, in the case of clause (iii), to the extent necessary to maintain the ordinary course of supplies to Holdings or any Subsidiary;

(d) Permitted Acquisitions; provided that the aggregate amount of consideration paid or provided by Holdings, the Borrower or any other Loan Party after the Closing Date in reliance on this clause (d) for Permitted Acquisitions (including the aggregate principal amount of all Indebtedness assumed in connection with Permitted Acquisitions) made or provided by any Loan Party to purchase or acquire any Non-Compliant Subsidiary or Assets and that is allocable to the purchase or acquisition of such Non-Compliant Subsidiaries or Assets (determined in accordance with GAAP and excluding amounts referred to in the proviso to this sentence), shall not exceed the sum of (A) the greater of \$25,000,000 and 25% of Consolidated Adjusted EBITDA for the most recently ended Test Period at such time and (B) an amount equal to the amount by which any Returns in respect of Investments made in reliance on clause (A) exceeds the amount set forth in clause (A);

(e) Investments (i) existing on, or contractually committed to as of, the Closing Date; provided, that any such Investment shall be described on Schedule 6.05 and (ii) any modification, replacement, renewal or extension thereof so long as such modification, renewal or extension thereof does not increase the amount of such Investment except, in the case of any such Investment described on Schedule 6.05, by the terms thereof as in effect on the Closing Date or as otherwise permitted by this Section 6.05;

(f) Investments received in lieu of Cash in connection with any Disposition permitted by Section 6.05;

(g) loans or advances to present or former employees, directors, members of management, officers, managers or consultants, independent contractors or other service providers of any Parent Company, any subsidiaries of Holdings and/or any joint venture to the extent constituting Investments; provided that at the time of any such Investment and after giving pro forma effect thereto, the aggregate principal amount of Investments made in reliance on this clause (g) shall not exceed the greater of \$5,000,000 and 5% of Consolidated Adjusted EBITDA for the most recently ended Test Period;

(h) Investments consisting of extensions of credit in the nature of accounts receivable or notes receivable arising from the grant of trade credit in the ordinary course of business;

(i) Investments in the ordinary course of business consisting of endorsements for collection or deposit and customary trade arrangements with customers;

(j) (i) loans and advances of payroll payments or other compensation (including deferred compensation) or moving, entertainment or travel expenses to present or former employees, directors, members of management, officers, managers or consultants of Holdings, the Borrower or any Subsidiary in the ordinary course of business and (ii) loans and advances to present or former employees, directors, members of management, officers, managers or consultants of Holdings, the Borrower or any Subsidiary in connection with such Person's purchase of Capital Stock of Holdings (provided that the amount of such loans and advances shall be contributed to Holdings in cash as common equity (or any other form of equity reasonably satisfactory to the Lender) or used to satisfy tax obligations relating to proceeds received by such Person in connection with the Transactions, which proceeds are used for the purchase of such Capital Stock;

(k) (i) Investments of any Subsidiary acquired after the Closing Date, or of any Person acquired by, or merged into or consolidated or amalgamated with, Holdings or any Subsidiary after the Closing Date, in each case pursuant to an Investment otherwise permitted by this Section 6.05 to the extent that such Investments of such Person were not made in contemplation of or in connection with such acquisition, merger, amalgamation or consolidation and were in existence on the date of such acquisition, merger, amalgamation or consolidation and (ii) any modification, replacement, renewal or extension of any Investment permitted under clause (i) of this Section 6.05(k) so long as any such modification, replacement, renewal or extension thereof does not increase the amount of such Investment except as otherwise permitted by this Section 6.05;

(l) Investments made after the Closing Date by Holdings and/or any of its Subsidiaries provided that at the time of any such Investment and after giving pro forma effect thereto (i) no Specified Event of Default shall have occurred and be continuing and (ii) the aggregate principal amount of Investments made in reliance on this clause (l) shall not exceed the sum of (A) greater of \$12,500,000 and 12.5% of Consolidated Adjusted EBITDA for the most recently ended Test Period and (B) an amount equal to the amount by which any Returns in respect of Investments made in reliance on clause (A) exceeds the amount set forth in clause (A);

(m) Investments in Similar Businesses provided that at the time of any such Investment and after giving pro forma effect thereto, the aggregate principal amount of Investments made in reliance on this clause (m) shall not exceed the sum of (A) the greater of \$10,000,000 and 10% of Consolidated Adjusted EBITDA for the most recently ended Test Period and (B) an amount equal to the amount by which any Returns in respect of Investments made in reliance on clause (A) exceeds the amount set forth in clause (A);

(n) Investments in joint ventures provided that at the time of any such Investment and after giving pro forma effect thereto, the aggregate principal amount of Investments made in reliance on this clause (n) shall not exceed the sum of (A) the greater of \$10,000,000 and 10% of Consolidated Adjusted EBITDA for the most recently ended Test Period and (B) an amount equal to the amount by which any Returns in respect of Investments made in reliance on clause (A) exceeds the amount set forth in clause (A);

(i) Guarantees of leases (other than Financing Lease Obligations) or of other obligations not constituting Indebtedness and
(ii) Guarantees of the lease obligations of suppliers, customers, franchisees and licensees of Holdings and its Subsidiaries, in each case in the ordinary course of business;

(p) Investments under any Derivative Transactions permitted to be entered into under Section 6.01;

(q) so long as no Specified Event of Default shall have occurred and be continuing at the time of the making thereof, additional Investments; provided that at the time of such Investment and after giving pro forma effect thereto, the Consolidated Total Leverage Ratio is not greater than 7.00:1.00 as of the last day of the Test Period most recently ended on or prior to the making of such Investment;

(r) Investments made to acquire, purchase, repurchase or retire Qualified Capital Stock of Holdings or the Borrower owned by any employee equity ownership plan or similar plan of Holdings the Borrower, or any Subsidiary;

(s) contributions to a “rabbi” trust for the benefit of employees, directors, consultants, independent contractors or other service providers or other grantor trust subject to claims of creditors in the case of a bankruptcy of Holdings;

(t) Investments made after the Closing Date by Holdings and/or any of its Subsidiaries provided that at the time of any such Investment and after giving pro forma effect thereto, the aggregate principal amount of Investments made in reliance on this clause (u) shall not exceed the Available Equity Amount at such time; and

(u) Investments consisting of Liens, Indebtedness, fundamental changes, Dispositions, Restricted Payments and Sale and Lease-Back Transactions expressly permitted under Section 6.01, Section 6.02, Section 6.04 and Section 6.06 (other than Section 6.06(t)) and Section 6.07, respectively; provided, however, that no Investments may be made solely pursuant to this Section 6.05(u).

For purposes of determining compliance with this Section 6.05, in the event that a proposed Investment (or a portion thereof) meets the criteria of clauses (a) through (u) (other than clause (q)) above and, the Borrower will be entitled to classify or later reclassify (based on circumstances existing on the date of such reclassification) such Investment (or portion thereof) among such clauses (a) through (u) (other than clause (q)) above in a manner that otherwise complies with this covenant.

SECTION 6.06. Fundamental Changes; Disposition of Assets. Holdings shall not, nor shall it permit any of its Subsidiaries to, enter into any transaction of merger, consolidation or amalgamation, or liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution), or make any Disposition, except:

(a) Dispositions (i) between or among Loan Parties, (ii) from Subsidiaries that are not Loan Parties to Loan Parties or (iii) between or among Subsidiaries that are not Loan Parties and (iv) from Loan Parties to Subsidiaries that are not Loan Parties to the extent such Dispositions would be permitted as Investments under Section 6.05 (and for the avoidance of doubt, such Dispositions shall use basket capacity under Section 6.05);

(b) the liquidation or dissolution of any Subsidiary if Holdings determines in good faith that such liquidation or dissolution (x) is in the best interests of Holdings, (y) is not materially disadvantageous to the Lender and (z) if such liquidating or dissolving Subsidiary is a Loan Party, a Loan Party receives any assets of such dissolved or liquidated Subsidiary; provided that no dissolution or liquidation of the Borrower shall be permitted hereunder;

(c) (i) Dispositions of inventory, equipment, raw or scrap materials or other assets in the ordinary course of business and (ii) the leasing or subleasing of real property in the ordinary course of business;

(d) (i) Dispositions of surplus, obsolete, used or worn out property or other property that, as determined in good faith by Holdings, is (A) no longer useful in its business (or in the business of any of its Subsidiaries) or (B) otherwise economically impracticable to maintain and (ii) any assets acquired in connection with the acquisition of another Person or a division or line of business of such Person which Holdings reasonably determines in good faith are surplus assets;

(e) Dispositions of Cash Equivalents or other assets that were Cash Equivalents when the original Investment was made (in each case, for the Fair Market Value thereof);

(f) Sale and Lease-Back Transactions permitted by clause (A) or (B) of the proviso in Section 6.07;

(g) Dispositions for Fair Market Value; provided that with respect to all such Dispositions (in a single transaction or in a series of related transactions) with a purchase price in an aggregate amount in excess of the greater of \$10,000,000 and 10% of Consolidated Adjusted EBITDA for the most recently ended Test Period, at least 75% of the consideration for such Dispositions in the aggregate for all such Dispositions after the Closing Date shall consist of Cash or Cash Equivalents; provided, further, that, for purposes of determining what constitutes Cash and Cash Equivalents under this clause (g), (i) any securities received by Holdings or such Subsidiary from such transferee that are converted by Holdings or such Subsidiary into Cash (to the extent of the cash received) within 180 days following the closing of the applicable Disposition shall be deemed to be Cash and (ii) any Designated Non-Cash Consideration received by Holdings or such Subsidiary in respect of the applicable Disposition having an aggregate Fair Market Value, taken together with all other Designated Non-Cash Consideration received pursuant to this proviso that is outstanding at the time such Designated Non-Cash Consideration is received, not in excess of the greater of \$10,000,000 and 10% of Consolidated Adjusted EBITDA for the most recently ended Test Period at the time of the receipt of such Designated Non-Cash Consideration, with the Fair Market Value of each item of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value, shall be deemed to be Cash;

(h) to the extent that (i) the relevant property is exchanged for credit against the purchase price of similar replacement property or (ii) the proceeds of the relevant Disposition are promptly applied to the purchase price of such replacement property;

(i) Dispositions, discounting or forgiveness of accounts receivable in the ordinary course of business (including to insurers which have provided insurance as to the collection thereof) or in connection with the collection or compromise thereof (including sales to factors);

(j) Dispositions and/or terminations of leases, subleases, licenses or sublicenses (including the provision of software under an open source license), which (i) do not materially interfere with the business of Holdings and its Subsidiaries (taken as a whole) or (ii) relate to closed facilities or the discontinuation of any product or service line;

(k) (i) termination of leases in the ordinary course of business, (ii) the expiration of any option agreement in respect of real or personal property and (iii) any surrender or waiver of contractual rights or the settlement, release or surrender of contractual rights or other litigation claims (including in tort) in the ordinary course of business;

(l) Dispositions of property subject to casualty, foreclosure, eminent domain, expropriation or condemnation proceedings (including in lieu thereof or any similar proceeding);

(m) other Dispositions after the Closing Date in an aggregate amount of not more than the greater of \$7,500,000 and 7.5% of Consolidated Adjusted EBITDA for the most recently ended Test Period in any Fiscal Year, which, if not used in such Fiscal Year, shall be carried forward to the immediately succeeding Fiscal Year; provided that no Event of Default shall have occurred and be continuing on the date on which the definitive agreement governing the relevant Disposition is executed;

(n) (i) Dispositions, licensing, sublicensing and cross-licensing arrangements involving any technology, intellectual property or IP Rights of Holdings or any Subsidiary in the ordinary course of business; provided, that any such lease, license or sublease of IP Rights shall be (x) granted on a non-exclusive basis and (y) limited in time, and (ii) the Disposition, abandonment, cancellation or lapse of any technology, intellectual property or IP Rights, or any issuances or registrations, or applications for issuances or registrations, of any intellectual property or IP Rights, which, in the reasonable good faith determination of Holdings are not material to the conduct of the business of Holdings and/or its Subsidiaries, or are no longer economical to maintain in light of its use;

(o) Dispositions in connection with the termination or unwinding of Derivative Transactions entered into in the ordinary course of business and not for speculative purposes;

(p) any merger, amalgamation, consolidation, Disposition or conveyance the sole purpose and effect of which is to reincorporate or reorganize (i) any Subsidiary organized in a state within the United States in another state within the United States or (ii) any other Subsidiary in the United States or any other jurisdiction;

(q) Dispositions of assets that do not constitute Collateral having an aggregate Fair Market Value of up to the greater of \$5,000,000 and 5% of Consolidated Adjusted EBITDA as of the last day of the most recently ended Test Period; provided that no Event of Default shall have occurred and be continuing on the date on which the definitive agreement governing the relevant Disposition is executed;

(r) (x) any Subsidiary may merge, amalgamate or consolidate with (i) the Borrower or Holdings (including a merger the purpose of which is to reorganize the Borrower or Holdings into a new jurisdiction) and the Borrower or Holdings may merge amalgamate or consolidate with any such Subsidiary; provided that the Borrower or Holdings, as applicable, shall be the continuing or surviving Person and such merger does not result in the Borrower or Holdings, as applicable, ceasing to be a corporation, partnership or limited liability company organized under the laws of the United States, any state thereof or the District of Columbia, (ii) one or more other Subsidiaries other than the Borrower; provided that when any Person that is a Loan Party is merging with such Subsidiary, a Loan Party shall be the continuing or surviving Person or (iii) any other Person; provided that the continuing or surviving Person shall be a Subsidiary and if any Person that is a Loan Party is merging with such Person, a Loan Party shall be the continuing or surviving Person and (y) the Borrower or Holdings may merge amalgamate or consolidate with any other Person; provided that the Borrower or Holdings, as applicable, shall be the continuing or surviving Person and such merger does not result in the Borrower or Holdings, as applicable, ceasing to be a corporation, partnership or limited liability company organized under the laws of the United States, any state thereof or the District of Columbia;

(s) any Subsidiary that is not a Loan Party may merge, amalgamate or consolidate with or into any other Subsidiary that is not a Loan Party;

(t) Dispositions permitted by Section 6.04 and Section 6.05 (other than Section 6.05(r)), and Liens permitted by Section 6.02; and

(u) Dispositions of Investments in joint ventures to the extent required by, or made pursuant to customary buy/sell arrangements between, the joint venture parties set forth in joint venture arrangements and similar binding arrangements.

Notwithstanding anything to the contrary contained in this Agreement, Holdings and the Borrower shall not, nor shall they permit any of their respective Subsidiaries to, make any Disposition of, or any Investment in the form of, intellectual property or IP Rights which, in the reasonable good faith determination of the Borrower are material to the conduct of the business of Holdings, the Borrower and its Subsidiaries (taken as a whole) to any Subsidiary that is not a Loan Party, nor shall the Borrower designate any Subsidiary as an Excluded Subsidiary at any time when such Subsidiary owns intellectual property or IP Rights which, in the reasonable good faith determination of the Borrower are material to the conduct of the business of Holdings, the Borrower and its Subsidiaries (taken as a whole).

SECTION 6.07. Sales and Lease-Backs. Holdings shall not, nor shall it permit any of its Subsidiaries to, directly or indirectly, become or remain liable as lessee or as a guarantor or other surety with respect to any lease of any property (whether real, personal or mixed), whether now owned or hereafter acquired, which Holdings or such Subsidiary (a) has sold or transferred or is to sell or to transfer to any other Person (other than Holdings or any of its Subsidiaries) and (b) intends to use for substantially the same purpose as the property which has been or is to be sold or transferred by Holdings or Subsidiary to any Person (other than Holdings or any of its Subsidiaries) in connection with such lease (such a transaction described herein, a “**Sale and Lease-Back Transaction**”); provided that any Sale and Lease-Back Transaction shall be permitted so long as such Sale and Lease-Back Transaction is either (A) permitted by Section 6.01(i) (or which otherwise constitutes a Financing Lease Obligation or purchase money Indebtedness permitted by Section 6.01), (B) described on Schedule 6.07 hereto or (C) permitted by Section 6.06(f).

SECTION 6.08. Transactions with Affiliates. Holdings shall not, nor shall it permit any of its Subsidiaries to, enter into any transaction (including the purchase, sale, lease or exchange of any property or the rendering of any service) involving, pursuant to any such transaction, payments in excess of the greater of \$5,000,000 and 5% of Consolidated Adjusted EBITDA for the most recently

ended Test Period in any Fiscal Year with any of their Affiliates on terms (taken as a whole) that are less favorable to Holdings or such Subsidiary in any material respect, as the case may be (as determined in good faith by the Borrower), than those that might be obtained at the time in a comparable arm's-length transaction from a Person who is not an Affiliate; provided that the foregoing restriction shall not apply to:

(a) transactions in existence on the Closing Date and described on Schedule 6.08 and any amendment, modification or extension thereto to the extent such amendment, modification or extension, taken as a whole, is not (i) adverse to the Lender in any material respect or (ii) more disadvantageous to the Lender in any material respect than the relevant transaction in existence on the Closing Date in any material respect;

(b) the Transactions, including the payment of Transaction Costs;

(c) Guarantees permitted by Section 6.01;

(d) (i) any purchase by Holdings of the Capital Stock of (or contribution to the equity capital of) the Borrower and (ii) the making of any intercompany loan by Holdings to the Borrower or any Subsidiary, in each case of clause (i) or (ii) above, to the extent expressly permitted under this Agreement;

(e) any issuance, sale or grant of securities or other payments, awards or grants in Cash, securities or otherwise pursuant to compensation arrangements for employees and officers in the ordinary course of business, or the funding of employment arrangements, stock options and stock ownership or other incentive plans for employees and officers in the ordinary course of business and, in each case, approved by a majority of the members of the board of directors (or similar governing body) or a majority of the disinterested members of the board of directors (or similar governing body) of Holdings in good faith;

(f) (i) transactions between or among Holdings, the Borrower or any Loan Party and (ii) transactions between or among Subsidiaries of the Borrower that are not Loan Parties;

(g) transactions between or among Holdings, the Borrower or any Subsidiary or any entity that becomes a Subsidiary as a result of such transaction consisting of (i) the non-exclusive licensing of intellectual property to any Subsidiary that is not a Loan Party; provided that any such license is either on terms and conditions substantially as favorable to the licensor as those that would prevail at such time in comparable arm's length transactions with unrelated third parties or such licensee compensates the licensor on a reasonable basis in consideration for such license, (ii) intercompany transactions, including the (A) provision of management services and other corporate overhead services, (B) provision of personnel to other locations within Holdings' consolidated group on a temporary basis and (C) provision, purchase or lease of services, operational support, assets, equipment, data, information and technology, that, in the case of any such intercompany transaction referred to in this clause (ii), are subject to reasonable reimbursement or cost-sharing arrangements (as determined in good faith by the Borrower), which reimbursement or cost-sharing arrangements may be effected through transfers of cash or other assets or through book-entry credits or debits made on the ledgers of each involved Subsidiary; provided that any such intercompany transaction is either (1) entered into in the ordinary course of business or (2) otherwise entered into pursuant to the reasonable requirements of the business of the Borrower and the Subsidiaries and (iii) ordinary course business transactions (other than transactions of the type described in clause (ii) above) that (A) do not involve the sale, transfer or other Disposition of operations or assets and (B) do not materially and adversely affect the Lender, and

SECTION 6.09. Amendments or Waivers of Organizational Documents. Holdings shall not, nor shall it permit any of its Subsidiaries to, amend or modify, in each case in a manner that is adverse to the Lender (in its capacity as such) such Person's Organizational Documents without obtaining the prior written consent of the Lender.

SECTION 6.10. Amendments of or Waivers with Respect to Junior Debt. Holdings shall not, nor shall it permit any of its Subsidiaries to, amend or otherwise modify (a) the terms of any Junior Debt (or the documentation governing the foregoing) if the effect of such amendment or modification, together with all other amendments or modifications made, is adverse to the interests of the Lender (in its capacity as such) or (b) the terms of any Junior Debt (or the documentation governing the foregoing) in violation of any Acceptable Intercreditor Agreement governing such Junior Debt.

SECTION 6.11. Permitted Activities of Holdings. Holdings shall not:

(a) directly or indirectly, create, incur, assume or otherwise become or remain liable with respect to any Indebtedness, except (i) the Indebtedness under the Loan Documents, (ii) Guarantees of Indebtedness of the Borrower and its Subsidiaries permitted hereunder, (iii) any Indebtedness (other than Indebtedness for borrowed money (including notes, bonds, debentures and similar instruments)) arising in connection with any Permitted Acquisition or other Investment permitted under this Agreement or any Disposition permitted by this Agreement, (iv) any Indebtedness owing to the Borrower or any Subsidiary to the extent resulting from an Investment permitted by Section 6.05 and (v) any Indebtedness (other than Indebtedness for borrowed money (including notes, bonds, debentures and similar instruments)) of the type permitted by Section 6.01(b), (c), (d), (e) or (f);

(b) create or suffer to exist any Lien upon any property or assets now owned or hereafter acquired by it other than (i) the Liens created under the Collateral Documents to which it is a party, (ii) Permitted Liens on the Collateral that are secured on a *pari passu* or junior basis with the Obligations, so long as such Permitted Liens secure Guarantees permitted under clause (a)(ii) above and the underlying Indebtedness subject to such Guarantee is permitted to be secured on the same basis pursuant to Section 6.02, provided that any such Liens shall be subject to an Acceptable Intercreditor Agreement, and (iii) Liens of the type permitted under Section 6.02 (other than in respect of Indebtedness for borrowed money); or

(c) consolidate or amalgamate with, or merge with or into, any Person or convey, sell, transfer or otherwise dispose of all or substantially all of its assets to another Person.

ARTICLE 7 EVENTS OF DEFAULT

SECTION 7.01. Events of Default. If any of the following events (each, an "**Event of Default**") shall occur:

(a) Failure To Make Payments When Due. Failure by the Borrower to pay (i) when due any installment of principal of the Loan, whether at stated maturity, by acceleration, by mandatory prepayment, pursuant to Section 2.02, Section 2.03 or Section 2.04 or otherwise or (ii) any interest on the Loan or any fee or any other amount due hereunder within three Business Days after the date due; or

(b) Default in Other Agreements. (i) Failure of any Loan Party or any of its Subsidiaries to pay when due any Principal of or interest on or any other amount payable in respect of any Revolving Facility Indebtedness or one or more items of Indebtedness (other than Indebtedness referred to in clause (a) above) with an aggregate outstanding principal amount exceeding the Threshold Amount, in each case beyond the grace period, if any, provided therefor; or (ii) breach or default by any Loan Party or any of its Subsidiaries with respect to any other term of (A) one or more items of Indebtedness with an aggregate outstanding principal amount exceeding the Threshold Amount, (B) any Revolving Facility Indebtedness or (C) any loan agreement, mortgage, indenture or other agreement relating to such item(s) of Indebtedness exceeding the Threshold Amount, in each case beyond the grace period, if any, provided therefor, if the effect of such breach or default is to cause, or to permit the holder or holders of such Indebtedness (or a trustee or agent on behalf of such holder or holders) to cause, such Indebtedness to become or be declared due and payable (or redeemable) prior to its stated maturity or the stated maturity of any underlying obligation, as the case may be; provided that clause (ii) of this clause (b) shall not apply to secured Indebtedness that becomes due as a result of the voluntary sale or transfer of the property securing such Indebtedness if such sale or transfer is permitted hereunder; provided further that a breach of any financial maintenance covenant under the documentation governing any such Indebtedness will not constitute a Default or Event of Default until the date on which the holders of such Indebtedness have accelerated the loans, elected to otherwise exercise remedies or terminated commitments in respect thereof; or

(c) Breach of Certain Covenants. Failure of the Borrower or any other Loan Party, as required by the relevant provision, to perform or comply with any term or condition contained in Section 2.03, Section 2.04, Section 5.02, Section 5.14 (except as provided below) or Article 6; or

(d) Breach of Representations, Etc. Any representation, warranty or certification made or deemed made by any Loan Party in any Loan Document or in any certificate or document required to be delivered in connection herewith or therewith shall be untrue in any material respect as of the date made or deemed made, and such incorrect representation or warranty (if curable, including by a restatement of any relevant financial statements) shall remain incorrect for a period of 30 days of the occurrence thereof; or

(e) Other Defaults under Loan Documents. Any Loan Party shall default in the performance of or compliance with any term contained herein or any of the other Loan Documents, other than any such term referred to in any other Section of this Article 7, and such default shall not have been remedied or waived within 30 days of the occurrence thereof (except that, with respect to any default as a result of the failure to deliver any document required to be delivered to the Lender pursuant to Section 5.14(c) (other than with respect to the deliverables to be provided under such Section 5.14(c) by Holdings and the Borrower) or Section 5.14(g) (other than with respect to the deliverables to be provided under such Section 5.14(g) with respect to the Borrower), such default shall not have been remedied or waived within three Business Days of the Closing Date); or

(f) Involuntary Bankruptcy; Appointment of Receiver, Etc. (i) A court of competent jurisdiction shall enter a decree or order for relief in respect of Holdings, the Borrower or any of its Subsidiaries (other than any Immaterial Subsidiary or any Subsidiary that could at such time, upon designation by Holdings, become an Immaterial Subsidiary) in an involuntary case under the Bankruptcy Code or under any other applicable bankruptcy, insolvency, corporate or similar law now or hereafter in effect, which decree or order is not stayed; or any other similar relief shall be granted under any applicable federal, provincial, territorial or state law; or (ii) an involuntary case shall be commenced against Holdings, the Borrower or any of its Subsidiaries (other than any Immaterial Subsidiary or any Subsidiary that could at such time, upon designation by Holdings, become an

Immaterial Subsidiary) under the Bankruptcy Code or under any other applicable bankruptcy, insolvency, corporate or similar law now or hereafter in effect; or a decree or order of a court having jurisdiction in the premises for the appointment of a receiver, receiver and manager, liquidator, sequestrator, monitor, trustee, custodian or other officer having similar powers over Holdings, the Borrower or any of its Subsidiaries (other than any Immaterial Subsidiary or any Subsidiary that could at such time, upon designation by Holdings, become an Immaterial Subsidiary), or over all or a substantial part of its property, shall have been entered; or there shall have occurred the involuntary appointment of an interim receiver, receiver and manager, trustee or other custodian of Holdings, the Borrower or any of its Subsidiaries (other than any Immaterial Subsidiary or any Subsidiary that could at such time, upon designation by Holdings, become an Immaterial Subsidiary) for all or a substantial part of its property; and any such event described in this clause (ii) shall continue for 60 consecutive days without having been dismissed, vacated, bonded or discharged; or

(g) Voluntary Bankruptcy: Appointment of Receiver, Etc. (i) Holdings, the Borrower or any of their Subsidiaries (other than any Immaterial Subsidiary or any Subsidiary that could at such time, upon designation by Holdings, become an Immaterial Subsidiary) shall have an order for relief entered with respect to it or shall commence a voluntary case under the Bankruptcy Code or under any other applicable bankruptcy, insolvency, corporate or similar law now or hereafter in effect, or shall consent to the entry of an order for relief in an involuntary case, or to the conversion of an involuntary case to a voluntary case, under any such law, or shall consent to the appointment of or taking possession by a receiver, receiver and manager, monitor, trustee, liquidator, custodian or other similar official in respect of it or for all or a substantial part of its property; or (ii) Holdings, the Borrower or any of their Subsidiaries (other than any Immaterial Subsidiary or any Subsidiary that could at such time, upon designation by Holdings, become an Immaterial Subsidiary) shall make a general assignment for the benefit of creditors; or (iii) Holdings, the Borrower or any of their Subsidiaries (other than any Immaterial Subsidiary or any Subsidiary that could at such time, upon designation by Holdings, become an Immaterial Subsidiary) shall admit in writing its inability to pay its debts as such debts become due; or

(h) Judgments and Attachments. Any one or more final money judgments, writs or warrants of attachment or similar process involving in the aggregate at any time an amount in excess of the Threshold Amount (in either case to the extent not adequately covered by insurance or indemnitees (including, if applicable, self-insurance) as to which a third party insurance company or indemnitor has been notified and not denied coverage) shall be entered or filed against Holdings, the Borrower or any of their Subsidiaries or any of their respective assets and shall remain unpaid, undischarged, unvacated, unbonded or unstayed pending appeal for a period of 60 days or more; or

(i) Employee Benefit Plans. There shall occur one or more ERISA Events, which individually or in the aggregate results in liability of Holdings or any of its Subsidiaries in an aggregate amount which would reasonably be expected to result in a Material Adverse Effect; or

(j) Change of Control. Unless waived in writing by the Lender in its sole discretion, a Change of Control shall occur; or

(k) Guaranties, Collateral Documents and Other Loan Documents. At any time after the execution and delivery thereof, (i) any material Loan Guaranty for any reason, other than the occurrence of the Termination Date, shall cease to be in full force and effect (other than in accordance with its terms) or shall be declared to be null and void or any Loan Guarantor shall repudiate in writing its obligations thereunder (other than as a result of the discharge of such Loan Guarantor in accordance with the terms thereof), (ii) this Agreement or any Collateral Document ceases to be in full force and effect or shall be declared null and void or any significant part of the Liens purported

to be created under any Collateral Document ceases to be perfected security interests (other than by reason of (A) a release of Collateral in accordance with the terms hereof or thereof, (B) the occurrence of the Termination Date or any other termination of such Collateral Document in accordance with the terms thereof, (C) as a result of the sale or other disposition of the applicable Collateral to a Person that is not a Loan Party in a transaction permitted under the Loan Documents, (D) to the extent that such losses are covered by a lender's title insurance policy and such insurer has not denied coverage) or (E) solely as a result of acts or omissions by the Lender, (iii) any Loan Party shall contest in writing, the validity or enforceability of any provision of any Loan Document (or any Lien purported to be created by the Collateral Documents or any Loan Guaranty) or deny in writing that it has any further liability (other than by reason of the occurrence of the Termination Date) or (iv) the Obligations shall cease to constitute senior indebtedness under the subordination provisions of any documents or instruments evidencing any permitted Junior Debt or such subordination provision shall be invalidated or otherwise cease, for any reason, to be valid, binding and enforceable obligations of the parties thereto;

then, and in every such event (other than an event with respect to the Borrower described in clause (f) or (g) of this Article), and at any time thereafter during the continuance of such event, the Lender may, by notice to the Borrower, take any of the following actions, at the same or different times: declare the portion of the Loan then outstanding to be due and payable in whole (or in part, in which case any principal not so declared to be due and payable may thereafter be declared to be due and payable), and thereupon the principal of the Loan so declared to be due and payable, together with accrued interest thereon and all fees and other Obligations of the Borrower accrued hereunder, shall become due and payable immediately, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower; provided that upon the occurrence of an event with respect to the Borrower described in clause (f) or (g) of this Article, the principal of the portion of the Loan then outstanding, together with accrued interest thereon and all fees and other Obligations of the Borrower accrued hereunder, shall automatically become due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower, in each case without further action of the Lender. Upon the occurrence and during the continuance of an Event of Default, the Lender may exercise any rights and remedies provided to the Lender under the Loan Documents or at law or equity, including all remedies provided under the UCC.

If the Obligations are accelerated for any reason prior to the Call Protection Termination Date, including, without limitation, because of default, sale, transfer or encumbrance (including that by operation of law or otherwise), the Applicable Premium on the Loan will also be due and payable and shall constitute part of the Obligations, in view of the impracticability and extreme difficulty of ascertaining actual damages and by mutual agreement of the parties as to a reasonable calculation of the Lender's lost profits as a result thereof. Any Applicable Premium on the Loan payable above shall be presumed to be the liquidated damages sustained by the Lender as the result of the early termination and the Borrower agrees that it is reasonable under the circumstances currently existing. The Applicable Premium on the Loan shall also be payable in the event the Obligations (and/or this Agreement or any Notes evidencing the Obligations) are satisfied or released by foreclosure (whether by power of judicial proceeding), deed in lieu of foreclosure or by any other means. **THE BORROWER EXPRESSLY WAIVES THE PROVISIONS OF ANY PRESENT OR FUTURE STATUTE OR LAW WHICH PROHIBITS OR MAY PROHIBIT THE COLLECTION OF THE FOREGOING APPLICABLE PREMIUM ON THE LOAN IN CONNECTION WITH ANY SUCH ACCELERATION.** The Borrower expressly agrees that: (A) the Applicable Premium on the Loan provided for herein is reasonable and is the product of an arm's length transaction between sophisticated business people, ably represented by counsel; (B) the Applicable Premium on the Loan shall be payable notwithstanding the then prevailing market rates at the time payment is made; (C) there has been a course of conduct between the Lender and Borrower giving specific consideration in this transaction for such agreement to pay the Applicable Premium on the Loan; and (D) the Borrower shall be estopped hereafter from claiming differently than as agreed to in this paragraph. The Borrower expressly acknowledges that its agreement to pay the Applicable Premium on the Loan to the Lender as herein described is a material inducement to Lender to extend the Loan and to enter into the Transactions.

SECTION 8.01. Notices.

(a) Except in the case of notices and other communications expressly permitted to be given by telephone (and subject to clause (b) below), all notices and other communications provided for herein shall be in writing. Any notice or other communication required to be delivered in writing may be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by facsimile or email (including as a “.pdf” or “.tif” attachment), as follows:

(i) if to any Loan Party, to Holdings and the Borrower at:

Lakehouse Buyer Inc.
c/o Apax Partners US, LLC
601 Lexington Avenue
53rd Floor
New York, NY 10022
Attention: Ashish Karandikar; Nedu Ottih
Telephone: (212) 419-2495
Email: Ashish.Karandikar@apax.com; Nedu.Ottih@apax.com

with copies to (which shall not constitute notice):

Simpson Thacher & Bartlett LLP
425 Lexington Ave.
New York, NY 10017
Attention: Brian Steinhardt
Email: bsteinhardt@stblaw.com

(ii) if to the Lender, at:

American Water Enterprises, LLC
1 Water Street
Camden, NJ 08102
Attention: Jordan Mersky
Telephone: (856) 955-4535
Email: jordan.mersky@amwater.com

With a copy to (in each case, which shall not constitute notice for any purpose hereunder or under any other Loan Document):

Shearman & Sterling LLP
599 Lexington Avenue
New York, New York 10022
Attn: Scott Petepiece

Fax: (646) 848-8576
Email: spetepiece@shearman.com

and to

Shearman & Sterling LLP
599 Lexington Avenue
New York, New York 10022
Attn: Gus Atiyah
Fax: (646) 848-5227
Email: gus.atiyah@shearman.com

and to

Schulte, Roth & Zabel LLP
919 Third Avenue
New York, NY 10022
Attn: Brian C. Miner
Telephone: (212) 756-2010
Email: brian.miner@srz.com

All such notices and other communications (A) sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when delivered in person or by courier service and signed for against receipt thereof or three Business Days after dispatch if sent by certified or registered mail, in each case, delivered, sent or mailed (properly addressed) to such party as provided in this Section 8.01 or in accordance with the latest unrevoked direction from such party given in accordance with this Section 8.01, (B) sent by facsimile shall be deemed to have been given when sent and when receipt has been confirmed by telephone; provided that received notices and other communications sent by facsimile shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, such notices or other communications shall be deemed to have been given at the opening of business on the next Business Day for the recipient) or (C) sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement); provided that if not given during the normal business hours of the recipient, such notice or communication shall be deemed to have been given at the opening of business on the next Business Day for the recipient.

(b) Notices and other communications to the Lender hereunder may be delivered or furnished by electronic communications (including e-mail) pursuant to procedures set forth herein or otherwise approved by the Lender.

(c) Any party hereto may change its address or facsimile number for notices and other communications hereunder by notice to the other parties hereto.

(d) The Lender, its Affiliates and Related Parties shall not be liable to any Person for any damages arising from the use by any Person (other than the Lender or its Affiliates or Related Parties) of information or other materials obtained through electronic, telecommunications or other information transmission systems, in each case, except to the extent any such damages arise from the gross negligence, bad faith or willful misconduct of, or material breach of the Loan Documents by, the Lender or any of its Affiliates or Related Parties, in each case as determined by a final non-appealable judgment of a court of competent jurisdiction.

SECTION 8.02. Waivers; Amendments.

(a) No failure or delay by the Lender in exercising any right or power hereunder or under any other Loan Document shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Lender hereunder and under any other Loan Document are cumulative and are not exclusive of any rights or remedies that it would otherwise have. No waiver of any provision of any Loan Document or consent to any departure by any Loan Party therefrom shall in any event be effective unless the same shall be permitted by clause (b) of this Section, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given.

(b) Except as expressly provided herein or in any Loan Document, neither this Agreement nor any other Loan Document nor any provision hereof or thereof may be waived, amended or modified, except (i) in the case of this Agreement, pursuant to an agreement or agreements in writing entered into by Holdings, the Borrower and the Lender or (ii) in the case of any other Loan Document (other than any waiver, amendment or modification to effectuate any modification thereto expressly contemplated by the terms of such other Loan Documents), pursuant to an agreement or agreements in writing entered into by the Lender and the Loan Party or Loan Parties that are parties thereto.

SECTION 8.03. Expenses; Indemnity; Damage Waiver.

(a) The Borrower shall pay (i) all reasonable and documented out-of-pocket expenses incurred by the Lender and its Affiliates (but limited, in the case of legal fees and expenses, to the actual reasonable and documented out-of-pocket fees, disbursements and other charges of one firm of outside counsel to all such Persons taken as a whole and, if reasonably necessary, of one local counsel in any relevant jurisdiction to such Persons, taken as a whole) in connection with the preparation, execution, delivery and administration of any Loan Documents and related documentation (but for the avoidance of doubt, only such expenses that are incurred after the Closing Date), including in connection with any amendments, modifications or waivers of the provisions of any Loan Documents (whether or not the transactions contemplated thereby shall be consummated) and (ii) all reasonable and documented out-of-pocket expenses incurred by the Lender and each of its Affiliates (but limited, in the case of legal fees and expenses, to the actual reasonable and documented out-of-pocket fees, disbursements and other charges of one firm of outside counsel to all such Persons taken as a whole and, if reasonably necessary, of one local counsel in any relevant jurisdiction to such Persons, taken as a whole and, solely in the case of an actual or reasonably perceived conflict of interest and to the extent notice thereof is provided to the Borrower, one additional counsel to all affected Persons taken as a whole and one additional local counsel in each relevant jurisdiction to all affected Persons taken as a whole) in connection with the enforcement, collection or protection of its rights in connection with the Loan Documents, including its rights under this Section, or in connection with the Loan made hereunder. Other than to the extent required to be paid on the Closing Date, all amounts due under this clause (a) shall be payable by the Borrower within 30 days of receipt of an invoice relating thereto, setting forth such expenses in reasonable detail and together with reasonable backup documentation supporting such reimbursement requests.

(b) The Borrower shall indemnify the Lender and each of its Related Parties, and their respective successors and assigns, each such Person being called an “**Indemnitee**”) against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses (but limited, in the case of legal fees and expenses, to the actual reasonable and documented out-of-pocket fees, disbursements and other charges of one counsel to all Indemnitees taken as a whole and, solely in the case of an actual or reasonably perceived conflict of interest, one additional counsel to all affected Indemnitees, taken as a whole, and, if reasonably necessary, one local counsel in any relevant jurisdiction to all Indemnitees, taken as a whole and, solely in the case of an actual or reasonably perceived conflict of interest, one additional local counsel to all affected Indemnitees, taken as a whole), incurred by or asserted against any Indemnitee arising out of, in connection with, or as a result of any action, claim, litigation, investigation or proceeding (including any inquiry or investigation of the foregoing) (any of the foregoing, a “**Proceeding**”) relating to (i) the execution or delivery of the Loan Documents or any agreement or instrument contemplated thereby, the performance by the parties hereto of their respective obligations thereunder or the consummation of any transactions contemplated hereby or thereby (except for any Taxes (which shall be governed by Section 2.06), other than any Taxes that represent losses, claims or damages arising from any non-Tax claim) or (ii) any actual or alleged presence or Release or threat of Release of Hazardous Materials on, at, to or from any Mortgaged Property or other property currently or formerly owned or operated by any Loan Party or any Subsidiary, or any Environmental Liability; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and non-appealable judgment to have resulted from (x) the gross negligence, bad faith or willful misconduct of such Indemnitee or any Affiliate or Related Party of such Indemnitee or (y) a material breach of the obligations of such Indemnitee any Affiliate or Related Party under the terms of this Agreement or any other Loan Document by such Indemnitee or any of its Affiliates or Related Parties as determined in a final and non-appealable decision of a court of competent jurisdiction. Each Indemnitee shall be obligated to refund or return any and all amounts paid by the Borrower pursuant to this Section 8.03(b) to such Indemnitee for any fees, expenses, or damages to the extent such Indemnitee is not entitled to payment of such amounts in accordance with the terms hereof. All amounts due under this clause (b) shall be payable by the Borrower within 30 days (x) after written demand thereof, in the case of any indemnification obligations and (y) in the case of reimbursement of costs and expenses, after receipt of an invoice relating thereto, setting forth such expenses in reasonable detail and together with reasonable backup documentation supporting such reimbursement requests.

SECTION 8.04. Waiver of Claim. Notwithstanding anything to the contrary set forth herein, to the extent permitted by applicable law, no party to this Agreement shall assert, and each hereby waives, any claim against any other party hereto or any Related Party thereof, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement or any agreement or instrument contemplated hereby, the Loan or the use of the proceeds thereof, except, in the case of a claim by any Indemnitee against the Borrower or any other Loan Party, to the extent such damages would otherwise be subject to indemnification pursuant to the terms of Section 8.03.

SECTION 8.05. Successors and Assigns. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that (a) none of the Borrower, Holdings or any other Loan Party may assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Lender, which consent may be given or withheld in the Lender’s sole discretion (and any attempted assignment or transfer by the Borrower or Holdings without such consent shall be null and void) and (b) the Lender may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Borrower, which consent may be given or withheld in the Borrower’s sole discretion (and any attempted assignment or transfer by the Lender without such consent shall be null and void); provided that, notwithstanding the foregoing, upon the occurrence and during the continuance of a Specified Event of Default, the Lender may assign or transfer its rights or obligations

hereunder without the consent of the Borrower to any Person other than any Person that is a Disqualified Lender (for the avoidance of doubt, any assignee or transferee shall be subject to the restrictions on assignment and transfer set forth in this Section 8.05 that are applicable to the Lender in all respects). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors, assigns and participants permitted hereby), any legal or equitable right, remedy or claim under or by reason of this Agreement.

SECTION 8.06. Survival. All covenants, agreements, representations and warranties made by the Loan Parties in the Loan Documents and in the certificates or other instruments delivered in connection with or pursuant to this Agreement or any other Loan Document shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of the Loan Documents and the making of the Loan, regardless of any investigation made by any such other party or on its behalf and notwithstanding that the Lender may have had notice or knowledge of any Default or Event of Default or incorrect representation or warranty at the time any credit is extended hereunder, and shall continue in full force and effect until the Termination Date. The provisions of Sections 2.06, 8.03 and 8.13 shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Loan, the occurrence of the Termination Date or the termination of this Agreement or any provision hereof but in each case, subject to the limitations set forth in this Agreement.

SECTION 8.07. Counterparts; Integration; Effectiveness. This Agreement may be manually or electronically executed in counterparts (and by different parties hereto on different counterparts (including by facsimile or electronic transmission (including .pdf file, .jpeg file, Adobe Sign, or DocuSign))), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement, the other Loan Documents and any separate letter agreements with respect to fees payable to the Lender constitute the entire agreement among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. This Agreement shall become effective when it shall have been executed by Holdings, the Borrower, the other Subsidiaries of Holdings party hereto and the Lender and when the Lender shall have received counterparts hereof which, when taken together, bear the signatures of each of the other parties hereto, and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. Delivery of an executed counterpart of a signature page of this Agreement by facsimile or by email as a “.pdf” or “.tif” attachment shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 8.08. Severability. To the extent permitted by law, any provision of any Loan Document held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions thereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

SECTION 8.09. Right of Setoff; Obligations Absolute.

(a) If an Event of Default shall have occurred and be continuing, each of the Lender and its Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other obligations at any time owing by the Lender or any Affiliate thereof to or for the credit or the account of the Borrower or any Loan Guarantor against any of and all the Obligations then due and owing held by the Lender or such Affiliate, irrespective of whether or not

the Lender or such Affiliate shall have made any demand under the Loan Documents. The Lender or any applicable Affiliate shall promptly notify the Borrower of such set-off or application; provided that any failure to give or any delay in giving such notice shall not affect the validity of any such set-off or application under this Section. The rights of the Lender and each Affiliate under this Section are in addition to other rights and remedies (including other rights of setoff) which the Lender or such Affiliate may have.

(b) Each Loan Party acknowledges and agrees that its obligations under this Agreement and the other Loan Documents are irrevocable and absolute and will not be subject to netting, set-off or reduction against, or be otherwise affected by, any action or alleged claim by any Loan Party or any of its Affiliates pursuant to, or any actual or alleged breach by the Lender or any of its Affiliates of, or any actual or alleged invalidity or other defect of, any of (i) the Purchase Agreement, (ii) any other Purchase Document or (iii) any other agreement or arrangement.

SECTION 8.10. Governing Law; Jurisdiction; Consent to Service of Process.

(a) THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS (OTHER THAN AS EXPRESSLY SET FORTH IN OTHER LOAN DOCUMENTS) AND ANY CLAIM, CONTROVERSY OR DISPUTE ARISING UNDER OR RELATED TO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS (OTHER THAN AS EXPRESSLY SET FORTH IN THE OTHER LOAN DOCUMENTS), WHETHER IN TORT, CONTRACT (AT LAW OR IN EQUITY) OR OTHERWISE, SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

(b) EACH PARTY HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY SUBMITS, FOR ITSELF AND ITS PROPERTY, TO THE EXCLUSIVE JURISDICTION OF ANY U.S. FEDERAL OR NEW YORK STATE COURT SITTING IN THE BOROUGH OF MANHATTAN, IN THE CITY OF NEW YORK (OR ANY APPELLATE COURT THEREFROM) OVER ANY SUIT, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO ANY LOAN DOCUMENTS AND AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING SHALL (EXCEPT AS PERMITTED BELOW) BE HEARD AND DETERMINED IN SUCH NEW YORK STATE OR, TO THE EXTENT PERMITTED BY LAW, FEDERAL COURT. THE PARTIES HERETO AGREE THAT SERVICE OF ANY PROCESS, SUMMONS, NOTICE OR DOCUMENT BY REGISTERED MAIL ADDRESSED TO SUCH PERSON SHALL BE EFFECTIVE SERVICE OF PROCESS AGAINST SUCH PERSON FOR ANY SUIT, ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT. EACH OF THE PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. EACH PARTY HERETO AGREES THAT THE LENDER RETAINS THE RIGHT TO BRING PROCEEDINGS AGAINST ANY LOAN PARTY IN THE COURTS OF ANY OTHER JURISDICTION SOLELY IN CONNECTION WITH THE EXERCISE OF ANY RIGHTS UNDER ANY COLLATERAL DOCUMENT.

(c) EACH PARTY HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT IT MAY LEGALLY AND EFFECTIVELY DO SO, ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT IN ANY COURT REFERRED TO IN CLAUSE (b) OF THIS SECTION. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY CLAIM OR DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION, SUIT OR PROCEEDING IN ANY SUCH COURT.

(d) TO THE EXTENT PERMITTED BY LAW, EACH PARTY TO THIS AGREEMENT HEREBY IRREVOCABLY WAIVES PERSONAL SERVICE OF ANY AND ALL PROCESS UPON IT AND AGREES THAT ALL SUCH SERVICE OF PROCESS MAY BE MADE BY REGISTERED MAIL (OR ANY SUBSTANTIALLY SIMILAR FORM OF MAIL) DIRECTED TO IT AT ITS ADDRESS FOR NOTICES AS PROVIDED FOR IN SECTION 8.01. EACH PARTY TO THIS AGREEMENT HEREBY WAIVES ANY OBJECTION TO SUCH SERVICE OF PROCESS AND FURTHER IRREVOCABLY WAIVES AND AGREES NOT TO PLEAD OR CLAIM IN ANY ACTION OR PROCEEDING COMMENCED HEREUNDER OR UNDER ANY LOAN DOCUMENT THAT SERVICE OF PROCESS WAS INVALID AND INEFFECTIVE. NOTHING IN THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT WILL AFFECT THE RIGHT OF ANY PARTY TO THIS AGREEMENT TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW.

SECTION 8.11. Waiver of Jury Trial. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY SUIT, ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY) DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY. EACH PARTY HERETO (a) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (b) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

SECTION 8.12. Headings. Article and Section headings and the table of contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

SECTION 8.13. Confidentiality.

(a) The Lender agrees to maintain the confidentiality of the Confidential Information (as defined below), except that Confidential Information may be disclosed (i) to its and its Affiliates' directors (or equivalent managers), officers, employees, independent auditors, or other agents, experts and advisors, including accountants, legal counsel, ratings agencies and other advisors (collectively, the "**Representatives**") on a "need to know" basis solely in connection with the transactions completed hereby and who are informed of the confidential nature of such Confidential Information and are or have been advised of their obligation to keep such Confidential Information of this type confidential; provided that the Lender shall be responsible for its Affiliates' and their Representatives' compliance with this paragraph, (ii) upon the demand or request of any regulatory (including any self-regulatory body) or governmental authority purporting to have jurisdiction over such Person or its Affiliates (in which case such Person shall, except with respect to any audit or examination conducted by bank accountants or any regulatory (including any self-regulatory body) or governmental authority exercising examination or regulatory authority, to the extent practicable and permitted by law, inform the Borrower promptly in advance thereof, (iii) to the extent compelled by legal process in, or reasonably necessary to, the defense of such legal, judicial or administrative

proceeding, in any legal, judicial or administrative proceeding or otherwise as required by applicable Requirements of Law, up to regulation 107 which case such Person shall (A) except with respect to any audit or examination conducted by bank accountants or any regulatory (including any self-regulatory body) or governmental authority exercising examination or regulatory authority, to the extent practicable and permitted by law, inform the Borrower promptly in advance thereof and (B) use commercially reasonable efforts to ensure that any such information so disclosed is accorded confidential treatment), (iv) in connection with (x) the exercise of any remedy or the enforcement of any right under this Agreement or any other Loan Document in any litigation or arbitration action or proceeding relating thereto, to the extent such disclosure is reasonably necessary in connection with such litigation or arbitration action or proceeding (provided that the Borrower shall be given notice thereof and a reasonable opportunity to seek a protective court order with respect to such Information prior to such disclosure (it being understood that the refusal by a court to grant such a protective order shall not prevent the disclosure of such Information thereafter)) and (y) any foreclosure, sale or other disposition of any Collateral in connection with the exercise of remedies under the Collateral Documents, subject to each potential transferee of such Collateral having entered into customary confidentiality undertakings with respect to such Collateral prior to the disclosure thereof to such Person (which confidentiality obligations will cease to apply to any transferee upon the consummation of its acquisition of such Collateral), (v) subject to an acknowledgment and agreement by such recipient that such information is being disseminated on a confidential basis (on substantially the terms set forth in this paragraph or as is otherwise reasonably acceptable to Holdings), to any assignee of or participant in any of its rights or obligations under this Agreement, (vi) with the prior written consent of the Borrower, (vii) in connection with the Lender's (or its applicable Affiliate's) public filings to the extent required by applicable Requirements of Law or determined by the Lender in good faith to be required to comply with Requirements of Law and (viii) to the extent such Confidential Information (A) becomes publicly available other than as a result of a breach of this Section by such Person, its Affiliates or their respective Representatives or (B) becomes available to the Lender on a non-confidential basis other than as a result of a breach of this Section from a source other than a Loan Party that is not to such disclosing Person's knowledge, after reasonable investigation, subject to confidentiality, fiduciary or other legal obligations to Holdings, the Borrower, the Sponsor or any of their respective Affiliates. For the purposes of this Section, "**Confidential Information**" means all information relating to the Loan Parties and/or any of their subsidiaries and their respective businesses, the Sponsor or the Transactions (including any information obtained by the Lender or any of its Affiliates or Representatives, based on a review of the books and records relating to Holdings and/or any of its subsidiaries and their respective Affiliates from time to time, including prior to the date hereof).

SECTION 8.14. No Fiduciary Duty. The Lender and its Affiliates (collectively, solely for purposes of this paragraph, the "**Lenders**"), may have economic interests that conflict with those of the Loan Parties, their stockholders and/or their respective Affiliates. Each Loan Party agrees that nothing in the Loan Documents or otherwise will be deemed to create an advisory, fiduciary or agency relationship or fiduciary or other implied duty between the Lender, on the one hand, and any Loan Party, its respective stockholders or its respective Affiliates, on the other. The Loan Parties acknowledge and agree that: (i) the transactions contemplated by the Loan Documents (including the exercise of rights and remedies hereunder and thereunder) are arm's-length commercial transactions between the Lenders, on the one hand, and each Loan Party, on the other, and (ii) in connection therewith and with the process leading thereto, (x) the Lender has not assumed an advisory or fiduciary responsibility in favor of any Loan Party, its respective stockholders or its respective Affiliates with respect to the transactions contemplated hereby (or the exercise of rights or remedies with respect thereto) or the process leading thereto or any other obligation to any Loan Party except the obligations expressly set forth in the Loan Documents and (y) the Lender is acting solely as principal and not as the agent or fiduciary of such Loan Party, its respective management, stockholders, creditors or any

other Person. Each Loan Party acknowledges and agrees that such Loan Party has consulted its own legal and financial advisors to the extent it deemed appropriate and that it is responsible for making its own independent judgment with respect to such transactions and the process leading thereto. Each Loan Party agrees that it will not claim that the Lender (solely in its capacity as such) owes a fiduciary or similar duty to such Loan Party in connection with such transaction or the process leading thereto.

SECTION 8.15. USA PATRIOT Act. The Lender that is subject to the requirements of the USA PATRIOT Act hereby notifies the Loan Parties that pursuant to the requirements of the USA PATRIOT Act, it is required to obtain, verify and record information that identifies the Borrower and each Loan Guarantor, which information includes the name and address of each Loan Party and other information that will allow such Lender to identify the Loan Parties in accordance with the USA PATRIOT Act. This notice is given in accordance with the requirements of the USA PATRIOT Act and is effective as to the Lender.

SECTION 8.16. Conflicts. Notwithstanding anything to the contrary contained herein, (a) in the event of any conflict or inconsistency between this Agreement and any other Loan Document, the terms of this Agreement shall govern and control and (b) in the event of any conflict or inconsistency between any then in effect Acceptable Intercreditor Agreement and any Loan Document, the terms of such Acceptable Intercreditor Agreement (except as otherwise expressly set forth therein with respect to any other Acceptable Intercreditor Agreement) shall govern and control.

ARTICLE 9 LOAN GUARANTY

SECTION 9.01. Guaranty. Each Loan Guarantor hereby agrees that it is jointly and severally liable for, and, as primary obligor and not merely as surety, and absolutely and unconditionally and irrevocably guarantees to the Lender the full and prompt payment upon the failure of the Borrower to do so, when and as the same shall become due, whether at stated maturity, upon acceleration or otherwise, and at all times thereafter, of the Obligations; provided that it is understood and agreed that each Loan Guarantor also guarantees the Obligations of each other Loan Guarantor (all of the Obligations set forth in this sentence are collectively referred to as the “**Guaranteed Obligations**”). Each Loan Guarantor further agrees that the Guaranteed Obligations may be extended or renewed in whole or in part without notice to or further assent from it, and that it remains bound upon its guarantee notwithstanding any such extension or renewal. If any or all of the Guaranteed Obligations becomes due and payable hereunder, each Loan Guarantor, unconditionally and irrevocably, promises to pay such Guaranteed Obligations to the Lender, on demand, together with any and all expenses which may be incurred by the Lender in collecting any of the Guaranteed Obligations, to the extent reimbursable in accordance with Section 8.03. Each Loan Guarantor unconditionally and irrevocably guarantees the payment of any and all of the Guaranteed Obligations to the Lender whether or not due or payable by the Borrower upon the occurrence of any Event of Default specified in Sections 7.01(f) or 7.01(g), and in such event, irrevocably and unconditionally promises to pay such indebtedness to the Lender, on demand, in Dollars.

SECTION 9.02. Guaranty of Payment. This Loan Guaranty is a guaranty of payment and not of collection. Each Loan Guarantor waives any right to require the Lender to sue the Borrower, any other Loan Guarantor, any other guarantor, or any other Person obligated for all or any part of the Guaranteed Obligations (each, an “**Obligated Party**”), or otherwise to enforce its rights in respect of any Collateral securing all or any part of the Guaranteed Obligations. The Lender may immediately enforce this Loan Guaranty upon the occurrence and during the continuance of an Event of Default.

SECTION 9.03. No Discharge or Diminishment of Loan Guaranty.

(a) Except as otherwise provided for herein, the obligations of each Loan Guarantor hereunder are unconditional, irrevocable and absolute and not subject to any reduction, limitation, impairment or termination for any reason (other than as expressly set forth in Section 9.12), including: (i) any claim of waiver, release, extension, renewal, settlement, surrender, alteration, or compromise of any of the Guaranteed Obligations, by operation of law or otherwise; (ii) any change in the corporate existence, structure or ownership of the Borrower or any other guarantor or of other Person liable for any of the Guaranteed Obligations; (iii) any insolvency, bankruptcy, reorganization or other similar proceeding affecting any Obligated Party, or their assets or any resulting release or discharge of any obligation of any Obligated Party; (iv) the existence of any claim, setoff or other rights which any Loan Guarantor may have at any time against any Obligated Party, the Lender or any other Person, whether in connection herewith or in any unrelated transactions; (v) any direction as to application of payments by the Borrower or by any other party; (vi) any other continuing or other guaranty, undertaking or maximum liability of a guarantor or of any other party as to the Guaranteed Obligations; (vii) any payment on or in reduction of any such other guaranty or undertaking; (viii) any dissolution, termination or increase, decrease or change in personnel by the Borrower or (ix) any payment made to the Lender on the Guaranteed Obligations which the Lender repays to the Borrower pursuant to court order in any bankruptcy, reorganization, arrangement, moratorium or other debtor relief proceeding, and each Loan Guarantor waives any right to the deferral or modification of its obligations hereunder by reason of any such proceeding.

(b) Except for termination of a Loan Guarantor's obligations hereunder or as expressly permitted by Section 9.12, the obligations of each Loan Guarantor hereunder are not subject to any defense or setoff, counterclaim, recoupment, or termination whatsoever by reason of the invalidity, illegality, or unenforceability of any of the Guaranteed Obligations or otherwise, or any provision of applicable law or regulation purporting to prohibit payment by any Obligated Party, of the Guaranteed Obligations or any part thereof.

(c) Further, the obligations of any Loan Guarantor hereunder are not discharged or impaired or otherwise affected by: (i) the failure of the Lender to assert any claim or demand or to enforce any remedy with respect to all or any part of the Guaranteed Obligations; (ii) any waiver or modification of or supplement to any provision of any agreement relating to the Guaranteed Obligations; (iii) any release, non-perfection, or invalidity of any indirect or direct security for the obligations of the Borrower for all or any part of the Guaranteed Obligations or any obligations of any other guarantor or of other Person liable for any of the Guaranteed Obligations; (iv) any action or failure to act by the Lender with respect to any Collateral securing any part of the Guaranteed Obligations; or (v) any default, failure or delay, willful or otherwise, in the payment or performance of any of the Guaranteed Obligations, or any other circumstance, act, omission or delay that might in any manner or to any extent vary the risk of such Loan Guarantor or that would otherwise operate as a discharge of any Loan Guarantor as a matter of law or equity (other than as set forth in Section 9.12).

SECTION 9.04. Defenses Waived. To the fullest extent permitted by applicable Requirements of Law, and except for termination of a Loan Guarantor's obligations hereunder or as expressly permitted by Section 9.12, each Loan Guarantor hereby waives any defense based on or arising out of any defense of the Borrower or any other Loan Guarantor or arising out of the disability of the Borrower or any other Loan Guarantor or any other party or the unenforceability of all or any part of the Guaranteed Obligations or any part thereof from any cause, or the cessation from any cause of the liability of the Borrower or any other Loan Guarantor. Without limiting the generality of the foregoing, each Loan Guarantor irrevocably waives acceptance hereof, presentment, demand, protest

and, to the fullest extent permitted by Requirements of Law, any notice not provided for herein, including notices of nonperformance, notices of protest, notices of dishonor, notices of acceptance of this Loan Guaranty, and notices of the existence, creation or incurring of new or additional Guaranteed Obligations, as well as any requirement that at any time any action be taken by any Person against any Obligated Party, or any other Person, including any right (except as shall be required by applicable statute and cannot be waived) to require the Lender to (i) proceed against the Borrower, any other guarantor or any other party, (ii) proceed against or exhaust any security held from the Borrower, any other Loan Guarantor or any other party or (iii) pursue any other remedy in the Lender's power whatsoever. The Lender may, at its election, foreclose on any Collateral held by it by one or more judicial or nonjudicial sales, whether or not every aspect of any such sale is commercially reasonable (to the extent permitted by applicable Requirements of Law), accept an assignment of any such Collateral in lieu of foreclosure or otherwise act or fail to act with respect to any Collateral securing all or a part of the Guaranteed Obligations, and the Lender may, at its election, compromise or adjust any part of the Guaranteed Obligations, make any other accommodation with any Obligated Party or exercise any other right or remedy available to it against any Obligated Party, or any security, without affecting or impairing in any way the liability of such Loan Guarantor under this Loan Guaranty except as otherwise provided in Section 9.12. To the fullest extent permitted by applicable Requirements of Law, each Loan Guarantor waives any defense arising out of any such election even though that election may operate, pursuant to applicable Requirements of Law, to impair or extinguish any right of reimbursement or subrogation or other right or remedy of any Loan Guarantor against any Obligated Party or any security.

SECTION 9.05. Authorization. The Loan Guarantors authorize the Lender without notice or demand (except as shall be required by applicable statute and cannot be waived), and without affecting or impairing its liability hereunder (except as set forth in Section 9.12), from time to time to:

(a) change the manner, place or terms of payment of, and/or change or extend the time of payment of, renew, increase, accelerate or alter, any of the Guaranteed Obligations (including any increase or decrease in the principal amount thereof or the rate of interest or fees thereon), any security therefor, or any liability incurred directly or indirectly in respect thereof, and this Loan Guaranty shall apply to the Guaranteed Obligations as so changed, extended, renewed or altered;

(b) take and hold security for the payment of the Guaranteed Obligations and sell, exchange, release, impair, surrender, realize upon or otherwise deal with in any manner and in any order any property by whomsoever at any time pledged or mortgaged to secure, or howsoever securing, the Guaranteed Obligations or any liabilities (including any of those hereunder) incurred directly or indirectly in respect thereof or hereof, and/or any offset there against;

(c) exercise or refrain from exercising any rights against any of the Borrower, any other Loan Party or others or otherwise act or refrain from acting;

(d) release or substitute any one or more endorsers, guarantors, the Borrower, other Loan Parties or other obligors;

(e) settle or compromise any of the Guaranteed Obligations, any security therefor or any liability (including any of those hereunder) incurred directly or indirectly in respect thereof or hereof, and may subordinate the payment of all or any part thereof to the payment of any liability (whether due or not) of the Borrower to their creditors other than the Lender;

(f) apply any sums by whomsoever paid or howsoever realized to any liability or liabilities of the Borrower to the Lender, regardless of what liability or liabilities of the Borrower remains unpaid;

(g) consent to or waive any breach of, or any act, omission or default under, this Agreement, any other Loan Document or any of the instruments or agreements referred to herein or therein, or otherwise amend, modify or supplement this Agreement, any other Loan Document, or any of such other instruments or agreements; and/or

(h) take any other action which would, under otherwise applicable principles of common law, give rise to a legal or equitable discharge of the Loan Guarantors from their respective liabilities under this Loan Guaranty.

SECTION 9.06. Rights of Subrogation. No Loan Guarantor will assert any right, claim or cause of action, including a claim of subrogation, contribution or indemnification that it has against any Loan Party in respect of this Loan Guaranty until the occurrence of the Termination Date.

SECTION 9.07. Reinstatement; Stay of Acceleration. If at any time any payment of any portion of the Guaranteed Obligations is rescinded or must otherwise be restored or returned upon the insolvency, bankruptcy, or reorganization of the Borrower or otherwise, each Loan Guarantor's obligations under this Loan Guaranty with respect to that payment shall be reinstated at such time as though the payment had not been made. If acceleration of the time for payment of any of the Guaranteed Obligations is stayed upon the insolvency, bankruptcy or reorganization of the Borrower, all such amounts otherwise subject to acceleration under the terms of any agreement relating to the Guaranteed Obligations shall nonetheless be payable by the other Loan Guarantors forthwith on demand by the Lender.

SECTION 9.08. Information. Each Loan Guarantor assumes all responsibility for being and keeping itself informed of the Borrower's financial condition and assets, and of all other circumstances bearing upon the risk of nonpayment of the Guaranteed Obligations and the nature, scope and extent of the risks that each Loan Guarantor assumes and incurs under this Loan Guaranty, and agrees that the Lender shall not have any duty to advise any Loan Guarantor of information known to it regarding those circumstances or risks.

SECTION 9.09. Maximum Liability. It is the desire and intent of the Loan Guarantors and the Lender that this Loan Guaranty shall be enforced against the Loan Guarantors to the fullest extent permissible under the laws and public policies applied in each jurisdiction in which enforcement is sought. The provisions of this Loan Guaranty are severable, and in any action or proceeding involving any state or provincial or territorial corporate law, or any state, province, territory, Federal or foreign bankruptcy, insolvency, reorganization or other law affecting the rights of creditors generally, if the obligations of any Loan Guarantor under this Loan Guaranty would otherwise be held or determined to be avoidable, invalid or unenforceable on account of the amount of such Loan Guarantor's liability under this Loan Guaranty, then, notwithstanding any other provision of this Loan Guaranty to the contrary, the amount of such liability shall, without any further action by the Loan Guarantors or the Lender, be automatically limited and reduced to the highest amount that is valid and enforceable as determined in such action or proceeding (such highest amount determined hereunder being the relevant Loan Guarantor's "**Maximum Liability**"). Each Loan Guarantor agrees that the Guaranteed Obligations may at any time and from time to time exceed the Maximum Liability of each Loan Guarantor without impairing this Loan Guaranty or affecting the rights and remedies of the Lender hereunder; provided that nothing in this sentence shall be construed to increase any Loan Guarantor's obligations hereunder beyond its Maximum Liability. Notwithstanding anything to the contrary

herein, American Water Resources of Florida, LLC, a Delaware limited liability company, and Pivotal Home Solutions, LLC, a Delaware limited liability company, shall at all times comply with applicable minimum net asset requirements pursuant to Chapter 634, Florida Statutes, and such assets required to satisfy applicable minimum net asset requirements shall be regarded in the same manner as Excluded Assets and may in no event be applied towards the satisfaction of American Water Resources of Florida LLC's and Pivotal Home Solutions LLC's obligations hereunder.

SECTION 9.10. Contribution. In the event any Loan Guarantor (a "**Paying Guarantor**") shall make any payment or payments under this Loan Guaranty or shall suffer any loss as a result of any realization upon any Collateral granted by it to secure its obligations under this Loan Guaranty, each other Loan Guarantor (each a "**Non-Paying Guarantor**") shall contribute to such Paying Guarantor an amount equal to such Non-Paying Guarantor's "Guarantor Percentage" of such payment or payments made, or losses suffered, by such Paying Guarantor. For purposes of this Article 9, each Non-Paying Guarantor's "**Guarantor Percentage**" with respect to any such payment or loss by a Paying Guarantor shall be determined as of the date on which such payment or loss was made by reference to the ratio of (a) such Non-Paying Guarantor's Maximum Liability as of such date (without giving effect to any right to receive, or obligation to make, any contribution hereunder) or, if such Non-Paying Guarantor's Maximum Liability has not been determined, the aggregate amount of all monies received by such Non-Paying Guarantor from the Borrower after the Closing Date (whether by loan, capital infusion or by other means) to (b) the aggregate Maximum Liability of all Loan Guarantors hereunder (including such Paying Guarantor) as of such date (without giving effect to any right to receive, or obligation to make, any contribution hereunder), or to the extent that a Maximum Liability has not been determined for any Loan Guarantor, the aggregate amount of all monies received by such Loan Guarantors from the Borrower after the Closing Date (whether by loan, capital infusion or by other means). Nothing in this provision shall affect any Loan Guarantor's several liability for the entire amount of the Guaranteed Obligations (up to such Loan Guarantor's Maximum Liability). Each of the Loan Guarantors covenants and agrees that its right to receive any contribution under this Loan Guaranty from a Non-Paying Guarantor shall be subordinate and junior in right of payment to the Obligations until the Termination Date. This provision is for the benefit of the Lender and may be enforced by the Lender in accordance with the terms hereof.

SECTION 9.11. Liability Cumulative. The liability of each Loan Guarantor under this Article 9 is in addition to and shall be cumulative with all liabilities of such Loan Guarantor to the Lender under this Agreement and the other Loan Documents to which such Loan Guarantor is a party or in respect of any obligations or liabilities of the other Loan Guarantors, without any limitation as to amount, unless the instrument or agreement evidencing or creating such other liability specifically provides to the contrary.

SECTION 9.12. Release of Loan Guarantors. Upon the consummation of any transaction or related series of transactions expressly permitted hereunder (as certified in writing by the Borrower to the Lender at least two Business Days prior to the consummation of such transactions) if as a result thereof such Subsidiary Guarantor shall cease to be a Subsidiary (or becomes an Excluded Subsidiary), the applicable Subsidiary Guarantor shall be automatically released from its obligations hereunder and its Loan Guaranty (provided that no Subsidiary Guarantor which becomes an Excluded Subsidiary solely as a result of ceasing to be a Wholly-Owned Subsidiary after the Closing Date, shall be released from its obligations hereunder and its Loan Guaranty if there is no bona fide business purpose for the transaction pursuant to which such Subsidiary Guarantor becomes an Excluded Subsidiary which would result in such release. In connection with any such release, the Lender shall promptly execute and deliver to any Loan Guarantor, at such Loan Guarantor's expense, all documents that such Loan Guarantor shall reasonably request to evidence termination or release. Any execution and delivery of

documents pursuant to the preceding sentence of this Section 9.12 shall be without recourse to or warranty by the Lender (other than as to the Lender's authority to execute and deliver such documents).

[Signature pages follow]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

LAKEHOUSE BIDCO INC., as Holdings

by /s/ Eric J. Palm
Name: Eric J. Palm
Title: President

LAKEHOUSE BUYER INC., as the Borrower

by /s/ Eric J. Palm
Name: Eric J. Palm
Title: President

AMERICAN WATER RESOURCES, LLC, as a Subsidiary Guarantor

by: /s/ Eric J. Palm
Name: Eric J. Palm
Title: President

PIVOTAL HOME SOLUTIONS, LLC, as a Subsidiary Guarantor

by: /s/ Eric J. Palm
Name: Eric J. Palm
Title: President

AMERICAN WATER RESOURCES HOLDINGS, LLC, as a Subsidiary Guarantor

by: /s/ Eric J. Palm
Name: Eric J. Palm
Title: President

AMERICAN WATER RESOURCES OF TEXAS, LLC, as a Subsidiary Guarantor

by: /s/ Eric J. Palm
Name: Eric J. Palm
Title: President

[Signature Page to Secured Seller Note Agreement]

by /s/ David Bowler

Name: David Bowler

Title: Assistant Comptroller

[Signature Page to Secured Seller Note Agreement]

The following schedules and exhibits to the attached Secured Seller Note Agreement have been omitted from Exhibit 10.1 pursuant to Item 601(a)(5) of Regulation S-K. The Company will furnish the omitted schedules and exhibits to the U.S. Securities and Exchange Commission upon request.

SCHEDULES

Schedule 1.01(a)	Consolidated Adjusted EBITDA
Schedule 1.01(b)	Disqualified Lenders
Schedule 1.01(c)	Mortgaged Properties
Schedule 3.13	Capitalization and Subsidiaries
Schedule 5.13	Post-Closing Items
Schedule 5.14	Closing Date Collateral Documents
Schedule 6.01(g)	Existing Indebtedness
Schedule 6.02	Existing Liens
Schedule 6.05	Existing Investments
Schedule 6.07	Sale and Lease-Back Transactions
Schedule 6.08	Transactions with Affiliates

EXHIBITS

Exhibit A	Form of Compliance Certificate
Exhibit B	Form of Joinder Agreement
Exhibit C	Form of Promissory Note
Exhibit D-1	Form of Legal Opinion of Simpson Thacher & Bartlett LLP
Exhibit D-2	Form of Legal Opinion of Virginia Counsel
Exhibit E	Form of Secretary's Certificate
Exhibit F	Form of Solvency Certificate
Exhibit G	Form of Global Intercompany Note
Exhibit H	Form of Pledge and Security Agreement

REVENUE SHARE AGREEMENT

This REVENUE SHARE AGREEMENT (this "Agreement") is made as of December 9, 2021, and is entered into by and among American Water Works Company, Inc., a Delaware corporation ("American Water"), American Water Resources, LLC, a Virginia limited liability company ("American Water Resources"), Pivotal Home Solutions, LLC, a Delaware limited liability company ("Pivotal"), American Water Resources Holdings, LLC, a Delaware limited liability company ("American Water Holdings") and together with American Water Resources and Pivotal, the "Companies". American Water and each of the Companies may be individually referred to herein as a "Party" or collectively as the "Parties".

WHEREAS, American Water Enterprises, LLC, a Delaware limited liability company, American Water (USA), LLC, a Delaware limited liability company, the Companies and Lakehouse Buyer Inc., a Delaware corporation (the "Purchaser") are parties to that certain Membership Interest Purchase Agreement (the "Purchase Agreement"), dated as of October 28, 2021, concerning the sale of all of the issued and outstanding membership interests of the Companies, subject to the satisfaction of certain closing conditions set forth therein;

WHEREAS, in connection with the transactions contemplated by the Purchase Agreement, American Water and the Purchaser have agreed that the Companies shall pay, or cause to be paid to, American Water, the Revenue Share Amount (as defined below) on the terms and subject to the conditions set forth in this Agreement;

WHEREAS, this Agreement is the "Revenue Share Agreement" referenced in the Purchase Agreement; and

WHEREAS, each capitalized term used but not otherwise defined herein shall have the meaning ascribed to it in the Purchase Agreement.

NOW, THEREFORE, in consideration of the mutual promises and agreements set forth herein, the Parties agree as follows:

ARTICLE I PAYMENT OF REVENUE SHARE

1.1 Definitions.

(a) "Applicable Period" means (a) for the first Applicable Period, the period beginning on the date hereof and ending on March 31, 2022 and (b) for each subsequent Applicable Period, each 90-day period after the last day of the first Applicable Period.

(b) "Collected Revenue" means, during any Applicable Period, the aggregate amount of revenues received by the Companies or any of their respective Affiliates (collectively, the "Providers") pursuant to any on-bill billing arrangements existing as of the date hereof or entered into after the date hereof (each such on-bill arrangement, together with the other terms and conditions contained in the agreement, setting forth such arrangement, a "Billing Arrangement" and, collectively, the "Billing Arrangements") between any of the Providers and any affiliate of American Water that owns and operates regulated water and wastewater utilities (the "AWK Subsidiaries"). For the purposes of clarity, "Collected Revenue" shall be calculated without taking into account (a) any fees or other amounts payable by any Providers to the AWK Subsidiaries pursuant to the terms of any of the Billing Arrangements, (b) any amounts paid by customers of any of the AWK Subsidiaries for any Taxes, (c) any revenues refunded to customers of the Providers, (d) any late fees, penalties or interest, and (e) with respect to the first Applicable Period, any revenues received with respect to any period prior to the date hereof.

(c) "Revenue Share Amount" means an amount equal to ten percent (10%) of Collected Revenue for the Billing Arrangements existing as of the date hereof, and fifteen (15%) of the Collected Revenue for any future Billing Arrangement entered into after the date hereof that reflects substantially similar terms to the Billing Arrangements entered into as of the date hereof.

1.2 Revenue Share Amount.

(a) Promptly following the end of each Applicable Period, American Water will deliver to the Companies a reasonably detailed statement (a "Revenue Share Statement") of the Collected Revenue for such Applicable Period and the calculation of the resulting Revenue Share Amount. The Companies may deliver a written notice to American Water no later than ten (10) business days following receipt of a Revenue Share Statement stating whether the Companies have any good faith objections to the information or calculations contained in such Revenue Share Statement, describing in reasonable detail any objections thereto. Failure to give a timely objection notice (or written notification from the Companies that the Companies have no objection to a Revenue Share Statement) will constitute acceptance and approval of the calculation of the Revenue Share Amount set forth therein and such calculation will be final and binding upon the Parties.

(b) If the Companies notify American Water of any objection to the Revenue Share Statement within the time period set forth in Section 1.2, American Water and the Companies will attempt in good faith to reach an agreement as to the matter in dispute. If such parties have failed to resolve any such disputed item within fifteen (15) days after receipt of timely notice of such objection, then the Parties will follow the procedures set forth in Sections 2.4(c) and (d) of the Purchase Agreement to resolve such disagreement.

(c) Once finally determined in accordance with the foregoing, the Companies, as applicable, will pay, the Revenue Share Amount to American Water within ten (10) Business Days after the Revenue Share Amount becomes final and binding.

(d) Following the date hereof, the Companies shall not take any actions with the primary intent of avoiding or reducing the amount of the Revenue Share Amount otherwise payable to American Water hereunder.

1.3 Ranking; Absolute Obligation. Payment of the Revenue Share Amount will at all times be pari passu with all other senior Indebtedness obligations of the Companies or any of their respective Affiliates; provided, however, that any such Indebtedness shall in all circumstances permit the payment of the Revenue Share Amount pursuant to this Agreement. The obligations of the Companies to make payments of the Revenue Share Amount will be irrevocable and absolute and will not be subject to netting, set-off or reduction against, or be otherwise affected by, any actual or alleged claim by the Companies pursuant to, or any actual or alleged breach by American Water or any of its Affiliates of, or any actual or alleged invalidity or other defect of, any of (i) the Purchase Agreement, (ii) any ancillary agreements related thereto or (iii) any other agreement or arrangement.

1.4 Regulatory Restrictions. In the event any governmental or regulatory body with jurisdiction over any of the AWK Subsidiaries determines, pursuant to any law, statute, order, consent, decree, directive, regulation, statement of policy, ruling or requirement, that the receipt of the Revenue Share Amount by American Water is not permitted (in whole or in part), then the Companies shall cooperate with American Water in good faith to restructure the payment of the Revenue Share Amount such that American Water may continue to receive the economic benefit of this Agreement.

1.5 Effect of Subsequent Transactions. If the Companies or any of their respective successors or assigns proposes to (i) consolidate with or merge into any other Person and such Company will not be the continuing or surviving entity in such consolidation or merger or (ii) transfer all or substantially all of its properties and assets to any Person, then, in each case, proper provision will be made prior to or concurrently with the consummation of such transaction so that the successors and assigns of any Company will satisfy the obligations set forth in this Article I.

1.6 Competitive Businesses. Unless required by Law, American Water will not, and will cause the Post-Closing Seller Group not to, directly or indirectly, or as or as a stockholder, partner, member, manager, or other owner or participant in any Person, (i) engage in or assist any other Person to engage in the business of providing Warranty Services (as defined in the Billing Arrangements entered into on the date hereof) (collectively, the "Purchaser Business") or (ii) solicit, endeavor to entice away from or otherwise encourage to leave the Purchaser Business, endeavor to reduce the business conducted with the Purchaser Business, or otherwise interfere with the business relationship of the Companies or the Subsidiaries with, any Person who is at the time of such solicitation, endeavor or other interference a customer or client of, supplier, vendor or service provider to, the Purchaser Business (in each case, other than in accordance with the agreements governing any Billing Arrangements).

ARTICLE II TERMINATION

2.1 Term; Termination.

(a) The term of this Agreement (the "Term") shall commence on the date of this Agreement and shall expire on the earliest to occur of (i) the termination of this Agreement pursuant to Section 2.1(b) or (c), or (ii) the termination or expiration of the last Billing Arrangement, not including any runoff period under any such Billing Arrangement. For the avoidance of doubt, with respect to each Billing Arrangement, in no event shall the Companies be required to pay American Water for any Revenue Share Amount with respect to such Billing Arrangement accruing after the termination of such Billing Arrangement or with respect to any off-bill runoff period following any such termination.

(b) If the Companies fail to make a payment to American Water when due, then, subject to a fifteen (15) day cure period following receipt of written notice of such failure and provided that such payment is not subject to a good faith dispute by the Companies, American Water may terminate this Agreement effective immediately, by providing written notice of termination to the Companies.

2.2 Survival upon Expiration or Termination. The provisions of this ARTICLE II, ARTICLE III (Notices and Demands) and ARTICLE IV (Miscellaneous) shall survive the termination or expiration of this Agreement unless otherwise agreed to in writing by the Parties; provided, that, the provisions of ARTICLE I (Payment of Revenue Share) shall survive such termination and the Companies shall remain liable to the Sellers for all amounts payable thereunder in respect of the Revenue Share Amount for the portion of any Applicable Period ending prior to the effective date of such termination.

**ARTICLE III
NOTICES AND DEMANDS**

3.1 Notices. All notices, requests and other communications hereunder shall be in writing (including wire, electronic mail or similar writing) and shall be sent, delivered or mailed, addressed, or sent by electronic mail:

If to the Sellers:

American Water Enterprises, LLC, American Water (USA), LLC
c/o American Water Works Company, Inc.
1 Water Street
Camden, New Jersey 08102
Attention: Jordan S. Mersky
E-mail: Jordan.Mersky@amwater.com

With copies to:

Schulte, Roth & Zabel LLP
919 Third Avenue
New York, New York 110022
Attention: Brian C. Miner
E-mail: brian.miner@srz.com

If to the Companies:

Apax Partners US, LLC
601 Lexington Avenue, 53rd Floor
New York, NY 10022
Attention: Ashish Karandikar; Nedu Ottih
Telephone: (212) 419-2495
E-mail: Ashish.Karandikar@apax.com; Nedu.Ottih@apax.com

With copies to:

Simpson Thacher & Bartlett LLP
425 Lexington Avenue
New York, NY 10017
Attention: Ryerson Symons; Ben Schaye
Telephone: (212) 455-2813; (212) 455-7866
E-mail: ryerson@stblaw.com; ben.schaye@stblaw.com

Each such notice, request or other communication shall be given (a) by mail (postage prepaid, registered or certified mail, return receipt requested), (b) by hand delivery, (c) by nationally recognized courier service, or (d) by electronic mail. Each such notice, request or communication shall be effective (x) if mailed, three (3) calendar days after mailing at the address specified in this Section 3.1 (or in accordance with the latest unrevoked written direction from such Party), (y) if delivered by hand or by internationally recognized courier service, when delivered at the address specified in this Section 3.1 (or in accordance with the latest unrevoked written direction from the receiving Party) and (z) if given by electronic mail, such notice will be deemed delivered only if the Party giving the notice obtains a confirmation of receipt, which the Party receiving the notice shall be affirmatively obligated to provide (or allow to be provided, in the case of “read receipts” and other automated receipt notification processes); provided that notices received on a day that is not a Business Day or after 5:00 p.m. Eastern Time on a Business Day will be deemed to be effective on the next Business Day.

3.2 Change of Address. The address to which such notices, demands, requests, elections or other communications are to be given by a Party may be changed by written notice given by such Party to the other Parties pursuant to this Section 3.2.

**ARTICLE IV
MISCELLANEOUS**

4.1 Severability. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof if any provision of this Agreement, or the application thereof to any person or any circumstance, is found to be invalid or unenforceable in any jurisdiction, (a) a suitable and equitable provision shall be substituted therefor in order to carry out, so far as may be valid or enforceable, such provision and (b) the remainder of this Agreement and the application of such provision to other persons or circumstances shall not be affected by such invalidity or unenforceability, nor shall such invalidity or unenforceability affect the validity or enforceability of such provision, or the application thereof, in any other jurisdiction.

4.2 Third Party Beneficiaries. Nothing expressed or implied in this Agreement confers, or is intended to confer, on any person or entity other than the Parties hereto any rights or remedies whatsoever (including, without limitation, any rights to employment or benefits for any period) under or by reason of this Agreement. The Parties hereby expressly agree that this Agreement does not, and shall not be construed to, alter or amend in any way the rights and obligations of such Parties' affiliates pursuant to the Purchase Agreement.

4.3 Waiver of Jury Trial. EACH OF THE PARTIES KNOWINGLY, VOLUNTARILY AND IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT OR THE ACTIONS OF ANY PARTY TO THIS AGREEMENT IN NEGOTIATION, ADMINISTRATION, PERFORMANCE OR ENFORCEMENT OF THIS AGREEMENT.

4.4 Governing Law. This Agreement shall be governed by and construed in accordance with the Laws of the State of Delaware without giving effect to any conflict or choice of law provision that would result in the application of another state's Laws.

4.5 Executed in Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which shall, taken together, be considered one and the same agreement. Any facsimile or electronically transmitted copies hereof or signature hereon shall, for all purposes, be deemed originals.

4.6 Construction. The headings and numbering of articles, sections and paragraphs in this Agreement are for convenience only and shall not be construed to define or limit any of the terms or affect the scope, meaning, or interpretation of this Agreement or the particular Article or Section to which they relate. This Agreement and the provisions contained herein shall not be construed or interpreted for or against any Party because that Party drafted or caused its legal representative to draft any of its provisions.

4.7 Entire Agreement. This Agreement, including all attachments, constitutes the entire Agreement between the Parties with respect to the payment of the Revenue Share Amount, and supersedes all prior oral or written agreements, representations, statements, negotiations, understandings, proposals and undertakings, with respect to the Revenue Share Amount.

4.8 Amendments and Waivers. This Agreement may not be amended, supplemented or modified except by an instrument in writing signed on behalf of the Parties. Any term or condition of this Agreement may be waived at any time by the Party that is entitled to the benefit thereof, but no such waiver shall be effective, unless set forth in a written instrument duly executed by or on behalf of the Party waiving such term or condition. No waiver by any Party of any term or condition of this Agreement, in any one or more instances, shall be deemed to be or construed as a waiver of the same or any other term or condition of this Agreement on any future occasion.

4.9 Assignment: Successors and Assigns. No Party may assign this Agreement or any of its rights or obligations hereunder, in whole or in part, without the prior written consent of the other Party; provided that the Companies may assign this Agreement or any of its rights and obligations hereunder to any such affiliate or in a sale of all or substantially all of the business of the Companies. Subject to the foregoing, this Agreement will be binding upon, and inure to the benefit of, the Parties and their respective successors and permitted assigns. Notwithstanding the foregoing, in connection with the assignment (whether by the sale of equity or assets, merger or otherwise) of a Billing Arrangement by a Provider, the obligations contained herein with respect to such Billing Arrangement shall be transferred to the transferee of such Billing Arrangement and the assumption of such obligations in writing shall be a condition of any such transfer.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have caused this Transition Services Agreement to be executed by their duly authorized officers as of the date first written above.

AMERICAN WATER

American Water Works Company, Inc.

By: /s/ M. Susan Hardwick
Name: Susan Hardwick
Title: Executive Vice President and CFO

American Water Resources, LLC

By: /s/ Eric Palm
Name: Eric Palm
Title: President

Pivotal Home Solutions, LLC

By: /s/ Eric Palm
Name: Eric Palm
Title: President

American Water Resources Holdings, LLC

By: /s/ Eric Palm
Name: Eric Palm
Title: President

Press Release



American Water Announces Completion of Sale of Homeowner Services Group to Funds Advised by Apax Partners

CAMDEN, N.J., December 9, 2021 – American Water Works Company, Inc. (NYSE: AWK), the largest publicly traded U.S. water and wastewater utility company, today announced the close of the sale of its Homeowner Services Group to funds advised by Apax Partners LLP (“Apax”). The sale agreement was announced on October 29, 2021, with the deal valued at approximately \$1.275 billion, plus an applicable working capital adjustment.

Under the agreement, American Water received at closing, as part of the purchase price, \$485 million in cash, inclusive of \$5 million for a working capital adjustment, and a \$720 million secured Seller Note bearing a 7% annual interest rate with a five-year term. In addition, the transaction includes a delayed payment to American Water of \$75 million if certain milestones are met by December 31, 2023. The structure of the transaction enables initial cash proceeds to be redeployed into the regulated water and wastewater business to fund near-term incremental capital investments, while interest on the Seller Note will provide a stream of earnings over the term of the note. Upon maturity, the proceeds from the repayment of the Seller Note are expected to be used to fund a continually growing capital investment in the regulated business.

American Water was exclusively advised by BofA Securities, Schulte Roth & Zabel LLP and Shearman & Sterling LLP.

About American Water

With a history dating back to 1886, American Water (NYSE:AWK) is the largest and most geographically diverse U.S. publicly traded water and wastewater utility company. The company employs more than 6,500 dedicated professionals who provide regulated and regulated-like drinking water and wastewater services to an estimated 14 million people in 25 states. American Water provides safe, clean, affordable and reliable water services to our customers to help keep their lives flowing. For more information, visit amwater.com and follow American Water on [Twitter](#), [Facebook](#) and [LinkedIn](#).

About Apax

Apax Partners LLP (“Apax”) is a leading global private equity advisory firm. For nearly 50 years, Apax has worked to inspire growth and ideas that transform businesses. The firm has raised and advised funds with aggregate commitments of more than \$60 billion. The Apax Funds invest in companies across four global sectors of Tech, Services, Healthcare and Internet/Consumer. These funds provide long-term equity financing to build and strengthen world-class companies.

Apax is authorized and regulated by the Financial Conduct Authority in the UK.

Cautionary Statement Concerning Forward-Looking Statements

Certain statements in this press release are forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements relate to our business and the proposed transactions described in this press release, including, but not limited to, the accounting, financial and other impacts of such transactions; and the ability to achieve the Company's regulatory and other strategies, benefits, plans and goals related to such transactions, including with respect to the repayment of the Seller Note and the redeployment of the net proceeds from such transactions, and involve various risks and uncertainties. These statements are based on the current expectations of management of American Water. There are a number of risks and uncertainties that could cause actual results to differ materially from these forward-looking statements, including without limitation with respect to (1) the amount of net proceeds to be received from the transactions due to, among other things, post-closing adjustments to the purchase price and other withholdings as provided in the purchase agreement and the ability to receive contingent consideration and payments under the Seller Note and the revenue share agreement; (2) regulatory, legislative, local or municipal actions affecting the Homeowner Services Group and the water and wastewater industries; and (3) other economic, business and other factors.

For further information regarding risks and uncertainties associated with American Water's business, please refer to American Water's annual, quarterly and periodic SEC filings, including American Water's Current Report on Form 8-K filed with the SEC to report this transaction. Forward-looking statements are not guarantees or assurances of future performance or results, and, except as may be required by applicable law, American Water does not undertake any duty to update any forward-looking statement. The foregoing factors should not be construed as exhaustive.

AWK-IR

Investor Contact:

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Senior Director, Investor Relations
(856) 955-4445
aaron.musgrave@amwater.com

Media Contact:

Maureen Duffy
Senior Vice President, Communications and External Affairs
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###

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

Form 8-K

**Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): December 7, 2021

American Water Works Company, Inc.

(Exact name of registrant as specified in its charter)

Commission File Number: 001-34028

Delaware
(State or other jurisdiction
of incorporation)

51-0063696
(IRS Employer
Identification No.)

**1 Water Street
Camden, NJ 08102-1658**
(Address of principal executive offices, including zip code)

(856) 955-4001
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Common stock, par value \$0.01 per share	AWK	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensation Arrangements of Certain Officers.

(b) & (c) Walter J. Lynch, President and Chief Executive Officer of American Water Works Company, Inc. (the “Company”) has been hospitalized and is recovering from an injury. On December 7, 2021, the Board of Directors of the Company (the “Board”) executed its business continuity plan and appointed M. Susan Hardwick, 59, the Company’s Executive Vice President and Chief Financial Officer, to the office of Interim Chief Executive Officer in addition to her current officer role. Ms. Hardwick will assume Mr. Lynch’s authority, duties and responsibilities, including serving as the Company’s principal executive officer, in addition to her role as the Company’s principal financial officer, until such time as Mr. Lynch is able to reassume those responsibilities. No change was made to Ms. Hardwick’s compensation as a direct result of this appointment, and Mr. Lynch remains a member of the Board and an executive officer of the Company.

Biographical and other information regarding Ms. Hardwick is included in the Company’s definitive proxy statement, as filed with the Securities and Exchange Commission on March 29, 2021. Other than as described above, there are no arrangements or understandings between Ms. Hardwick and any other person pursuant to which she was selected to serve as Interim Chief Executive Officer of the Company.

A copy of the press release issued by the Company on December 8, 2021 announcing the Board’s appointment has been included as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated herein by reference.

Cautionary Statement Concerning Forward-Looking Statements

Certain statements included in this Current Report on Form 8-K are forward-looking statements within the meaning of Section 27A of the Securities Act, Section 21E of the Exchange Act and the Private Securities Litigation Reform Act of 1995. In some cases, these forward-looking statements can be identified by words with prospective meanings such as “intend,” “plan,” “estimate,” “believe,” “anticipate,” “expect,” “predict,” “project,” “propose,” “assume,” “forecast,” “likely,” “uncertain,” “outlook,” “future,” “pending,” “goal,” “objective,” “potential,” “continue,” “seek to,” “may,” “can,” “should,” “will” and “could,” or the negative of such terms or other variations or similar expressions. Forward-looking statements relate to, among other things, the length of Ms. Hardwick’s term of service as Interim Chief Executive Officer as indicated above. These forward-looking statements are predictions based on the Company’s current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, performance or achievements, and readers are cautioned not to place undue reliance upon them. The forward-looking statements are subject to a number of estimates and assumptions, and known and unknown risks, uncertainties and other factors. Actual results may differ materially from those discussed in the forward-looking statements included in this Current Report on Form 8-K as a result of the factors discussed in the Company’s Annual Report on Form 10-K for the year ended December 31, 2020, as filed with the Securities and Exchange Commission (the “SEC”) on February 24, 2021, and other filings with the SEC, and additional risks and uncertainties, including with respect to Mr. Lynch’s injury and his recovery therefrom.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

The following exhibits to this Current Report have been provided herewith (as noted below):

<u>Exhibit No.</u>	<u>Description</u>
99.1*	Press Release, dated December 8, 2021, issued by the Company.
104	Cover Page Interactive Data File (the cover page XBRL tags are included and formatted as Inline XBRL).

* Filed herewith.

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

Dated: December 8, 2021

By: /s/ CHERYL NORTON

Cheryl Norton

Executive Vice President and Chief Operating Officer

Press Release



American Water Board of Directors Appoints Susan Hardwick as Interim CEO due to hospitalization of Walter Lynch

CAMDEN, N.J., Dec. 8, 2021 – American Water (NYSE: AWK), the largest publicly-traded U.S. water and wastewater utility company, announced today its Board of Directors appointed Susan Hardwick, American Water’s executive vice president and CFO as Interim CEO. The announcement occurred as Walter Lynch, president and CEO of American Water has been hospitalized and is now recovering from an injury. This action, part of our business continuity plan, permits Walter to focus on his full recovery and allows the business to operate without interruption during this time.

“Our primary concern is the well-being of Walter as he focuses on his health,” said Karl Kurz, chairman of American Water’s Board of Directors. “The company has executed its business continuity plan and I, along with the Board, have full confidence in Susan Hardwick and American Water’s management team as the company continues to provide essential services to its customers across the U.S.”

“Planning for these types of situations is why a company like American Water has a business continuity plan and is prepared to execute that plan. This action will permit Walter to focus on his full recovery and allow the business to operate without interruption during that time,” added Kurz.

The company will communicate updates as appropriate.

Cautionary Statement Concerning Forward-Looking Statements

Certain statements included in this press release are forward-looking statements within the meaning of the federal securities laws. In some cases, these forward-looking statements can be identified by words with prospective meanings such as “intend,” “plan,” “estimate,” “believe,” “anticipate,” “expect,” “predict,” “project,” “propose,” “assume,” “forecast,” “likely,” “uncertain,” “outlook,” “future,” “pending,” “goal,” “objective,” “potential,” “continue,” “seek to,” “may,” “can,” “should,” “will” and “could,” or the negative of such terms or other variations or similar expressions. Forward-looking statements relate to, among other things, the length of Ms. Hardwick’s term of service as Interim Chief Executive Officer as indicated above. These forward-looking statements are predictions based on the Company’s current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, performance or achievements, and readers are cautioned not to place undue reliance upon them. The forward-looking statements are subject to a number of estimates and assumptions, and known and unknown risks, uncertainties and other factors. Actual results may differ materially from those discussed in the forward-looking statements included in this press release as a result of the factors discussed in the Company’s Annual Report on Form 10-K for the year ended December 31, 2020, as filed with the Securities and Exchange Commission (the “SEC”) on February 24, 2021, and other filings with the SEC, including the Company’s Current Report on Form 8-K dated December 7, 2021, and additional risks and uncertainties, including with respect to Mr. Lynch’s injury and his recovery therefrom.

Press Release



About American Water

With a history dating back to 1886, American Water (NYSE:AWK) is the largest and most geographically diverse U.S. publicly traded water and wastewater utility company. The company employs more than 7,000 dedicated professionals who provide regulated and market-based drinking water, wastewater and other related services to an estimated 15 million people in 46 states. American Water provides safe, clean, affordable and reliable water services to our customers to help keep their lives flowing. For more information, visit amwater.com and follow American Water on [Twitter](#), [Facebook](#) and [LinkedIn](#)

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

Form 8-K

**Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): November 18, 2021

American Water Works Company, Inc.
(Exact name of registrant as specified in its charter)

Commission File Number: 001-34028

Delaware
(State or other jurisdiction
of incorporation)

51-0063696
(IRS Employer
Identification No.)

1 Water Street
Camden, NJ 08102-1658
(Address of principal executive offices, including zip code)
(856) 955-4001
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Trading Symbol</u>	<u>Name of Each Exchange on Which Registered</u>
Common stock, par value \$0.01 per share	AWK	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 8.01. Other Events.

California Public Utilities Commission Issues Final Decision in General Rate Case

As previously reported, in 2019, the California subsidiary of American Water Works Company, Inc. (the “Company”) filed a general rate case with the California Public Utilities Commission (the “CPUC”) requesting \$27 million in annualized incremental water and wastewater revenues for 2021, and increases of \$10 million in both the escalation year of 2022 and the attrition year of 2023, respectively. In January and February 2021, the Company’s California subsidiary filed comprehensive settlements in the general rate case resolving substantially all disputed matters among the parties to the settlements.

On November 18, 2021, the CPUC unanimously approved a final decision adopting the comprehensive general rate case settlements. Pursuant to this final decision, which is retroactive to January 1, 2021, the Company’s California subsidiary has been authorized annualized incremental water and wastewater revenues of \$17.9 million for 2021, and increases of \$7.7 million for each of 2022 and 2023. The final decision also authorizes the Company’s California subsidiary to make \$165 million in new infrastructure investments for water and wastewater service for 2021 and 2022. The new rates will be implemented in the first quarter of 2022.

A copy of the press release issued by the Company’s California subsidiary on November 18, 2021 has been filed as Exhibit 99.1 hereto and is incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

The following exhibits to this Current Report have been provided herewith (as noted below):

Exhibit No.	Description
99.1*	Press Release, dated November 18, 2021, issued by the Company’s California subsidiary.
104	Cover Page Interactive Data File (the cover page XBRL tags are included and formatted as Inline XBRL).

* Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

Dated: November 18, 2021

By: /s/ M. SUSAN HARDWICK
M. Susan Hardwick
Executive Vice President and Chief Financial Officer

Press Release



California Public Utilities Commission Issues Order Approving Settlement Reached in California American Water's General Rate Case

SAN DIEGO (November 18, 2021) – The California Public Utilities Commission (CPUC) issued a final decision in California American Water's General Rate Case at its meeting on November 18, 2021. The final decision adopts the comprehensive settlement California American Water reached with the CPUC's Public Advocates Office, as well as two additional settlements reached with intervenors.

Under the CPUC's final decision, which is retroactive to January 1, 2021, California American Water will be authorized additional annualized water and wastewater revenues of \$17.9 million for test year 2021, \$7.7 million for escalation year 2022 and \$7.7 million for attrition year 2023.

The decision also authorizes \$165 million in new infrastructure investment for forecasted test years 2021-2022 to maintain high-quality water and wastewater service. These investments, which include upgrades to distribution systems, treatment facilities, storage tanks and pump stations, are necessary to maintain and improve water quality, reliability, fire protection and customer service for the communities served by California American Water.

"This decision strikes the right balance to see that customers benefit from investments in water treatment and distribution while maintaining our commitment to affordability and customer assistance for those in need," said California American Water President Kevin Tilden. "We want to continue to provide customers excellent value for their water service and maintain our systems to provide high-quality water service."

Rate cases are proceedings used to address the capital investment needed for infrastructure, the costs of operating and maintaining the utility system and the allocation of those costs among customer classes. Large, regulated water utilities like California American Water are required by law to file a General Rate Case every three years with the CPUC to set revenues and rates.

Press Release



With this approval of the CPUC's decision, California American Water will prepare to implement the new rates in early 2022. Customers should expect to receive more information ahead of the implementation of new rates in each of California American Water's water and wastewater service areas, as well as information about customer assistance and conservation programs.

About California American Water: California American Water, a subsidiary of American Water (NYSE: AWK), provides high-quality and reliable water and wastewater services to more than 880,000 California residents. Information regarding California American Water's service areas can be found on the company's website www.californiaamwater.com.

About American Water: With a history dating back to 1886, American Water is the largest and most geographically diverse U.S. publicly traded water and wastewater utility company. The company employs more than 7,000 dedicated professionals who provide regulated and market-based drinking water, wastewater and other related services to 15 million people in 46 states. American Water provides safe, clean, affordable and reliable water services to our customers to help make sure we keep their lives flowing. For more information, visit amwater.com and follow American Water on [Twitter](#), [Facebook](#) and [LinkedIn](#).

Media Contacts

[Evan Jacobs](#)

Director of External Affairs

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

Form 8-K

**Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): November 10, 2021

American Water Works Company, Inc.
(Exact name of registrant as specified in its charter)

Commission File Number: 001-34028

Delaware
(State or other jurisdiction
of incorporation)

51-0063696
(IRS Employer
Identification No.)

**1 Water Street
Camden, NJ 08102-1658**
(Address of principal executive offices, including zip code)
(856) 955-4001
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
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Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Trading Symbol</u>	<u>Name of Each Exchange on Which Registered</u>
Common stock, par value \$0.01 per share	AWK	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

(b) On November 10, 2021, Michael A. Sgro, Executive Vice President and General Counsel of American Water Works Company, Inc. (the “Company”), informed the Company of his decision to retire, effective February 1, 2022, after approximately 28 years of service with the Company and its subsidiaries. To provide for the orderly transition of Mr. Sgro’s duties, effective December 1, 2021, Mr. Sgro will serve as the Company’s Chief Legal Advisor, and will continue to report to Walter J. Lynch, the Company’s President and Chief Executive Officer. In this position, Mr. Sgro will not serve as an officer or executive officer of the Company. The Company is currently engaged in a search for Mr. Sgro’s successor. Until a successor is found, Shawn Bunting, currently serving in the role of Vice President and Deputy General Counsel, will also serve as the Company’s Interim General Counsel and will be promoted to Senior Vice President and Deputy General Counsel, effective November 29, 2021.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

Dated: November 15, 2021

By: /s/ M. SUSAN HARDWICK
M. Susan Hardwick
Executive Vice President and Chief Financial Officer

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

Form 8-K

**Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): November 3, 2021

American Water Works Company, Inc.
(Exact name of registrant as specified in its charter)

Commission File Number: 001-34028

Delaware
(State or other jurisdiction
of incorporation)

51-0063696
(IRS Employer
Identification No.)

**1 Water Street
Camden, NJ 08102-1658**
(Address of principal executive offices, including zip code)
(856) 955-4001
(Registrant's telephone number, including area code)

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Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 8.01. Other Events.

As previously disclosed, American Water Works Company, Inc. (the “Company”), the Company’s New York subsidiary, and Liberty Utilities (Eastern Water Holdings) Corp. (“Liberty”), an indirect, wholly owned subsidiary of Algonquin Power & Utilities Corp., are parties to a Stock Purchase Agreement, dated November 20, 2019 (the “Stock Purchase Agreement”), pursuant to which Liberty has agreed to purchase all of the capital stock of the Company’s New York subsidiary (the “Stock Purchase”). The Company’s New York subsidiary continues to work constructively with the New York State Department of Public Service (“NYSDPS”) and to take all actions necessary to facilitate the completion of the transactions contemplated by the Stock Purchase Agreement.

On November 3, 2021, a Joint Proposal was filed in the pending NYSDPS acquisition proceeding resolving all outstanding issues in dispute among the signatory parties, which include the Company’s New York subsidiary, Liberty, NYSDPS Staff, and the following intervenors: the Village of Sea Cliff, Massapequa Water District, North Shore Concerned Citizens and the Glen Head-Glenwood Landing Civic Council. On November 4, 2021, the Chief Administrative Law Judge affirmed a procedural schedule to facilitate a final decision that includes, in relevant part, filing of Statements in Support/Opposition and a one-day evidentiary hearing on the Joint Proposal to be held on November 16, 2021.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

Dated: November 4, 2021

By: /s/ M. SUSAN HARDWICK

M. Susan Hardwick

Executive Vice President and Chief Financial Officer

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

Form 8-K

**Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): November 2, 2021

American Water Works Company, Inc.

(Exact name of registrant as specified in its charter)

Commission File Number: 001-34028

Delaware
(State or other jurisdiction
of incorporation)

51-0063696
(IRS Employer
Identification No.)

**1 Water Street
Camden, NJ 08102-1658**
(Address of principal executive offices, including zip code)

(856) 955-4001
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Common stock, par value \$0.01 per share	AWK	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02. Results of Operations and Financial Condition.

On November 2, 2021, American Water Works Company, Inc. (the “Company”) issued a press release announcing its financial results for the third quarter and nine months ended September 30, 2021. A copy of the press release has been included as Exhibit 99.1 and is incorporated by reference herein.

The information furnished in Item 2.02 of this Current Report, including Exhibit 99.1, shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), nor shall it be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended (the “Securities Act”), or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 7.01. Regulation FD Disclosure.

The press release referenced in response to Item 2.02 above and included as Exhibit 99.1 hereto also announced the Company’s earnings per share guidance for 2021 and 2022, and provided certain other 2021, 2022 and long-term financial guidance with respect to the Company.

The presentation for the Company’s Investor Day is attached hereto as Exhibit 99.2 and is incorporated by reference herein.

The information furnished in Item 7.01 of this Current Report on Form 8-K, including Exhibits 99.1 and 99.2, shall not be deemed to be “filed” for purposes of Section 18 of the Exchange Act, nor shall it be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

The following exhibits to this Current Report have been provided herewith (as noted below):

<u>Exhibit</u>	<u>Description</u>
99.1*	Press Release, dated November 2, 2021, issued by American Water Works Company, Inc.
99.2*	American Water Works Company, Inc. November 2021 Investor Day Presentation
104	Cover Page Interactive Data File (the cover page XBRL tags are included and formatted as Inline XBRL)

* Furnished herewith.

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

Dated: November 2, 2021

By: /s/ M. SUSAN HARDWICK
M. Susan Hardwick
Executive Vice President and Chief Financial Officer

Press Release



November 2, 2021

Aaron Musgrave
Senior Director, Investor Relations
856-955-4029
aaron.musgrave@amwater.com

Maureen Duffy
Senior Vice President, Communications and External Affairs
856-955-4163
maureen.duffy@amwater.com

AMERICAN WATER REPORTS THIRD QUARTER 2021 RESULTS AND AFFIRMS 2021 GUIDANCE RANGE ANNOUNCES 2022 GUIDANCE, LONG-TERM GROWTH TARGETS, AND CAPITAL INVESTMENT PLANS

- **Third quarter 2021 diluted earnings of \$1.53 per share, compared to \$1.46 per share in 2020; Year-to-date 2021 diluted earnings of \$3.40 per share, compared to \$3.11 per share in 2020**
 - **Quarter and year-to-date results reflect an estimated unfavorable impact of \$0.07 per share and \$0.04 per share, respectively, from cooler and wetter weather in 2021 compared to 2020; on a weather normalized basis, results increased 10% and 11% for the quarter and year-to-date periods, respectively**
- **2021 diluted earnings per share (EPS) guidance range of \$4.18 to \$4.28 per share affirmed. This guidance range excludes any estimated impact from a closing of the announced sale of Homeowner Services business (HOS) in 2021**
- **2022 diluted EPS guidance range of \$4.39 to \$4.49 established, reflective of continued growth of the Regulated Businesses and announced sale of HOS**
- **Long Term EPS compound annual growth rate (CAGR) established at a narrowed range of 7 to 9% for the 2022-2026 period**
- **Increased regulated investment over the next 10 years by \$6.0 billion to a range of \$28-32 billion, reflective of redeployment of Homeowner Services sale proceeds**

CAMDEN, N.J., November 2, 2021 - American Water Works Company, Inc. (NYSE: AWK) today reported results for the quarter ended September 30, 2021, of \$1.53 per share, compared to \$1.46 per share in 2020. The Company today also established 2022 diluted earnings per share guidance, and announced its long-term EPS growth target, and capital investment plans.

“We continue to deliver solid results with third quarter 2021 earnings in line with our expectations. These results demonstrate that we continue to grow our business through the consistent execution of our strategies,” said Walter Lynch, president and CEO of American Water. “Building on our year-over-year success, we have further strengthened our regulated business and will now deliver even higher quality earnings,” added Lynch. “With our recently announced sale of our Homeowner Services business, we can accelerate on our commitment to build and maintain reliable and resilient water and wastewater infrastructure, continue to put our customers first, and deliver water and wastewater solutions where we create the most value for customers and communities.

Additionally, 100% of our earnings going forward will come from our regulated and regulated-like businesses, providing long term, stable and steady growth.”

Sale of Homeowner Services Group

American Water announced on October 29, 2021, that it has agreed to sell its Homeowner Services Group to funds advised by Apax Partners LLP (“Apax”) in a deal valued at approximately \$1.275 billion. Upon closing of the transaction, American Water will receive \$480 million in cash and a \$720 million secured Seller’s Note bearing a 7% annual interest rate with a five-year term. In addition, the transaction includes a delayed payment to American Water of \$75 million if certain milestones are met by December 31, 2023. The structure of the transaction enables initial cash proceeds to be redeployed into the regulated water and wastewater business to fund near-term incremental capital investments, while interest on the Seller’s Note will provide a stream of earnings over the life of the note. Upon maturity, the proceeds from the repayment of the Seller’s Note are expected to be used to fund a continually growing capital investment in the regulated business. American Water will also enter into a revenue sharing agreement that provides for American Water to receive a percentage of revenue generated from previous on-bill billing arrangements with American Water customers. This agreement will also provide an ongoing income stream as Apax continues these relationships. American Water anticipates closing the transaction in the fourth quarter of 2021, subject to the satisfaction or waiver of customary closing conditions, including the expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976.

Financial Targets Established for 2022-2026

- 2022 earnings guidance range of **\$4.39 to \$4.49** per share
- Long-term EPS CAGR narrowed to a range of **7-9% for the 2022-2026 period**
- 2022-2026 investment plan of **\$13-\$14 billion** and expected **\$28-\$32 billion** for the 10-year period of 2022-2031
- Rate base growth expectation of **8-9%, increased** from 7-8%
- Long-term dividend growth expectation **affirmed** at the high end of a 7-10% range
- Long-term plan includes **\$1.275 billion** in expected gross proceeds (\$1.0 billion estimated after tax) from the Homeowner Services sale transaction fully redeployed into the regulated capital investment plan and **\$1.1 billion of public equity issuances** to support growth
- 2026 O&M efficiency target of **30.0%**

Consolidated Results

For the three months ended September 30, 2021, earnings per share were \$1.53, an increase of \$0.07 compared to the same period in 2020. This increase was primarily driven by continued growth in the Regulated Businesses from infrastructure investment, acquisitions and organic growth, partially offset by an estimated \$0.07 per share impact from weather that was cooler and wetter in the third quarter 2021 compared to the same period in 2020. On a weather normalized basis, third quarter diluted earnings for 2021 and 2020 were \$1.54 and \$1.40 per share, respectively, an increase of 10%.

For the nine months ended September 30, 2021, earnings per share were \$3.40, an increase of \$0.29 compared to the same period in 2020. This increase was primarily driven by a \$0.34 increase in the Regulated Businesses as earnings growth from infrastructure investment, acquisitions and organic growth, was partially offset by an estimated \$0.04 per share impact from cooler and wetter weather in 2021 compared to the same period in 2020. On a weather normalized basis, diluted earnings for 2021 and 2020 year-to-date were \$3.38 and \$3.05 per share, respectively, an increase of nearly 11%. The consolidated results were also partially offset by lower results from the Homeowner Services Group due to an increase in claims expense in the first half of 2021.

For the first nine months of 2021, the Company made capital investments of approximately \$1.3 billion, including \$1.2 billion primarily for infrastructure improvements in the Regulated Businesses and \$78 million for regulated acquisitions. The Company plans to invest approximately \$1.9 billion across its footprint in 2021.

Regulated Businesses

In the third quarter of 2021, the Regulated Businesses' net income was \$273 million, compared to \$261 million for the same period in 2020. Regulated revenue decreased approximately \$1 million as increases from additional authorized revenues from infrastructure investments, acquisitions and organic growth were offset by lower demand due to weather compared to the prior year. Excluding revenue reductions for the amortization of excess accumulated deferred income tax ("EADIT") of \$24 million, which is offset with a like amount as lower tax expense, revenue increased \$23 million. Results also reflect higher O&M expenses of \$3 million to support growth in the Regulated Businesses and increased depreciation of \$13 million, mainly related to infrastructure investment growth.

For the first nine months of 2021, the Regulated Businesses net income was \$623 million, compared to \$561 million for the same period in 2020. Regulated revenue increased approximately \$88 million from additional authorized revenues from infrastructure investments, acquisitions and organic growth, partially offset by lower demand due to weather. Excluding agreed to revenue reductions for the amortization of EADIT of \$68 million, which is offset with a like amount as lower tax expense, revenue increased \$156 million. Results also reflect higher O&M expenses of \$51 million to support growth in the Regulated Businesses and increased depreciation of \$32 million, mainly related to infrastructure investment growth.

To date, the Company has been authorized additional annualized revenues, excluding agreed to reductions for EADIT, of approximately \$120 million from general rate cases, with \$100 million effective in 2021 and \$20 million effective in 2022. In addition, approximately \$53 million of additional annualized revenues from infrastructure surcharges have been authorized and are effective in 2021. The Company has general rate cases in progress in three jurisdictions and filed for infrastructure surcharges in two jurisdictions, reflecting a total annualized revenue request of approximately \$77 million.

For the 12-month period ended September 30, 2021, the Company's adjusted regulated O&M efficiency ratio (a non-GAAP financial measure) was 33.9%, a decrease from 34.2% for the 12-month period ended September 30, 2020. The improvement in this ratio reflects the continued focus on operating costs, as well as an increase in operating revenues for the Regulated Businesses after considering the adjustment for the amortization of the EADIT shown below.

Market-Based Businesses

In the third quarter of 2021, net income for the Market-Based Businesses was \$23 million, unchanged from the same period in 2020.

For the first nine months of 2021, net income in the Market-Based Businesses was \$59 million, compared to \$68 million for the same period in 2020. The decrease was largely the result of increased claims costs in 2021 for the Homeowner Services business from extreme cold weather across the country during the first quarter of 2021, primarily in Texas and Illinois.

Dividends

On October 28, 2021, the Company's Board of Directors declared a quarterly cash dividend payment of \$0.6025 per share, payable on December 1, 2021, to shareholders of record as of November 10, 2021.

2021 Earnings Guidance

The Company affirms its 2021 earnings per share guidance range of \$4.18 to \$4.28. This guidance range assumes normal weather for the remainder of the year and does not reflect any estimated impact from the sale of HOS, which is expected to close in the fourth quarter of 2021. The Company's earnings forecasts are subject to numerous risks and uncertainties, including, without limitation, those described under "Forward-Looking Statements" below and under "Risk Factors" in its annual, quarterly and current reports filed with the Securities and Exchange Commission ("SEC").

Non-GAAP Financial Measures

This press release includes a presentation of adjusted regulated O&M efficiency ratio, a “non-GAAP financial measure” under SEC rules, which excludes from its calculation estimated purchased water revenues and purchased water expenses, reductions for the amortization of EADIT, and the allocable portion of non-O&M support services costs, mainly depreciation and general taxes. These items were excluded from the O&M efficiency ratio calculation as they do not reflect management’s ability to increase the efficiency of the Regulated Businesses. This item is derived from American Water’s consolidated financial information but is not presented in its financial statements prepared in accordance with GAAP. This non-GAAP financial measure supplements and should be read in conjunction with the Company’s GAAP disclosures and should be considered as an addition to, and not a substitute for, any GAAP measure.

Management evaluates its operating performance using this ratio and believes that this non-GAAP financial measure is useful to the Company’s investors because it directly measures improvement in the operating performance and efficiency of the Company’s Regulated Businesses. The Company’s adjusted regulated O&M efficiency ratio (i) is not an accounting measure that is based on GAAP; (ii) is not based on a standard, objective industry definition or method of calculation; (iii) may not be comparable to other companies’ operating measures; and (iv) should not be used in place of the GAAP information provided elsewhere in this press release.

Set forth in this release is a table that calculates the Company’s adjusted regulated O&M efficiency ratio and reconciles each of the components used to calculate this ratio to the most directly comparable GAAP financial measure. Management is unable to present a reconciliation of adjustments to the components of the forward-looking regulated O&M efficiency ratio without unreasonable effort because management cannot reliably predict the nature, amount or probable significance of all of the adjustments for future periods; however, these adjustments may, individually or in the aggregate, cause the non-GAAP financial measure component of the forward-looking ratio to differ significantly from the most directly comparable GAAP financial measure.

Virtual Investor Day

American Water will host a virtual Investor Day on Wednesday, November 3, 2021, at 9:00 a.m. Eastern Daylight Time. The event will feature presentations by Walter Lynch, President and Chief Executive Officer; Susan Hardwick, Executive Vice President and Chief Financial Officer; and Cheryl Norton, Executive Vice President and Chief Operating Officer. The company will review the results for the third quarter of 2021 and will discuss its vision and strategy for the future, updated long-term financial plan, and the recently announced agreement to sell its Homeowner Services Group. The company will also discuss an increased capital investment program to provide reliable and sustainable water and wastewater services and its ongoing effort to enhance customer experience.

Interested parties may access the video webcast through a link on the Company’s Investor Relations website at ir.amwater.com. Presentation slides that will be used in conjunction with the event will also be made available online on the Company’s Investor Relations. The Company recognizes its Investor Relations website as a key channel of distribution to reach public investors and as a means of disclosing material non-public information to comply with its obligations under SEC Regulation FD.

Following the event, an archive of the webcast will be available for one year on American Water’s investor relations website at ir.amwater.com/events.

The company’s earnings guidance, capital spending, dividend growth, rate base growth and O&M efficiency forecasts are subject to numerous risks and uncertainties, including, without limitation, those described under “Cautionary Statement Concerning Forward-Looking Statements” below and under “Risk Factors” in its annual and quarterly reports filed with the Securities and Exchange Commission (SEC).

About American Water

With a history dating back to 1886, American Water is the largest and most geographically diverse U.S. publicly-traded water and wastewater utility company. The Company employs approximately 7,000 dedicated professionals who provide regulated and market-based drinking water, wastewater and other related services to over 15 million people in 46 states. More information can be found by visiting amwater.com and follow American Water on Twitter, Facebook and LinkedIn.

Throughout this press release, unless the context otherwise requires, references to the “Company” and “American Water” mean American Water Works Company, Inc. and all of its subsidiaries, taken together as a whole.

Cautionary Statement Concerning Forward-Looking Statements

Certain statements in this press release including, without limitation, 2021 and 2022 earnings guidance, future capital needs, earnings, rate base and dividend growth projections, the ability to complete the proposed sale of the Homeowner Services Group on a timely basis or at all (including without limitation the ability to obtain required antitrust approval and satisfy closing and other conditions, covenants and deliveries related to the proposed transaction), the accounting, financial and other impacts of the proposed transaction, the ability to achieve the Company’s goals related to the proposed transaction, including with respect to the repayment of the Seller’s note and the redeployment of net proceeds from the proposed transaction, the outcome of pending acquisition activity, the amount and allocation of projected capital expenditures; the Company’s long-term O&M efficiency ratio target, the impacts to the Company of the COVID-19 pandemic health event, and estimated revenues from rate cases and other government agency authorizations, are forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and the Federal securities laws. In some cases, these forward-looking statements can be identified by words with prospective meanings such as “intend,” “plan,” “estimate,” “believe,” “anticipate,” “expect,” “predict,” “project,” “propose,” “assume,” “forecast,” “outlook,” “future,” “pending,” “goal,” “objective,” “potential,” “continue,” “seek to,” “may,” “can,” “will,” “should” and “could” and or the negative of such terms or other variations or similar expressions. These forward-looking statements are predictions based on American Water’s current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, financial results of levels of activity, performance or achievements, and readers are cautioned not to place undue reliance upon them. The forward-looking statements are subject to a number of estimates and assumptions, and known and unknown risks, uncertainties and other factors. Actual results may differ materially from those discussed in the forward-looking statements included in this press release as a result of the factors discussed in the Company’s Annual Report on Form 10-K for the year ended December 31, 2020, and subsequent filings with the SEC, and because of factors such as: the ability to obtain required consents and regulatory and other approvals required to complete, and satisfying other conditions to the closing of, the proposed transaction, including the expiration or termination of the early waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976; the amount of proceeds to be received from the proposed sale, due to, among other things, closing and post-closing adjustments to the purchase price as provided in the purchase agreement; unexpected costs, liabilities or delays associated with the contemplated transaction; the decisions of governmental and regulatory bodies, including decisions to raise or lower customer rates and regulatory responses to the COVID-19 pandemic; the timeliness and outcome of regulatory commissions’ and other authorities’ actions concerning rates, capital structure, authorized return on equity, capital investment, system acquisitions and dispositions, taxes, permitting, water supply and management, and other decisions; changes in customer demand for, and patterns of use of, water, such as may result from conservation efforts, impacts of the COVID-19 pandemic, or otherwise; a loss of one or more large industrial or commercial customers due to adverse economic conditions, the COVID-19 pandemic, or other factors; limitations on the availability of the Company’s water supplies or sources of water, or restrictions on its use thereof, resulting from allocation rights, governmental or regulatory requirements and restrictions, drought, overuse or other factors; changes in laws, governmental regulations and policies, including with respect to the environment, health and safety, consumer and data privacy, water quality and water quality accountability, contaminants of emerging concern, public utility and tax regulations and policies, and impacts resulting from U.S., state and local elections and changes in federal, state and local executive administrations; weather conditions and events, climate variability patterns, and natural disasters, including drought or abnormally high rainfall, prolonged and abnormal ice or freezing conditions, strong winds, coastal and intercoastal flooding, pandemics (including COVID-19) and epidemics, earthquakes, landslides, hurricanes, tornadoes, wildfires, electrical storms, sinkholes and solar flares; the outcome of litigation and similar governmental and regulatory proceedings, investigations

or actions; the risks associated with the Company's aging infrastructure, and its ability to appropriately improve the resiliency of, or maintain, or replace, current or future infrastructure and systems, including its technology and other assets, and manage the expansion of its businesses; exposure or infiltration of the Company's technology and critical infrastructure systems, including the disclosure of sensitive, personal or confidential information contained therein, through physical or cyber attacks or other means; the Company's ability to obtain permits and other approvals for projects and construction of various water and wastewater facilities; changes in the Company's capital requirements; the Company's ability to control operating expenses and to achieve operating efficiencies; the intentional or unintentional actions of a third party, including contamination of the Company's water supplies or the water provided to its customers; the Company's ability to obtain adequate and cost-effective supplies of equipment (including personal protective equipment), chemicals, electricity, fuel, water and other raw materials; the Company's ability to successfully meet growth projections for the Regulated Businesses and the Market-Based Businesses, either individually or in the aggregate, and capitalize on growth opportunities, including, among other things, with respect to acquiring, closing and successfully integrating regulated operations and market-based businesses, entering into contracts and other agreements with, or otherwise obtaining, new customers or partnerships in the Market-Based Businesses, and realizing anticipated benefits and synergies from new acquisitions; risks and uncertainties associated with contracting with the U.S. government, including ongoing compliance with applicable government procurement and security regulations; cost overruns relating to improvements in or the expansion of the Company's operations; the Company's ability to successfully develop and implement new technologies and to protect related intellectual property; the Company's ability to maintain safe work sites; the Company's exposure to liabilities related to environmental laws and similar matters resulting from, among other things, water and wastewater service provided to customers; changes in general economic, political, business and financial market conditions, including without limitation conditions and collateral consequences associated with the COVID-19 pandemic health event; access to sufficient debt and/or equity capital on satisfactory terms and when and as needed to support operations and capital expenditures; fluctuations in interest rates; the ability to comply with affirmative or negative covenants in the current or future indebtedness of the Company or any of its subsidiaries, or the issuance of new or modified credit ratings or outlooks or other communications by credit rating agencies with respect to the Company or any of its subsidiaries (or any current or future indebtedness thereof), which could increase financing costs or funding requirements and affect the Company's or its subsidiaries' ability to issue, repay or redeem debt, pay dividends or make distributions; fluctuations in the value of benefit plan assets and liabilities that could increase the Company's cost and funding requirements; changes in federal or state general, income and other tax laws, including (i) future significant tax legislation; (ii) further rules, regulations, interpretations and guidance by the U.S. Department of the Treasury and state or local taxing authorities related to the enactment of the Tax Cuts and Jobs Act of 2017; (iii) the availability of, or the Company's compliance with, the terms of applicable tax credits and tax abatement programs; and (iv) the Company's ability to utilize its U.S. federal and state income tax net operating loss carryforwards; migration of customers into or out of the Company's service territories; the use by municipalities of the power of eminent domain or other authority to condemn the systems of one or more of the Company's utility subsidiaries, or the assertion by private landowners of similar rights against such utility subsidiaries; any difficulty or inability to obtain insurance for the Company, its inability to obtain insurance at acceptable rates and on acceptable terms and conditions, or its inability to obtain reimbursement under existing or future insurance programs and coverages for any losses sustained; the incurrence of impairment charges related to the Company's goodwill or other assets; labor actions, including work stoppages and strikes; the Company's ability to retain and attract qualified employees; civil disturbances or unrest, or terrorist threats or acts, or public apprehension about future disturbances, unrest, or terrorist threats or acts; and the impact of new, and changes to existing, accounting standards.

These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above and the risk factors included in American Water's annual, quarterly and other SEC filings, and readers should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements American Water makes speak only as of the date of this press release. American Water does not have or undertake any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise, except as otherwise required by the federal securities laws. New factors emerge from time to time, and it is not possible for the Company to predict all such factors. Furthermore, it may not be possible to assess the impact of any such factor on the Company's businesses, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.

AWK IR

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
Operating revenues	\$ 1,092	\$ 1,079	\$ 2,979	\$ 2,854
Operating expenses:				
Operation and maintenance	436	419	1,286	1,193
Depreciation and amortization	161	154	476	451
General taxes	78	73	241	225
Total operating expenses, net	675	646	2,003	1,869
Operating income	417	433	976	985
Other income (expense):				
Interest, net	(101)	(99)	(300)	(296)
Non-operating benefit costs, net	20	12	59	37
Other, net	4	6	11	17
Total other (expense) income	(77)	(81)	(230)	(242)
Income before income taxes	340	352	746	743
Provision for income taxes	62	88	128	179
Net income attributable to common shareholders	\$ 278	\$ 264	\$ 618	\$ 564
Basic earnings per share: (a)				
Net income attributable to common shareholders	\$ 1.53	\$ 1.46	\$ 3.40	\$ 3.11
Diluted earnings per share: (a)				
Net income attributable to common shareholders	\$ 1.53	\$ 1.46	\$ 3.40	\$ 3.11
Weighted-average common shares outstanding:				
Basic	182	181	182	181
Diluted	182	182	182	181

(a) Amounts may not calculate due to rounding.

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

	<u>September 30, 2021</u>	<u>December 31, 2020</u>
ASSETS		
Property, plant and equipment	\$ 26,877	\$ 25,614
Accumulated depreciation	(6,292)	(5,904)
Property, plant and equipment, net	<u>20,585</u>	<u>19,710</u>
Current assets:		
Cash and cash equivalents	70	547
Restricted funds	30	29
Accounts receivable, net of allowance for uncollectible accounts of \$76 and \$60, respectively	348	321
Unbilled revenues	249	206
Materials and supplies	53	47
Assets held for sale	678	629
Other	162	127
Total current assets	<u>1,590</u>	<u>1,906</u>
Regulatory and other long-term assets:		
Regulatory assets	1,128	1,127
Operating lease right-of-use assets	95	95
Goodwill	1,511	1,504
Postretirement benefit assets	175	173
Intangible assets	47	55
Other	202	196
Total regulatory and other long-term assets	<u>3,158</u>	<u>3,150</u>
Total assets	<u>\$ 25,333</u>	<u>\$ 24,766</u>

	<u>September 30, 2021</u>	<u>December 31, 2020</u>
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock (\$0.01 par value; 500,000,000 shares authorized; 186,795,975 and 186,466,707 shares issued, respectively)	\$ 2	\$ 2
Paid-in-capital	6,772	6,747
Retained earnings	500	102
Accumulated other comprehensive loss	(45)	(49)
Treasury stock, at cost (5,260,279 and 5,168,215 shares, respectively)	(363)	(348)
Total common shareholders' equity	<u>6,866</u>	<u>6,454</u>
Long-term debt	10,349	9,329
Redeemable preferred stock at redemption value	3	4
Total long-term debt	<u>10,352</u>	<u>9,333</u>
Total capitalization	<u>17,218</u>	<u>15,787</u>
Current liabilities:		
Short-term debt	684	1,282
Current portion of long-term debt	48	329
Accounts payable	175	189
Accrued liabilities	520	591
Accrued taxes	73	50
Accrued interest	103	88
Liabilities related to assets held for sale	78	137
Other	163	215
Total current liabilities	<u>1,844</u>	<u>2,881</u>
Regulatory and other long-term liabilities:		
Advances for construction	284	270
Deferred income taxes and investment tax credits	2,285	2,113
Regulatory liabilities	1,660	1,770
Operating lease liabilities	81	81
Accrued pension expense	346	388
Other	180	83
Total regulatory and other long-term liabilities	<u>4,836</u>	<u>4,705</u>
Contributions in aid of construction	1,435	1,393
Commitments and contingencies		
Total capitalization and liabilities	<u>\$ 25,333</u>	<u>\$ 24,766</u>

American Water Works Company, Inc. and Subsidiary Companies
Adjusted Regulated Operation and Maintenance Efficiency Ratio (A Non-GAAP, unaudited measure)
In millions

(Dollars in millions)	For the Twelve Months Ended September 30,	
	2021	2020
Total operation and maintenance expenses	\$ 1,715	\$ 1,605
Less:		
Operation and maintenance expenses—Market-Based Businesses	436	386
Operation and maintenance expenses—Other	(30)	(20)
Total operation and maintenance expenses—Regulated Businesses	1,309	1,239
Less:		
Regulated purchased water expenses	154	146
Allocation of non-operation and maintenance expenses	41	34
Adjusted operation and maintenance expenses—Regulated Businesses (i)	\$ 1,114	\$ 1,059
Total operating revenues	\$ 3,902	\$ 3,756
Less:		
Operating revenues—Market-Based Businesses	575	536
Operating revenues—Other	(16)	(18)
Total operating revenues—Regulated Businesses	3,343	3,238
Less:		
Regulated purchased water revenues (a)	154	146
Revenue reductions for the amortization of EADIT	(93)	—
Adjusted operating revenues—Regulated Businesses (ii)	\$ 3,282	\$ 3,092
Adjusted O&M efficiency ratio—Regulated Businesses (i) / (ii)	33.9%	34.2%

(a) The calculation assumes regulated purchased water revenues approximate regulated purchased water expenses.



**Fall 2021 Investor Day:
Exciting Road Ahead as a Pure-
Play Regulated Water Utility**

November 3, 2021



Aaron Musgrave

Senior Director, Investor Relations

Forward-Looking Statements

Safe Harbor

This presentation includes forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and the Federal securities laws. They are not guarantees or assurances of any outcomes, financial results, levels of activity, performance or achievements, and readers are cautioned not to place undue reliance upon them. The forward-looking statements are subject to a number of estimates and assumptions, and known and unknown risks, uncertainties and other factors. Actual results may differ materially from those discussed in the forward-looking statements included in this presentation. The factors that could cause actual results to differ, including uncertainties, risks and other factors associated with the coronavirus (COVID-19) pandemic, are discussed in the Appendix to this presentation, and in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2021, as filed with the SEC on November 2, 2021.

Non-GAAP Financial Information

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

Safety Above All

Safety is a priority in everything that we do



- 1 Bedrock of Culture
- 2 Zero Injuries
- 3 Emotional Safety
- 4 Virtual Investor Day
- 5 Daylight Savings Time Ends Sunday, Nov. 7; Be Safe When Driving



Walter Lynch

President and Chief Executive Officer

Agenda



1

Vision and Business Outlook
Walter Lynch, President and CEO

2

Operating Strategy
Cheryl Norton, EVP and COO

3

Financial Strategy
Susan Hardwick, EVP and CFO

4

Closing Remarks
Walter Lynch, President and CEO

5

5 Minute Break

6

Q&A Session

Strategic Focus - Creating Value for the Long Term



Execution of Our Vision & Strategy



Our Business at a Glance (Post HOS & NY Sales)



Our Industry-Leading Growth Outlook

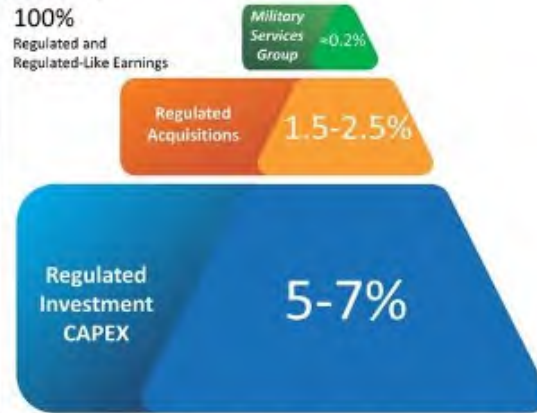
7-9% EPS CAGR target

2022-2026 Plan

Business Mix

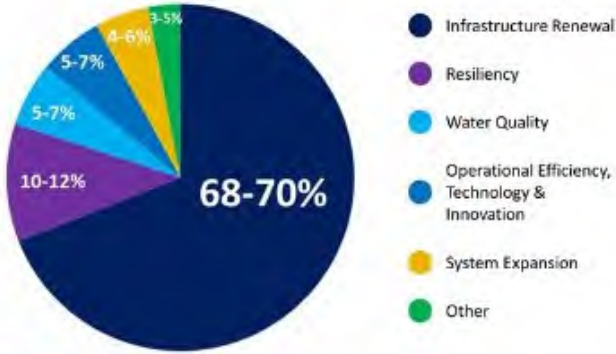
100%

Regulated and
Regulated-Like Earnings



Accelerating Capital Investment

2022-2031 Average Regulated Capital Expenditures by Purpose



Capital Plan (\$ in billions)



Balancing Investment Opportunity & Customer Affordability



What can help us do more

-  O&M and capital efficiencies
-  Regulatory support and constructive legislation
-  Increase customer base

Highly Fragmented Water Industry Creates Opportunity

Water Utilities



Electric Utilities



Natural Gas Utilities



Industry Opportunity

Water	Wastewater
16% Investor Owned	2% Investor Owned
84% Public & Other	98% Public & Other

American Water Footprint

- Ideal for industry consolidation opportunities
- Target 5,000-50,000 customer connections per acquisition
- Wastewater focus (AWK customer connections mix- 93% water & 7% wastewater)



Water Utilities Source: EPA SDWS
Federal Reports Search
www3.epa.gov/firmaffairs/aww/

Electric Utilities Source: Form EIA-861
detailed data files
www.eia.gov/industry/data/eia861/

Gas Utilities Source: EPA F.L.G.H.T. Greenhouse
Gas Emissions from Large Facilities
ghgdata.epa.gov/ghgdata/aww/

Leveraging Our Competitive Advantages



Scale and large customer base



People with deep utility experience



Focus on efficient operations



Increase wastewater within and adjacent to water footprint



Engagement on regulatory and legislative policy

State Legislation & Regulation Enable Growth

Utility Valuation Legislation & Regulation

12

CA	IA
IL	IN
KY*	MD
MO	NJ
PA	TN*
VA	WV

Consolidated Tariffs

12

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

Water Quality Accountability Legislation

3

NJ
IN
MO

Regulated Acquisitions Update

 **Under Agreement***
as of November 1, 2021

≈82,700 Customer Connections
31 Acquisitions

CA: 3	NJ: 2
IL: 5	PA: 7
IN: 1	VA: 1
MO: 11	WV: 1

* Does not reflect the announced pending sale of NYAW.

 **Closed**
YTD as of November 1, 2021

≈7,450 Customer Connections
14 Acquisitions in 6 States

CA: 1	MO: 4
IL: 3	PA: 2
IN: 2	WV: 2

 **≈1,300,000**
Customer Connections in Pipeline

- Opportunity A – 78,000
- Opportunity B – 50,000
- Opportunity C – 50,000
- Opportunity D – 33,000
- Opportunity E – 30,000



Military Services Group Provides Strategic Value



Military Services Group

- *Regulated-like earnings*
- *Favorable ROI opportunity*
- *Capital light / cash flow positive*
- *Positive branding*
- *Leverage core competencies*
- *Dual wins for AWK & U.S. ESG values*

Currently Serving 17 Military Installations

- 12 Army
- 5 Air Force
- 0 Navy
- 0 Marine Corps

71 Additional Installation Opportunities

- 15 Army
- 23 Air Force
- 20 Navy
- 13 Marine Corps

Objectives for the Next Five Years: 2022-2026 Plan

AWK Growth Outlook

7-9% EPS CAGR Target

Business Mix



- Advance infrastructure improvement through five-year capital investment plan of approximately \$13 - \$14 billion and expected ten-year plan of approximately \$28 - \$32 billion
- Optimize recovery of capital investment through effective regulatory strategies
- Accelerate growth through acquisitions
- Focus on customer affordability by continuing to drive O&M efficiency through strategic approach to managing costs
- Strengthen position as leading Environmental, Social and Governance (ESG) investment

Scranton Wastewater: An American Water Success Story

Prior to Acquisition

- Consent Order and Long-Term Control Plan with the U.S. EPA
- \$140M in required upgrades
- Significant financial penalties
- ~700M gallons of sewer overflow discharge annually

Post-Acquisition Accomplishments

- Maintained reasonable rates for customers
- Zero EPA violations and fines
- 70% reduction in sewer overflow thus far
- More than 12,000 feet of sewer main replaced



Aerial view of the former Scranton Sewer Authority and proximity to Lackawanna River

	Under SSA 2001 - 2016	Under Pennsylvania American Water 2017 - Present
EPA Violations	15+	0
Fines	\$375,619	\$0






Cheryl Norton

Executive VP & Chief Operating Officer

Water and Wastewater Industry in the U.S.

American Society of Civil Engineers
Grades U.S. Infrastructure



Wastewater Report Card
2021 Grade **D+**

Drinking Water Report Card
2021 Grade **C-**

Not American Water pipes

Resiliency Investments to Manage
Climate Variability



- Approximately **51,000** community water systems, **16,000** wastewater systems
- Nationwide, there is an estimated **250,000 to 300,000** water main breaks per year; equivalent to a water main break every two minutes
- Over **2.1 trillion gallons** of treated water is lost each year
- Since 2017, replacement rates for wastewater collection pipes have essentially **stagnated**
- **900 billion gallons** of untreated wastewater discharged into our waterways each year

Critical need for multi-decade investment



Source: ASCE's 2021 Infrastructure Report Card

Increase in Regulated Investment of \$3 Billion Over the Next 5 Years and \$6 Billion over 10 Years

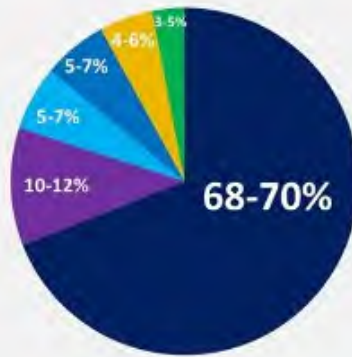


Regulated Capital Expenditures by Purpose: Infrastructure Renewal Continues to Drive Growth

Historical Capital Expenditures
2016-2020



Current Capital Plan
2022-2031



- Infrastructure Renewal
- Resiliency
- Water Quality
- Operational Efficiency, Technology & Innovation
- System Expansion
- Other

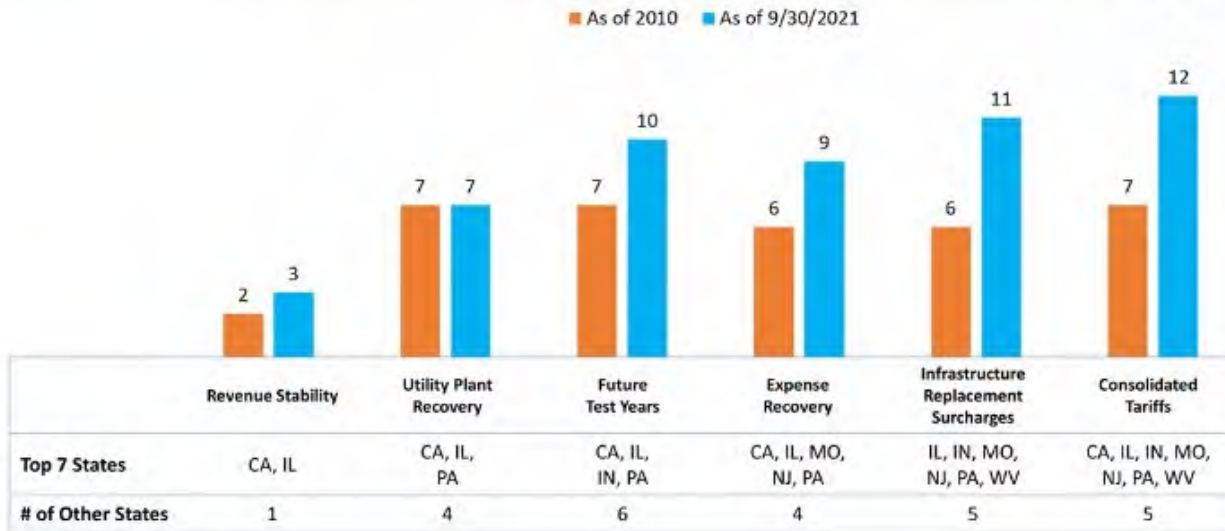
Value of American Water's Resiliency Investments Demonstrated During Hurricane Ida

- The river outside our Raritan-Millstone Plant in New Jersey crested at record height of 44.87', three feet below the top of the recently heightened flood wall
- Flood doors at our Norristown Water Treatment Plant in Pennsylvania withstood 5' of floodwater
- Recently reinforced Scranton, PA dam withstood heavy rains
- Maryland received 8" of rain, raising the turbidity of the typical water supply; our operations switched to alternate water source
- In New York, emergency sump pumps & post-Hurricane Sandy upgrades handled floodwaters



Raritan-Millstone Water Treatment Plant

Constructive Regulatory Mechanisms Across Our Footprint



Timely Recovery Through Regulatory Mechanisms



2022-2026 Capital Plan
(average)

Strategic Approach to Managing Costs



TECHNOLOGY

- *Enabling employees*
- *Enhancing customer experience*
- *Best-in-class operations*



SUPPLY CHAIN

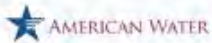
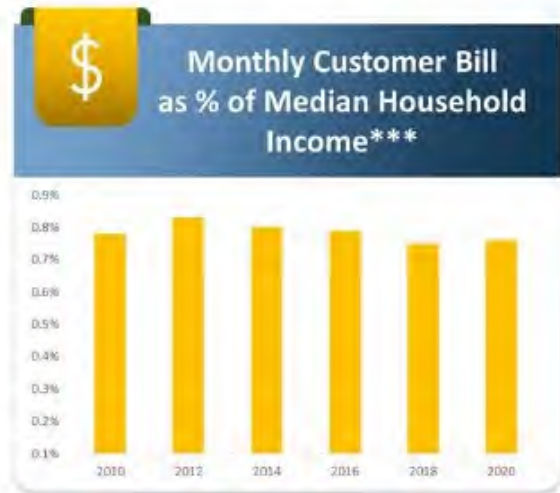
- *Leverage our scale*
- *More competitive pricing/buying power*
- *Access to supply*
- *Commitment to diverse suppliers*



CULTURE

- *Strong customer focus*
- *Embrace innovation*
- *Continuous execution*

Managing Customer Affordability with a Disciplined Focus on Operating Costs



* Non-GAAP Measure – O&M Efficiency Ratio = Adjusted Regulated O&M Expenses (O&M Expenses is most comparable GAAP measure) / Adjusted Regulated Operating Revenues (Operating Revenues is most comparable GAAP measure). This calculation assumes purchased water revenues approximate purchased water expenses.
 ** A reconciliation to a most comparable forward-looking GAAP measure is not available without unreasonable effort.
 *** Figure is estimated based on data from the US Census Bureau American Community Survey based on zip codes served by American Water. American Water does not collect household income data from its customers.

Embedding ESG in Our Operations



ENVIRONMENTAL

How a company performs as a steward of the environment

*e.g., Climate Variability
Energy Emissions
Waste Management
Resource Depletion*



SOCIAL

How a company manages its relationships with employees, customers, investors and communities

*e.g., Diversity and Inclusion
Health and Safety
Community Impact
Talent Attraction, Retention & Engagement*



GOVERNANCE

How a company is governed

*e.g., Executive Pay
Board Diversity and Structure
Shareholder Rights
Audit & Finance*

ESG at AWK



Raters/Rankers

Continuous Improvement

CDP = B
MSCI = BBB
Sustainalytics Risk= 27.7
Newsweek = 75 (2nd highest utility)
Corporate Knights Global 100 = 9 (Top utility)
DEI = 100% (Top performer)



ESG Dashboard

Performance Tracking

- Dashboard includes tracking of:
- Indices/Raters
 - Energy & Emissions Goal – **ON TARGET**
 - Water Efficiency Goal – **ON TARGET**
 - Water Supply Resilience Goal – **ON TARGET**



Sustainability Report

Released Sept '21

Measure, manage, and disclose
ESG performance for 2019 & 2020.

Material topic reporting.



Susan Hardwick

Executive VP & Chief Financial Officer

Continued Execution on Our Strategy

Third Quarter 2021 Results



EPS Contribution by Business

	<u>Three Months Ended</u> <u>9/30/2021</u>	<u>Three Months Ended</u> <u>9/30/2020</u>	<u>Change</u>
Regulated	\$1.51	\$1.44	\$0.07
Market-Based	\$0.12	\$0.12	\$0.00
Parent Interest & Other	(\$0.10)	(\$0.10)	\$0.00
Total EPS	\$1.53	\$1.46	\$0.07

YTD 2021 Results



EPS Contribution by Business

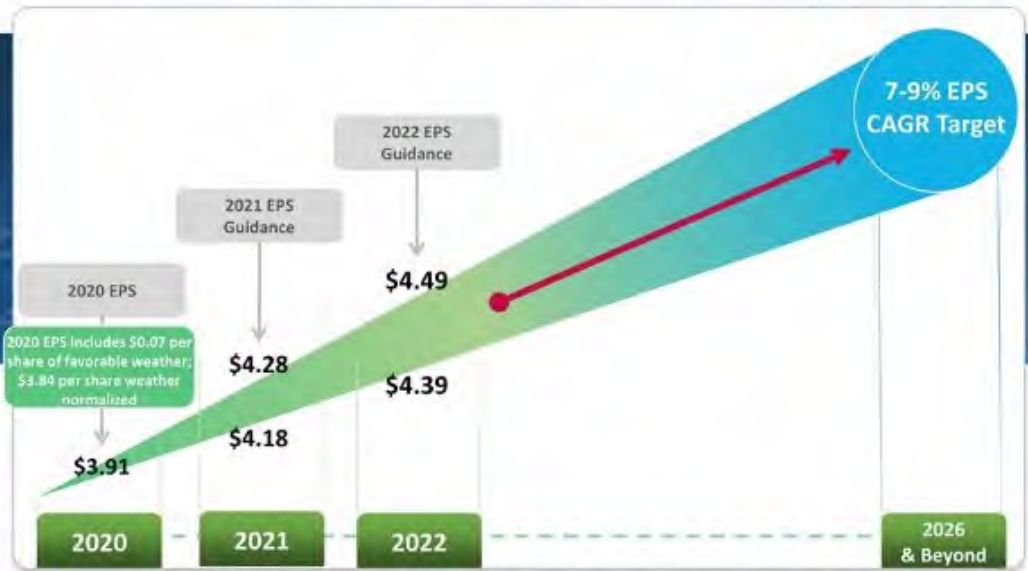
	<u>Nine Months Ended</u> <u>9/30/2021</u>	<u>Nine Months Ended</u> <u>9/30/2020</u>	<u>Change</u>
Regulated	\$3.43	\$3.09	\$0.34
Market-Based	\$0.32	\$0.37	(\$0.05)
Parent Interest & Other	(\$0.35)	(\$0.35)	\$0.00
Total EPS	\$3.40	\$3.11	\$0.29

2021 Guidance Affirmed; Initiating 2022 EPS Guidance



7-9% EPS
CAGR Target

2022 EPS Guidance
\$4.39 - \$4.49



High Quality, Top Tier Earnings Growth Outlook

2021-2025 Plan

7-10% EPS CAGR range

Business Mix

91%

Regulated and
Regulated-Like Earnings

Market-Based
Businesses ≈1%

Regulated
Acquisitions 1.5-2.5%

Regulated
Investment
CAPEX 5-7%

2022-2026 Plan

7-9% EPS CAGR range

Business Mix

100%

Regulated and
Regulated-Like Earnings

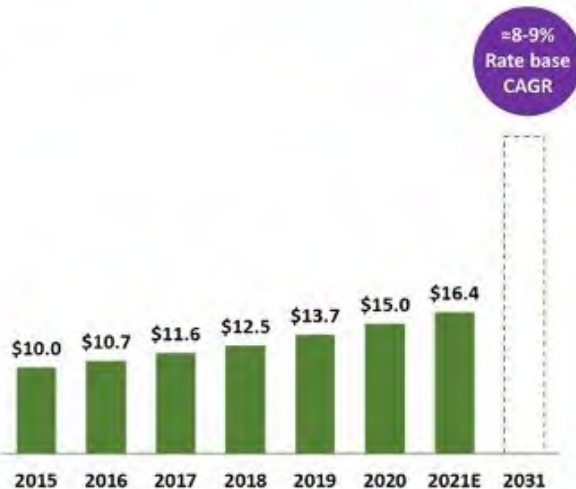
Military
Services
Group ≈0.2%

Regulated
Acquisitions 1.5-2.5%

Regulated
Investment
CAPEX 5-7%

Investment in Rate Base is the Foundation of Our Growth

(\$ in billions)



Estimated Rate Base*	
	As of 9/30/2021
Net Utility Plant	\$21.0
Less	
Advances for Construction	\$0.3
CIAC - Contributions in Aid of Construction	\$1.4
Net Deferred income taxes	\$3.4
	\$5.1
Total Estimated Rate Base	\$15.9



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

Homeowner Services Transaction Creates Long Term Value

(\$ in millions)

Sale Proceeds	
Cash at Closing	\$480
Additional Cash Proceeds Due 2023	\$75
Seller's Note Receivable Due 2026	\$720
Total Deal Value	\$1,275

Long Term Value Creation:

- *Transaction is an opportunity to transfer value created in HOS into accelerated investment in the Regulated Business*
- *Initial cash proceeds to be redeployed into the Regulated Business to fund near-term incremental capital investments*
- *Seller's Note Receivable bearing 7% annual interest rate with a five-year term to provide a stream of earnings until maturity*
- *Proceeds from the Seller's Note at maturity to fund additional investment in the Regulated Business*
- *Separate revenue sharing agreement adds another source of ongoing earnings*

Financing Our Increase in Regulated Investments

(\$ in millions)



* Initial proceeds from HOS sale of \$480, gross, and \$720, gross, at note maturity at end of 2026; \$1,000 total proceeds after tax

** Equity Issuance timing shifted one year out in 5-year plan compared to prior plan

Balance Sheet Strength

AWK Long-Term Issuer Rating

S&P Global

A
(stable)

Moody's

Baa1
(stable)

Consolidated Debt Maturity Profile

as of September 30, 2021

(\$ in millions)



*Projection includes use of short tenors related to timing of HOS Transaction Note Proceeds

Debt to Total Capital*



*Includes both long-term and short-term debt
**Excludes \$500 million term loan repaid in March 2021

Liquidity Available



*Includes \$1,400 available commercial paper, \$100 available letters of credit

Consistently Strong Dividend Growth



* Future dividends are subject to approval of the American Water Board of Directors

Operating and Financial Strategies Support Continued Strong Shareholder Returns

AWK Growth Outlook

7-9% EPS CAGR range

Business Mix



5-Year Cumulative Total Shareholder Return*



* As of 10/22/21 end date. Source: FactSet.



Walter Lynch

President and Chief Executive Officer

Our Strengths

The infographic consists of five vertical cards, each with a colored header icon and a white body. The cards are: 1. Safety (blue header with a shield icon), 2. Performance (orange header with a star icon), 3. People (yellow header with a person icon), 4. Solutions Provider (red header with a puzzle piece icon), and 5. ESG (green header with a globe icon). Each card contains a main title, a descriptive paragraph, and a tagline at the bottom.

Strength	Icon	Key Message	Tagline
Safety	Shield	<i>Safety is both a strategy & core company value.</i>	Safety is More Than "the Right Thing to Do"
Performance	Star	<i>Going beyond the minimum requirement to solidify our position as a leader in O&M excellence.</i>	Excellence is Getting the Fundamentals Right
People	Two People	<i>Inclusion & empowerment pave a path for employee & company success.</i>	Employees are the Heart of our Business
Solutions Provider	Puzzle Piece	<i>Growth enables investment in training, cyber security, infrastructure, & communities.</i>	Providing Water and Wastewater Solutions
ESG	Globe	<i>ESG affirms the values we have upheld for decades.</i>	Leading by Example

Our Compelling Story



Rate Base Growth

Increased Target

Targeting 8-9% rate base growth in our 2022-2031 plan



Earnings Growth

Narrowed Target

Targeting 7-9% EPS growth in our 2022-2026 plan and beyond



Dividend Growth

Affirmed Target

Targeting high end of 7-10% dividend growth* in our 2022-2026 plan



ESG Leadership Adds to Total Shareholder Return

Exceptional 169% TSR over last 5 years**



* Future dividends are subject to approval of the American Water Board of Directors.
** As of 10/21/21 end date. Source: FactSet.



5 Minute Break



Q&A Session



Investor Relations Contacts



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Upcoming Events

November 7-9, 2021
EEI Financial Conference



Appendix



Forward-Looking Statements

Statements made, referred to or relied upon in this presentation, including, without limitation, with respect to earnings per share guidance, dividend growth guidance, the timing and outcome of pending or future regulatory activity, our future financial performance, liquidity and cash flows; our ability to finance our current operations, capital expenditures and growth initiatives by accessing the debt and equity capital markets; the impacts to us attributable to the COVID-19 pandemic health event; the amount and allocation of future capital investments and expenditures; estimated revenues, regulatory recovery and other decisions in general rate cases and other proceedings; estimates regarding our projected rate base, growth, results of operations and financial condition; our projected regulated adjusted operation and maintenance efficiency ratio; growth and portfolio optimization strategies, including with respect to the announced sale of our New York subsidiary and the Homeowner Services Group and the amount of proceeds or gain or loss to be recognized therefrom; our ability to complete the proposed sale of the Homeowner Services Group on a timely basis or at all, and the accounting, financial and other impacts of the proposed transaction; the ability to achieve our strategies and goals related to the transaction, including the repayment of the Seller note receivable and the redeployment of the net proceeds therefrom; trends in the industries in which we operate, including macro trends with respect to our efforts related to customer, technology and work execution; the outcome and impact on us of governmental and regulatory investigations and proceedings and related potential fines, penalties and other sanctions; our ability to execute our business and operational strategy, and regulatory, legislative, tax policy or legal developments; are forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and the Federal securities laws. In some cases, these forward-looking statements can be identified by words with prospective meanings such as "intend," "plan," "estimate," "believe," "anticipate," "expect," "predict," "project," "propose," "assume," "forecast," "likely," "uncertain," "outlook," "future," "pending," "goal," "objective," "potential," "continue," "seek to," "may," "can," "will," "should" and "could" or the negative of such terms or other variations or similar expressions. These forward-looking statements are predictions based on our current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcome, financial results, levels of activity, performance or achievements, and readers are cautioned not to place undue reliance upon them. The forward-looking statements are subject to a number of estimates and assumptions, known and unknown risks, uncertainties and other factors. Actual results may vary materially from those discussed in the forward-looking statements included in this presentation as a result of the factors discussed in our Annual Report on Form 10-K for the year ended December 31, 2020, as filed with the SEC on February 24, 2021, and subsequent filings with the SEC, and because of factors including, without limitation: the ability to obtain required consents and regulatory and other approvals required to complete, and satisfying other conditions to the closing of, the proposed transaction; the amount of proceeds to be received from the proposed sale, due to, among other things, closing and post-closing adjustments to the purchase price as provided in the purchase agreement; the post-closing operating and financial results of the Homeowner Services business; unexpected costs, liabilities or delays associated with the contemplated transaction; the decisions of governmental and regulatory bodies and the timeliness and outcome of regulatory commissions' and other authorities' actions; changes in customer demand for, and patterns of use of, water; limitations on the availability of our water supplies or sources of water, or restrictions on its use thereof; a loss of one or more large industrial or commercial customers; changes in laws, governmental regulations and policies; impacts resulting from U.S., state and local elections and changes in executive administrations; weather conditions and events, climate variability patterns, and natural disasters, including drought or abnormally high rainfall, prolonged and abnormal ice or freezing conditions, strong winds, coastal and intercoastal flooding, pandemics (including COVID-19) and epidemics, earthquakes, landslides, hurricanes, tornadoes, wildfires, electrical storms, sinkholes and solar flares; the outcome of litigation and similar governmental and regulatory proceedings, investigations or actions; risks associated with our aging infrastructure and our ability to appropriately improve the resiliency of, or maintain and replace, current or future infrastructure, systems and assets; exposure or infiltration of our technology and critical infrastructure systems through physical or cyber attacks or other means; our ability to obtain permits and other approvals for projects and construction of various water and wastewater facilities; changes in our capital requirements; our ability to control operating expenses and to achieve efficiencies in our operations; the intentional or unintentional actions of a third party, including contamination of our water supplies or the water provided to our customers; our ability to obtain adequate and cost-effective supplies of equipment, chemicals, electricity, fuel, water and other raw materials; our ability to successfully meet growth projections for our businesses and capitalize on growth opportunities; our ability to acquire, close and successfully integrate regulated operations and market-based businesses, enter into contracts and other agreements with, or otherwise obtain, new customers in our market-based businesses, and realize anticipated benefits and synergies from new acquisitions; risks and uncertainties associated with contracting with the U.S. government; cost overruns relating to our operations; our ability to successfully develop and implement new technologies; our ability to maintain safe work sites; our exposure to liabilities related to environmental laws and similar matters; changes in general economic, political, business and financial market conditions, including with respect to the COVID-19 pandemic; access to sufficient debt and/or equity capital on satisfactory terms and when and as needed to support operations and capital expenditures; fluctuations in interest rates; our ability to comply with negative and affirmative covenants in our current or future indebtedness; the issuance of new or modified credit ratings or outlooks or other communications by credit rating agencies on us or on our current or future debt; our ability to issue, repay or redeem debt, pay dividends or make distributions; fluctuations in the value of benefit plan assets and liabilities; changes in federal or state general, income and other tax laws, including future significant tax legislation, the availability of or our compliance with the terms of applicable tax credits and tax abatement programs, and our ability to utilize our U.S. federal and state income tax net operating loss carryforwards; the use by municipalities of the power of eminent domain or other authority or the assertion of similar rights by private landowners; any difficulty or inability for us to obtain insurance; the incurrence of impairment charges related to goodwill or other assets; labor actions; our ability to attract and retain qualified employees; civil disturbances or unrest, or terrorist threats or acts; and other factors as may be set forth in the Company's SEC filings.

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

Non-GAAP Financial Information

This presentation includes adjusted regulated O&M efficiency ratios, both historical and forward-looking, which exclude from their calculation (i) estimated purchased water and other revenues and purchased water expenses, (ii) the impact of the Freedom industries chemical spill in 2014 and certain related settlement activities recognized in 2016 and 2018, (iii) the estimated impact in 2012 and 2014 of weather, (iv) as to operating revenues, the amortization of excess accumulated deferred income taxes, and (v) the allocable portion of non-O&M support services costs, mainly depreciation and general taxes. Also, an alternative presentation of these ratios has been provided for each of 2010, 2012, 2014 and 2016, which includes a pro forma adjustment for the impact of the Tax Cuts and Jobs Act of 2017, and includes for 2012, 2014 and 2016 the impact of our implementation of Accounting Standards Update 2017-07, Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Post-retirement Benefit, on January 1, 2018. These items were excluded from the O&M efficiency ratio calculation as they are not reflective of management's ability to increase the efficiency of its Regulated Businesses. For that reason, these adjusted regulated O&M efficiency ratios constitute "non-GAAP financial measures" under SEC rules. We evaluate our operating performance using these ratios and believe that the presentation of them is useful to investors because the ratios directly measure improvement in the operating performance and efficiency of our regulated businesses. These ratios are derived from our consolidated financial information but are not presented in our consolidated financial statements prepared in accordance with GAAP. These non-GAAP financial measures supplement and should be read in conjunction with our GAAP disclosures and should be considered as an addition to, and not a substitute for, any GAAP measure. These ratios (i) are not accounting measures based on GAAP; (ii) are not based on a standard, objective industry definition or method of calculation; (iii) may not be comparable to other companies' operating measures; and (iv) should not be used in place of the GAAP information provided elsewhere in this presentation. Management is unable to present a reconciliation of adjustments to the components of the forward-looking adjusted regulated O&M efficiency ratio without unreasonable effort because management cannot reliably predict the nature, amount or probable significance of all the adjustments for future periods; however, these adjustments may, individually or in the aggregate, cause each of the non-GAAP financial measure components of the forward-looking ratios to differ significantly from the most directly comparable GAAP financial measure.

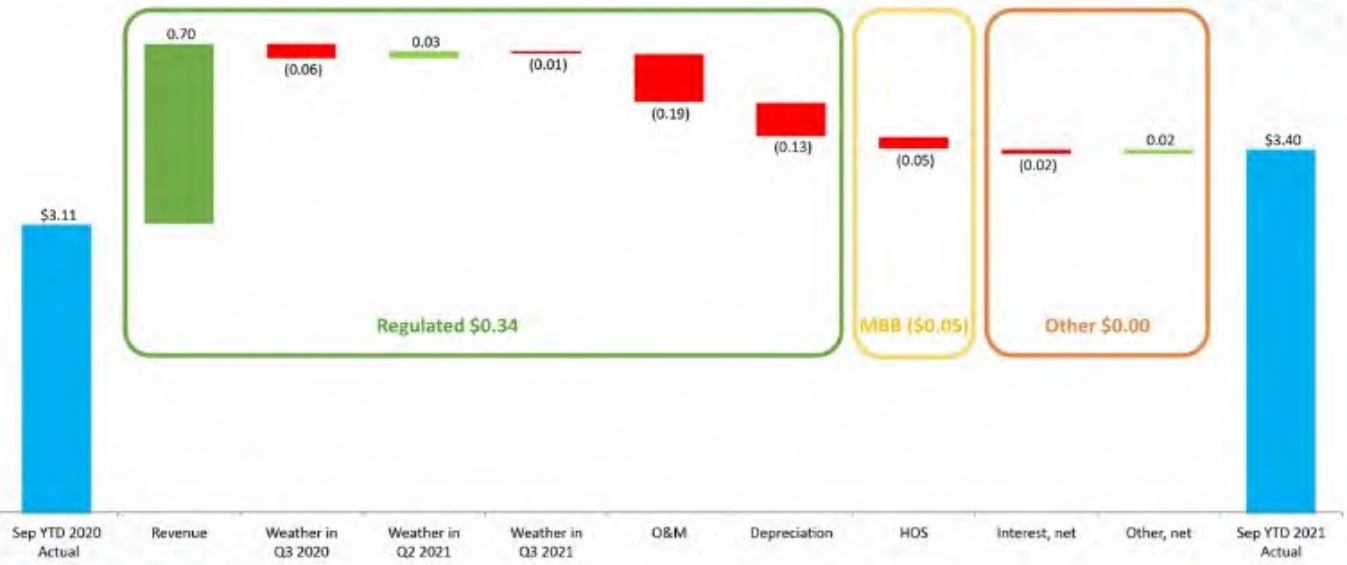
Set forth in this appendix are tables that reconcile each of the components of our historical adjusted regulated O&M efficiency ratios to its most directly comparable GAAP financial measure.

All references throughout this presentation to EPS or earnings per share refer to diluted EPS attributable to common shareholders.

Third Quarter EPS Detail by Business



Year-to-Date EPS Detail by Business



Military Services Group Footprint



Currently Serving 17 Military Installations

Installation	State	Contract	Years Remaining As of 9/30/2021
Fort Sill	OK		32
Fort Leavenworth	KS		32
Fort Rucker	AL		33
Scott AFB	IL		36
Fort AP Hill	VA		36
Fort Hood	TX		37
Fort Polk	LA		37
Fort Belvoir	VA		38
Fort Meade	MD		39
Hill AFB	UT		43
Picatinny Arsenal	NJ		43
Vandenberg AFB	CA		45
Wright-Patterson AFB	OH		47
Fort Leonard Wood	MO		48
Joint Base San Antonio	TX		49
U.S. Military Academy at West Point, New York	NY		49
Joint Base Lewis-McChord	WA		50



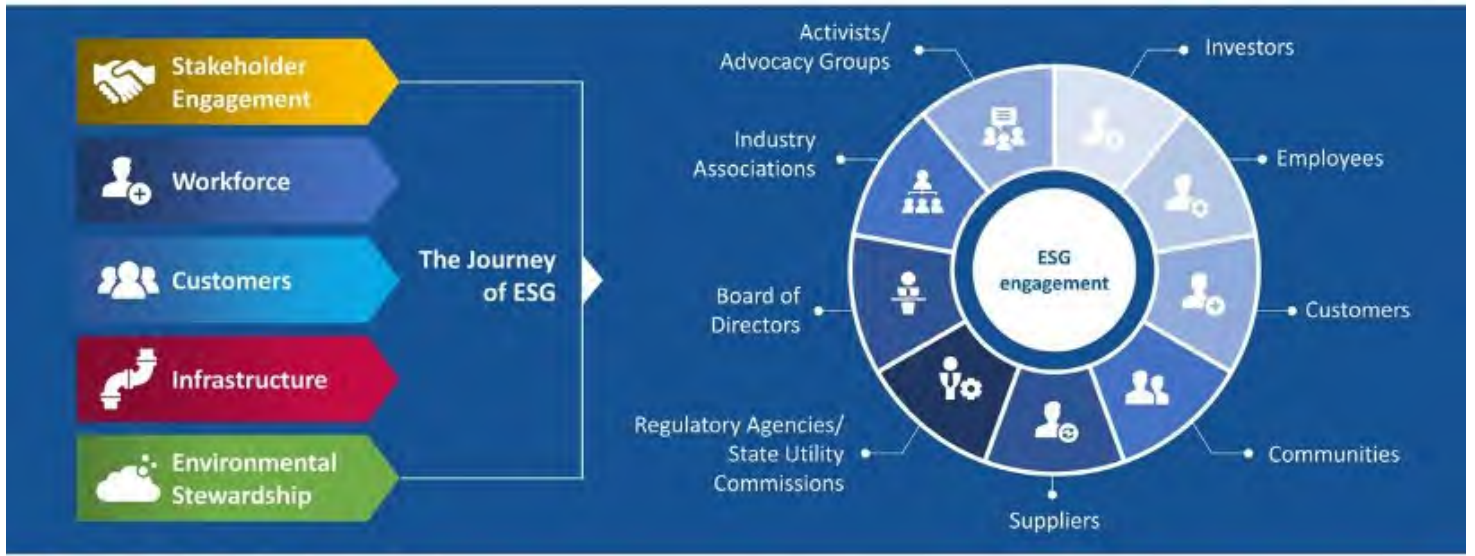
Rate Filings Summary

(\$ in millions)



* Annualized Revenue Increase for Rates Effective Since January 1, 2021; excludes agreed to revenue reductions for excess accumulated deferred income taxes.

What ESG Means at American Water



Environmental Goals



Energy & Emissions*

Reduce absolute scope 1 and scope 2 greenhouse gas emissions by more than 40% by 2025 from a 2007 baseline



Water Use & Efficiency

By 2035, continue to meet customer needs while saving 15% in water delivered per customer compared to a 2015 baseline



Climate Variability & Water Supply Resilience

*By 2030, increase our water system resiliency to respond to more extreme events by increasing URI** weighted average by 10% from 2020 baseline.*



*Refinement of existing goal.
** Utility Resilience Index.

2021 Closed Acquisitions*



As of November 1, 2021

STATE	NUMBER OF SYSTEMS	WATER CUSTOMER CONNECTIONS	WASTEWATER CUSTOMER CONNECTIONS	TOTAL CUSTOMER CONNECTIONS
California	1	3,050	-	3,050
Illinois	3	500	350	850
Indiana	2	100	100	200
Missouri	4	50	750	800
Pennsylvania	2	-	1,650	1,650
West Virginia	2	900	-	900
Total	14	4,600	2,850	7,450



*Customer Connections are rounded and may not sum.

Acquisitions* Under Agreement as of November 1, 2021

STATE	NUMBER OF SYSTEMS	WATER CUSTOMER CONNECTIONS	WASTEWATER CUSTOMER CONNECTIONS	TOTAL CUSTOMER CONNECTIONS
California	3	3,350	-	3,350
Illinois	5	1,500	1,250	2,750
Indiana	1	4,000	-	4,000
Missouri	11	5,350	6,000	11,350
New Jersey	2	1,600	1,400	3,000
Pennsylvania	7	1,700	55,000	56,700
Virginia	1	900	-	900
West Virginia	1	650	-	650
Total	31	19,050	63,650	82,700



*Customer Connections are rounded and may not sum.

Rates Effective Since...



January 1, 2021

Rate Cases & Step Increases	Date Effective	Annualized Revenue Increases
Pennsylvania	1/28/21	\$70 ^(a)
Missouri	5/28/21	22 ^(b)
New York (Step Increase)	5/2/2021	7
Iowa	10/11/2021	1 ^(c)
Sub-Total		\$100

Infrastructure Charges	Date Effective	Annualized Revenue Increases
West Virginia (DSIC)	1/1/2021	55
Pennsylvania (DSIC)	1/1/2021	8
Tennessee (QIP, EDI, SEC)	1/1/2021	3
Illinois (QIP)	1/1/2021	7
Indiana (DSIC)	3/17/2021	8
New York (SIC)	5/1/2021	0
New Jersey (DSIC)	6/28/2021	14
Kentucky	7/1/2021	1
Missouri (ISRS)	10/7/2021	7
Sub-Total		\$53
Total		\$153



- (a) The Company's Pennsylvania subsidiary was authorized additional annualized revenues of \$90 million, excluding agreed to revenue reductions for excess accumulated deferred income taxes, over two steps. The EADIT reduction in revenues is \$19.5 million. The overall increase (net of EADIT reduction in revenues) is \$70.5 million in revenues combined over two steps. The first step was effective 1/28/2021 in the amount of \$70 million (\$50.5 million net of EADIT reduction in revenues) and the second step will be effective 1/1/2022 in the amount of \$20.0 million.
- (b) The Company's Missouri subsidiary was authorized additional annualized revenues of \$21.8 million, excluding agreed to revenue reductions for excess accumulated deferred income taxes. The EADIT reduction in revenues is \$25 million.
- (c) The Company's Iowa subsidiary was authorized additional annualized base revenues of \$1.2 million, excluding agreed to revenue reductions for excess accumulated deferred income taxes. The EADIT reduction in revenues is \$0.2 million.

Pending Rate Case Filings

Rate Cases Filed	Docket/Case Number	Date Filed	Requested Revenue Increase	ROE Requested	Rate Base
California	Case No. A.19-07-004	7/1/2019	\$29 ^(a)		\$689
West Virginia	Case No. 21-0369-W-42T & 21-0370-S-42T	4/30/21	\$2 ^(b)	10.5%	757
Hawaii	Docket No. 2021-0063	8/18/2021	2 ^(c)	10.3%	40
Sub-Total			\$63		\$1,486
Infrastructure Charges Filed					
West Virginia (DSIC)		6/30/2021	\$3		\$33
Missouri (WSIRA)		9/3/2021	11		101
Sub-Total			\$14		\$134
Total			\$77		



- (a) The Company's California subsidiary has requested additional annualized revenues of \$28.6 million, excluding revenue reductions for excess accumulated deferred income taxes, this also excludes the escalation year and attrition year rate increases for 2022 and 2023 of \$12.4 million and \$13.4 million, respectively. The proposed EADIT reduction in revenues is \$2.6 million. The Company filed its 100-day update on October 11, 2019, requesting \$29.9 million annualized incremental revenues for 2021, excluding EADIT reduction in revenues, and increases of \$12.1 million and \$12.9 million in the escalation year of 2022 and the attrition year of 2023, respectively.
- (b) The Company's West Virginia subsidiary has requested additional annualized revenues of \$31.9 million, excluding revenue reductions for excess accumulated deferred income taxes and infrastructure surcharges. The proposed EADIT reduction in revenues is \$0.9 million and the exclusion for infrastructure surcharges is \$10.2 million.
- (c) The Company's Hawaii subsidiary has requested additional annualized revenues of \$2.3 million, excluding revenue reductions for excess accumulated deferred income taxes. The EADIT reduction in revenues is \$0.16 million.

Regulatory Information – Top 10 States

	CALIFORNIA	ILLINOIS	INDIANA	KENTUCKY	MISSOURI
Authorized Rate Base*	\$498,135	\$883,386	\$1,182,170	\$443,654	\$1,703,170 ^(a)
ROE	9.20% ^(a)	9.79%	9.80%	9.70%	9.55% ^(c)
Equity	55.39% ^(a)	49.80%	53.41% ^(f)	48.90%	50.00% ^(g)
Effective Date of Rate Case	1/1/2018 ^(a)	1/1/2017	5/1/2020	6/28/2019	5/28/2021

	NEW JERSEY	NEW YORK	PENNSYLVANIA	VIRGINIA	WEST VIRGINIA
Authorized Rate Base*	\$3,573,450	\$275,463	\$3,976,579 ^(c)	\$194,165	\$652,900 ^(h)
ROE	9.60%	9.10%	9.90% ^(e)	9.30% ^(f)	9.75%
Equity	54.56%	46.00%	55.15% ^(e)	40.75% ^(f)	48.40% ^(h)
Effective Date of Rate Case	11/1/2020	6/1/2017	1/28/2021	11/6/2020 ^(d)	2/25/2019

*Rate Base stated in \$000s



- (a) On March 22, 2018, Decision 18-03-035 set the authorized cost of capital for 2018 through 2020. CAW has a separate Cost of Capital case which sets the rate of return outside of a general rate proceeding.
- (b) The Authorized Equity excludes cost-free items or tax credit balances at the overall rate of return which lowers the equity percentage as an alternative to the common practice of deducting such items from rate base.
- (c) The Rate Base listed is the Company's view of the Rate Base allowed in the case, the Rate Base was not disclosed in the Order or the applicable settlement agreement.
- (d) The ROE is the Company's view of the ROE allowed in the case; however, the ROE was not disclosed in the Order or the applicable settlement agreement.
- (e) The equity ratio listed is the Company's view of the equity ratio allowed in the case, the actual equity ratio was not disclosed in the Order or the applicable settlement agreement.
- (f) The ROE is the Company's view of the ROE allowed in the case, the ROE was not disclosed in the Order or the applicable settlement agreement, 9.6% is adopted for future earnings test and WWISG filings per the Order.
- (g) Interim rates were effective May 1, 2019 and received final Order November 6, 2020.
- (h) The Rate Base and equity ratio is the Company's view of what was allowed in the case, as there were multiple versions of each disclosed by the parties in the settlement agreement.

Reconciliation Table: Regulated Segment O&M Efficiency Ratio

Regulated Segment O&M Efficiency Ratio	FY 2010	FY 2012	FY 2014	FY 2016	FY 2018	FY 2020
(A Non-GAAP Unaudited Number)						
(\$ in millions)						
Total operations and maintenance expense	\$1,261	\$1,330	\$1,350	\$1,804	\$1,479	\$1,622
Less:						
Operations and maintenance expense – Meter-Based Operations	227	255	286	372	362	393
Operations and maintenance expense – Other	(51)	(60)	(51)	(60)	(42)	(25)
Total operations and maintenance expense – Regulated Businesses	\$1,085	\$1,130	\$1,112	\$1,176	\$1,155	\$1,253
Less:						
Regulated purchased water expense	100	112	122	122	123	149
Allocation of non-operating and maintenance expenses	28	35	39	30	31	41
Impact of Freedom Industries activities	-	-	12	65	(20)	0
Estimated impact of weather	-	8	(2)	-	-	0
Adjusted operations and maintenance expense – Regulated Businesses (A)	\$956	\$980	\$942	\$959	\$1,015	\$1,064
Total operating revenue	\$1,655	\$2,854	\$3,011	\$3,302	\$3,440	\$3,777
Less:						
Operating Revenue – Meter-Based Operations	295	307	385	451	470	540
Operating Revenue – Other	(28)	(17)	(18)	(20)	(21)	(18)
Total pro forma operating revenue – Regulated Businesses	\$2,280	\$2,545	\$2,714	\$2,971	\$2,964	\$3,255
Less:						
Regulated Purchased Water Revenue*	100	111	122	122	123	149
Other revenue reductions for the amortization of excess accumulated deferred income taxes	-	-	-	-	-	(7)
Plus:						
Freedom Industries chemical spill in West Virginia	-	-	1	-	-	-
Estimated impact of weather	-	(47)	17	-	-	-
Adjusted pro forma operating revenue—Regulated Businesses (B)	\$2,180	\$2,497	\$2,576	\$2,749	\$2,851	\$3,113
Adjusted O&M efficiency ratio—Regulated Businesses (B)(A)	44.2%	40.7%	35.7%	34.9%	33.8%	34.3%
Adjusted operations and maintenance expense – Regulated Businesses	\$956	\$980	\$942	\$959	\$1,015	\$1,064
Less:						
Impact of adoption of ASU 2017-07**	-	39	(8)	12	-	-
Adjusted operations and maintenance expense – Regulated Businesses (C)	\$956	\$941	\$951	\$947	\$1,015	\$1,064
Adjusted operating revenues—Regulated Businesses	\$2,180	\$2,497	\$2,576	\$2,749	\$2,851	\$3,113
Less pro forma adjustment	-	112	107	101	-	-
Pro forma adjustment for impact of the TCJA***	60	112	107	101	-	-
Adjusted pro forma operating revenues—Regulated Businesses (D)	\$2,697	\$2,794	\$2,433	\$2,694	\$2,851	\$3,113
Adjusted O&M efficiency ratio—Regulated Businesses (D)(C)	49.1%	41.0%	39.1%	38.6%	33.8%	34.3%

* Calculation assumes purchased water revenue approximate purchased water expenses
 ** Includes the impact of the Company's adoption of ASU 2017-07, Compensation - Retirement Benefits (Topic 715) Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit, on January 1, 2018
 *** Calculation of Estimated tax reform = Revenue Requirement with new Effective Tax Rate (based grossed up) – Revenue Requirement with old Effective Tax Rate



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

Form 8-K

**Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): October 28, 2021

American Water Works Company, Inc.
(Exact name of registrant as specified in its charter)

Commission File Number: 001-34028

Delaware
(State or other jurisdiction
of incorporation)

51-0063696
(IRS Employer
Identification No.)

**1 Water Street
Camden, NJ 08102-1658**
(Address of principal executive offices, including zip code)

(856) 955-4001
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Common stock, par value \$0.01 per share	AWK	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 1.01. Entry into a Material Definitive Agreement.

Membership Interest Purchase Agreement for the Sale of Homeowner Services Group

On October 28, 2021, American Water Enterprises, LLC (“AWE”) and American Water (USA), LLC, direct and indirect wholly owned subsidiaries of American Water Works Company, Inc. (the “Company”), as sellers (collectively, the “Sellers”), American Water Resources, LLC (“AWR”), Pivotal Home Solutions, LLC (“Pivotal”), and American Water Resources Holdings, LLC, indirect wholly owned subsidiaries of the Company that, collectively and through wholly owned subsidiaries, own and operate the Company’s Homeowner Services Group (each, an “HOS Company” and, collectively, the “HOS Companies”), and, for specified limited purposes, the Company, entered into a Membership Interest Purchase Agreement (the “Purchase Agreement”) with Lakehouse Buyer Inc., an indirect, wholly owned subsidiary of funds advised by Apax Partners LLP (the “Buyer”), pursuant to which, among other things, the Sellers will sell, and the Buyer will purchase, 100% of the equity interests in the HOS Companies for aggregate estimated consideration of approximately \$1.275 billion (the “Transaction”), as described in greater detail in the following paragraph (an estimated \$1.0 billion net of tax). The HOS Companies provide warranty protection programs and other home services and have nearly 3 million customer contracts in 43 states and the District of Columbia. Apax Partners is a global private equity advisory firm.

The aggregate estimated pre-tax consideration described above to be paid by the Buyer to the Sellers under the Purchase Agreement in the Transaction is comprised of the following: (i) \$480 million in cash payable by the Buyer to the Sellers upon closing of the Transaction (the “Closing”), subject to adjustments as set forth in the Purchase Agreement to be made at the Closing (the “Cash Payment”), including estimated Closing and final post-Closing adjustments with respect to the amount of the HOS Companies’ cash on hand, net working capital, indebtedness and transaction expenses, each as of the date of the Closing, and required withholdings by the Buyer for taxes; and (ii) a five-year secured seller promissory note, in the original principal amount of \$720 million (the “Loan”), to be issued by the Buyer at the Closing and payable to AWE as provided by the terms and conditions of a Secured Seller Note Agreement (such promissory note and agreement, collectively, the “Seller Note”) to be executed at the Closing in substantially the form attached to the Purchase Agreement and as described in greater detail under “Secured Seller Note Agreement” included in response to Item 8.01 below. The Purchase Agreement also provides for a contingent cash payment of \$75 million by the Buyer to the Sellers, due and payable within 45 days after the satisfaction of certain conditions (as set forth in the Purchase Agreement) by December 31, 2023. The structure of the Transaction enables the initial cash proceeds to be redeployed in the Company’s regulated water and wastewater businesses to fund near-term incremental capital investments, while interest on the Seller Note will provide a stream of earnings during its term.

The Purchase Agreement contains customary representations, warranties and covenants by the parties, including, among others, covenants by the Sellers (i) regarding the operation of the Homeowner Services Group in the ordinary course of business during the period between the execution of the Purchase Agreement and the Closing; (ii) to use commercially reasonable efforts to maintain and preserve intact the current organization, rights, businesses, goodwill, relationships and franchises of and used by the HOS Companies; and (iii) not to, and to cause the HOS Companies and their affiliates not to, directly or indirectly, solicit, encourage or enter into any negotiation, discussion or contract with any other person with respect to a disposition or sale of the HOS Companies.

The consummation of the Transaction is subject to certain customary closing conditions, including, among others, (a) the expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the “HSR Act”); (b) the absence of any law, order, injunction or award restraining, enjoining or otherwise prohibiting the consummation of the Transaction; (c) the accuracy of each party’s representations and warranties contained in the Purchase Agreement (subject to certain materiality and/or “material adverse effect” qualifiers); and (d) each party’s performance and observance, in all material respects, of their respective covenants and agreements under the Purchase Agreement.

The Purchase Agreement includes certain termination rights for the Sellers and/or the Buyer, including if the Transaction is not consummated by December 27, 2021 (the “Closing End Date”). The Closing End Date is subject to extension by Sellers or the Buyer for up to an additional nine months if conditions related to (i) the existence of laws and orders restraining, prohibiting or otherwise enjoining the consummation of the Transaction or (ii) the expiration or termination of the applicable waiting period under the HSR Act, are the only remaining conditions that have not been satisfied and so long as the notifying

party has been diligently pursuing the satisfaction of such remaining conditions. If the Purchase Agreement is terminated, no party will have any liability arising out of the Purchase Agreement to any of the other parties, except for liability or damages resulting from fraud (as defined in the Purchase Agreement) or a willful breach of a party's representations, warranties, covenants or agreements in the Purchase Agreement prior to termination. In the event of the Buyer's breach of the Purchase Agreement, the Purchase Agreement provides that the Buyer's liability to the Sellers shall not exceed the Cash Payment. In addition, a representations and warranties insurance policy to be provided at the Closing shall be the sole and exclusive remedy of the Buyer for any breach of any representation or warranty or pre-Closing covenant or agreement by the Sellers or the HOS Companies, except in the case of fraud and certain limited matters (other than breaches of representations and warranties under the Purchase Agreement) arising out of the separation of the Homeowner Services Group from the Sellers' business. In the case any such loss arises or results from fraud, the Buyer must first exhaust the retention under such insurance policy, and then seek recovery under and exhaust completely the coverage under such insurance policy, before seeking any recovery from the Sellers.

The foregoing summary of the terms and conditions of the Purchase Agreement is qualified in its entirety by reference to the full text thereof, a copy of which is attached as Exhibit 2.1 to this Current Report on Form 8-K.

Certain relationships between the Company or its affiliates, on the one hand, and the other parties to the Purchase Agreement, on the other hand, that may be entered into at or in connection with the Closing of the Transaction are described in response to Item 8.01 hereto and are incorporated by reference herein.

Item 7.01. Regulation FD Disclosure.

On October 29, 2021, the Company issued a press release to announce that the Company, the Sellers and the HOS Companies entered into the Purchase Agreement referenced in Item 1.01 above. The Company also announced that it will hold a virtual Investor Day on Wednesday, November 3, 2021, at 9:00 a.m., Eastern Daylight Time. Topics to be discussed at this Investor Day include the Transaction, the Company's results for the third quarter of 2021, the Company's earnings guidance for 2021 and 2022, the Company's long-term earnings and dividend growth plans, and its financing and capital investment plans. Information on how to access the virtual Investor Day presentation will be provided on the Company's investor relations website, *ir.amwater.com*. A copy of this press release has been included as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated by reference in response to this Item 7.01.

The information furnished in response to this Item 7.01, including Exhibit 99.1, shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), nor shall it be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended (the "Securities Act"), or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 8.01. Other Events.

Certain of the parties to the Purchase Agreement described above (or their respective affiliates) have entered into, or agreed at the Closing to enter into, certain additional agreements. A brief summary of the terms of certain of these agreements is provided below.

Secured Seller Note Agreement

Pursuant to the Purchase Agreement, the Buyer and certain of its affiliates (individually or collectively, the "Borrower") and AWE, as lender and a Seller under the Purchase Agreement (the "Lender"), are required, at Closing, to enter into the Secured Seller Note Agreement, in substantially the form attached to the Purchase Agreement. Pursuant to the Seller Note, the Borrower will be required to issue at the Closing a secured promissory note to repay or prepay to the Lender in cash all obligations under the Loan, including, without limitation, the outstanding aggregate principal and all accrued and unpaid interest thereon (including any applicable premium, interest, fees and other obligations). The Seller Note will bear interest at a rate of 7.00% per year until maturity, payable in cash semi-annually in arrears or upon the occurrence of any repayment or prepayment of the Loan. The Seller Note will mature, and all amounts and obligations due, payable and owing under the Seller Note shall be repaid in cash, on the fifth anniversary of the date of the Closing. Upon maturity, proceeds from the repayment of the Seller Note are expected to be used to fund capital investments in the Company's regulated businesses.

Beginning on the 36th month anniversary of the Closing date, the Lender may require the Borrower to repay 100% of the outstanding principal amount of the Loan in full in cash, together with all accrued and unpaid interest and other obligations under the Seller Note (the "Lender Put Right"), without any premium or penalty ("at par"), except that, in the event of a disruption event in the broadly syndicated term loan "B" debt financing market, the Borrower will not be required to make any repayment pursuant to the Lender Put Right until the termination of such market disruption event. The Borrower will not be permitted to prepay the Loan prior to the earlier of (i) the date the Lender elects to exercise the Lender Put Right or (ii) the fourth anniversary of the date of the Closing (the "Non-Call Provision"). If the Borrower breaches the Non-Call Provision, an event of default will occur under the Seller Note and the Company may, among other remedies, demand repayment from Borrower of the Loan in full together with an applicable premium ranging from 105.5% to 107.5% of the aggregate outstanding principal amount of the Loan, together with a customary "make-whole" amount and accrued and unpaid interest and any other obligations owed. An optional prepayment by the Borrower that complies with the Non-Call Provision may be made at par. The Lender also may, in its sole discretion from time to time, require the Borrower to prepay the Loan at par in the event of certain circumstances, including permitted sales of the Borrower's assets, the receipt of insurance proceeds due to a loss casualty or condemnation event incurred by the Borrower or the receipt of proceeds from an unpermitted incurrence of indebtedness by the Borrower.

The Seller Note will require that the payment obligations of the Buyer under the Seller Note be secured by a first priority security interest in certain assets of the Borrower and the HOS Companies, including their cash and securities accounts, as well as a pledge of the equity interests in each of the HOS Companies, subject to certain exceptions, including for permitted liens and permitted future indebtedness of the Borrower that may be secured by such assets on a senior basis (as to repayment) or on a *pari passu* basis (as to lien priority) with the security interests provided for under the Seller Note.

The Seller Note will require the Borrower to comply with certain affirmative and negative covenants until all principal of and interest on the Loan and all other obligations under the Seller Note have been paid in full in cash, but will not include any financial maintenance covenants. These covenants include, among others: (i) periodic financial, budgeting and compliance reporting of the Borrower; notices of default and litigation; and requirements as to the post-Closing operation of the HOS Companies' business; and (ii) negative covenants related to (subject, in each case, to various conditions, limitations and exceptions): the incurrence of additional indebtedness by the Borrower that exceeds certain pro forma leverage ratios set forth in the Seller Note; the creation or existence of liens on the Borrower's properties or assets; restrictive agreements prohibiting the Lender's liens under the Seller Note and the making of dividends or distributions with respect to the Borrower's capital stock; the making of restricted payments; the making of certain investments; fundamental changes and dispositions of the Borrower's assets; sale and leaseback transactions; transactions with the Borrower's affiliates; changes in organizational documents; and amendments of junior indebtedness.

The Seller Note will provide that an event of default under the Seller Note will occur upon, among other things: a breach by the Borrower of its obligations under the Seller Note, including a breach of the Non-Call Provision or a failure to make any payments when due; a default on the Borrower's other indebtedness exceeding a specified threshold; a breach of certain of the Borrower's covenants, and its representations and warranties in any material respect, under the Seller Note; certain bankruptcy or similar events with respect to the Borrower; the filing of final money judgments in excess of a threshold amount that remain unpaid for 60 days or more; certain material employee benefit plan events; a change of control involving the Borrower; and a repudiation by the Borrower of any loan document, security agreement or guarantee related to the Seller Note.

Revenue Share Agreement

The Company, the Sellers, the HOS Companies and the Buyer will enter into, at Closing, a Revenue Share Agreement (the "Revenue Share Agreement"), pursuant to which the Company will receive 10% of the revenue generated by the business of the applicable HOS Company after the Closing from customers who are currently billed for home warranty services through an applicable Company subsidiary (an "on-bill" arrangement), and 15% of the revenue generated from any future on-bill arrangements entered into after the Closing. Unless earlier terminated, the Revenue Share Agreement has a term of up to 15 years, which may be renewed for up to two five-year periods.

Common Interest and Cooperation Agreement

The Company, AWR and the Buyer will enter into, at Closing, a Common Interest and Cooperation Agreement (the “Cooperation Agreement”), in order to facilitate a common defense for, and to share information concerning, the previously reported federal grand jury investigation being conducted by the U.S. Attorney’s Office for the Eastern District of New York involving AWR’s operations and its contractor network in the New York City metropolitan area, and any legal or regulatory inquiries or proceedings related to or resulting from such investigation or the subject matter in the grand jury subpoena issued to AWR on April 2, 2021 in connection with such investigation relating to AWR’s business and operations in the State of New York (collectively, the “Covered Matters”). Under the terms of the Cooperation Agreement, the Company will, on behalf of AWR, defend any Covered Matter, using commercially reasonable efforts to resolve it on a reasonably expedient basis, and consult with the Buyer on such Covered Matter. Further, the Company will be required to obtain the prior written consent of the Buyer (which consent may not be unreasonably withheld, conditioned or delayed) before entering into any resolution of any Covered Matter that imposes non-monetary provisions or undertakings or any other terms for which there will be no indemnification under the Cooperation Agreement. In addition, for a period of 39 months after the date of the Closing, the Company will indemnify the Buyer for any monetary losses or out-of-pocket damages (as described in the Cooperation Agreement) incurred by the Buyer or certain of the HOS Companies to the extent directly arising in connection with, or directly resulting from, any Covered Matter.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

The following exhibits to this Current Report have been filed herewith (except as noted below):

Exhibit No.	Description
2.1*	Membership Interest Purchase Agreement, dated as of October 28, 2021, by and among the Buyer, each of the Sellers, each of the HOS Companies, and for the limited purposes set forth therein, the Company.
99.1**	Press Release, dated October 29, 2021, issued by the Company.
104	Cover Page Interactive Data File (the cover page XBRL tags are included and formatted as Inline XBRL).

* Filed herewith. Certain schedules and exhibits to this agreement have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The Company will furnish the omitted schedules and exhibits to the U.S. Securities and Exchange Commission (the “SEC”) upon request.

** Furnished herewith.

The Purchase Agreement filed as Exhibit 2.1 herewith has been included to provide investors and security holders with information regarding its terms. It is not intended to provide any other factual information about the Company or the Buyer, or any of their respective subsidiaries or affiliates. The representations, warranties and covenants contained in the Purchase Agreement (i) were made by the parties thereto only for purposes of that agreement and as of specific dates; (ii) were made solely for the benefit of the parties to the Purchase Agreement; (iii) may be subject to limitations agreed upon by the contracting parties, including being qualified by confidential disclosures exchanged between the parties in connection with the execution of the Purchase Agreement (such disclosures include information that has been included in public disclosures, as well as additional non-public information); (iv) may have been made for the purposes of allocating contractual risk between the parties to the Purchase Agreement instead of establishing these matters as facts; and (v) may be subject to standards of materiality applicable to the contracting parties that differ from those applicable to investors.

Investors should not rely on the representations, warranties and covenants or any descriptions thereof as characterizations of the actual state of facts or condition of the Company or the Buyer, or any of their respective subsidiaries or affiliates. Additionally, the representations, warranties, covenants, conditions and other terms of the Purchase Agreement may be subject to subsequent waiver or modification. Moreover, information concerning the subject matter of the representations, warranties and covenants may change after the date of the Purchase Agreement, which subsequent information may or may not be fully reflected in the Company’s public disclosures. The Purchase Agreement should not be read alone, but should instead be read in conjunction with the other information regarding the Company that is or will be contained in, or incorporated by reference into, the reports and other documents that are filed by the Company with the SEC.

Cautionary Statement Concerning Forward-Looking Statements

Certain statements included in this Current Report on Form 8-K are forward-looking statements within the meaning of Section 27A of the Securities Act, Section 21E of the Exchange Act, and the Private Securities Litigation Reform Act of 1995. In some cases, these forward-looking statements can be identified by words with prospective meanings such as “intend,” “plan,” “estimate,” “believe,” “anticipate,” “expect,” “predict,” “project,” “propose,” “assume,” “forecast,” “outlook,” “future,” “pending,” “goal,” “objective,” “potential,” “continue,” “seek to,” “may,” “can,” “will,” “should” and “could,” or the negative of such terms or other variations or similar expressions. Forward-looking statements relate to, among other things (i) the Company’s ability to complete the Transaction on a timely basis or at all; (ii) the ability to satisfy closing and other covenants and conditions related to the Transaction, including the ability to obtain required regulatory approvals (including the expiration or termination of the applicable waiting period under the HSR Act) and obtaining other required consents and making all required closing deliveries; (iii) the accounting, financial and other impacts of the Transaction, including impacts on the Company’s current and short- and long-term expectations, guidance and plans with respect to its current and future debt and equity capital needs, capital expenditures, dividends, earnings (including earnings per share), growth, future regulatory outcomes, rate base growth, and other financial and operational plans; (iv) the ability to achieve the Company’s regulatory and other strategies, benefits, plans and goals related to the Transaction, including with respect to the redeployment of the net proceeds of the Transaction into the Company’s regulated water and wastewater businesses; (v) the Company’s ability to receive any contingent consideration provided for in the Purchase Agreement; (vi) the ability to receive amounts due, payable and owing from time to time under the Seller Note, including without limitation the Loan and all accrued and unpaid interest and other amounts thereunder, and the Revenue Share Agreement; and (vii) various other risks and uncertainties.

These forward-looking statements are predictions based on the Company’s current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, performance or achievements, and readers are cautioned not to place undue reliance upon them. The forward-looking statements are subject to a number of estimates and assumptions, and known and unknown risks, uncertainties and other factors, including obtaining regulatory and other third-party consents and approvals required to complete, and satisfying other conditions to the closing of, the Transaction (including all requirements under the HSR Act); the amount of proceeds to be received from the Transaction due to, among other things, Closing and post-Closing adjustments to the purchase price as provided in the Purchase Agreement and impacts and withholdings for taxes; the post-Closing operating and financial results of the HOS Companies; unexpected costs, liabilities or delays associated with the Transaction; regulatory, legislative, local or municipal actions affecting the home warranty services and the water and wastewater industries; and other economic, business and other factors. Actual results may differ materially from those discussed in the forward-looking statements included in this Current Report on Form 8-K as a result of the factors discussed in the Company’s Form 10-K for the year ended December 31, 2020, and in other filings with the SEC, and the additional risks, uncertainties, assumptions and limitations described herein. The foregoing factors should not be construed as exhaustive.

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

Dated: October 29, 2021

By: /s/ M. SUSAN HARDWICK

M. Susan Hardwick

Executive Vice President and Chief Financial Officer

MEMBERSHIP INTEREST PURCHASE AGREEMENT

BY AND AMONG

AMERICAN WATER ENTERPRISES, LLC,

AMERICAN WATER (USA), LLC,

as Sellers,

AMERICAN WATER RESOURCES, LLC,

PIVOTAL HOME SOLUTIONS, LLC,

AMERICAN WATER RESOURCES HOLDINGS, LLC,

as the Companies,

AMERICAN WATER WORKS COMPANY, INC.,

AND

LAKEHOUSE BUYER INC.,

as Purchaser

DATED AS OF OCTOBER 28, 2021

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Exhibit A	Representations and Warranties Insurance Policy
Exhibit B	Form of Utility Agreement
Exhibit C	Form of License Agreement
Exhibit D	Form of Seller Note
Exhibit E	Form of Revenue Share Agreement
Exhibit F	Form of Transition Services Agreement
Exhibit G	Form of Common Interest and Cooperation Agreement

This Membership Interest Purchase Agreement (this “Agreement”) is dated as of October 28, 2021, by and among American Water Enterprises, LLC, a Delaware limited liability company (“American Water Enterprises”), American Water (USA), LLC, a Delaware limited liability company (“American Water USA”), and together with American Water Enterprises, the “Sellers”), American Water Resources, LLC, a Virginia limited liability company (“American Water Resources”), Pivotal Home Solutions, LLC, a Delaware limited liability company (“Pivotal”), American Water Resources Holdings, LLC, a Delaware limited liability company (“American Water Holdings”) and together with American Water Resources and Pivotal, the “Companies”), American Water Works Company, Inc., a Delaware corporation (“AWK”) solely for the purposes of being bound as a “Seller” for the provisions of Sections 5.1, 5.4, 5.8, 5.10, 5.11, 5.13, 5.14, 5.15, 5.16, 5.18 and 5.19 hereof, and Lakehouse Buyer Inc., a Delaware corporation (the “Purchaser”, and, together with the Sellers, AWK and the Companies, the “Parties”).

RECITALS

WHEREAS, American Water Enterprises owns, beneficially and of record, all of the issued and outstanding membership units of American Water Resources and Pivotal (the “Enterprise Units”);

WHEREAS, American Water USA owns, beneficially and of record, all of the issued and outstanding membership units of American Water Holdings (the “USA Units” and together with the Enterprise Units, the “Units”);

WHEREAS, American Water Holdings owns, beneficially and of record, all of the issued and outstanding membership units of American Water Resources of Florida, LLC, a Delaware limited liability company (“American Water Florida”), and American Water Resources of Texas, LLC, a Delaware limited liability company (“American Water Texas” and, together with American Water Florida, the “Subsidiaries”);

WHEREAS; the Companies and the Subsidiaries are engaged in the business of providing service line protection contracts to homeowners (as such business is conducted by the Companies and the Subsidiaries as of the date hereof, the “Business”);

WHEREAS, concurrently with the execution and delivery of this Agreement, Apax X USD L.P., Apax X EUR L.P., Apax X USD 2 L.P., Apax X EUR 1 L.P. and Apax X EUR SCSP (each, a “Sponsor” and, collectively, the “Sponsors”) have duly executed an equity commitment letter (the “Equity Commitment Letter”), whereby the Sponsors have committed to invest or cause to be invested in the equity capital of Purchaser in the amount and in the terms set forth therein, including all obligations hereunder (including payments of any consideration hereunder or any Liabilities or Losses payable pursuant to Section 9.2); and

WHEREAS, the Sellers desires to sell the Business by selling the Units, and the Purchaser desires to purchase the Business by purchasing the Units, on the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the premises and of the mutual promises, representations, warranties, covenants, conditions and agreements contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

ARTICLE 1 DEFINITIONS

1.1 Certain Definitions. As used in this Agreement:

- (a) “Accounting Principles” means the accounting methods, practices, principles, policies, procedure and conventions, that were used by the Companies in the preparation of the Balance Sheet, applied on a consistent basis and including as described in part on Schedule 1.1(a).
- (b) “Affiliate” means, with respect to any Person, a Person that directly or indirectly controls, is controlled by, or is under common control with, such Person, with control in such context meaning the ability to direct the management or policies of a Person through ownership of voting or other securities, pursuant to a written agreement, or otherwise; provided, however, that (i) such term, when used in reference to Purchaser, shall not include the Sponsors or any of the investment funds advised by Apax Partners US, LLC or any portfolio company in which the Sponsors, or any of such investment funds, hold directly or indirectly, an equity interest and (ii) after the Closing, the Companies and the Subsidiaries shall be Affiliates of the Purchaser and not Affiliates of the Sellers.
- (c) “Ancillary Documents” means this Agreement, the Equity Commitment Letter, the Utility Agreements, the Seller Note, the Revenue Share Agreement, the License Agreements, the Transition Services Agreement, the Common Interest and Cooperation Agreement and all other agreements, documents and instruments relating to this Agreement.
- (d) “Base Amount” means \$1,200,000,000.
- (e) “Base Cash Amount” means the Base Amount less the Seller Note Amount.
- (f) “Business Day” means any day other than a Saturday, a Sunday, or a day on which banks are closed for business in New York, New York, United States of America.
- (g) “Business Employees” means the employees of the Companies and the Subsidiaries as of the Closing, including any such employees who are not actively at work on the Closing Date due to a leave of absence covered by the Family and Medical Leave Act of 1993 or any other authorized leave of absence.
- (h) “CARES Act” means the Coronavirus Aid, Relief, and Economic Security Act of 2020 (H.R. 748) and any similar or successor Law or executive order or executive memo (including the Memorandum on Deferring Payroll Tax Obligations in Light of the Ongoing COVID-19 Disaster, dated August 8, 2020, and IRS Notice 2020-65) in any U.S. jurisdiction, and any subsequent Law intended to address the consequences of COVID-19, including the Health and Economic Recovery Omnibus Emergency Solutions Act and the Health, Economic Assistance, Liability Protection, and Schools Act.

(i) "Cash" means, as of any specified time, (i) the amount of all cash on hand at the Companies and the Subsidiaries and in their respective bank, lock box and other accounts (including cash resulting from checks and drafts deposited but not yet cleared at such time for the account of the Companies and the Subsidiaries or in the possession of the Companies or the Subsidiaries which are to be deposited for the account of the Companies or the Subsidiaries), plus (ii) the amount of all cash equivalents and marketable securities owned by the Companies and the Subsidiaries, plus (iii) pending electronic funds transfers for the account of the Companies and the Subsidiaries, minus (iv) outstanding checks issued or pending electronic fund transfer, by the Companies or the Subsidiaries, minus (v) any cash, cash equivalent or marketable securities which are not freely usable by the Purchaser because they are subject to restrictions, limitations or taxes on use or distribution by law, contract or otherwise, including restrictions on dividends and repatriations or any other form of restriction; provided, however, that in no event shall "Cash" be deemed to include any cash at any of the Companies or the Subsidiaries that is reserved to satisfy such Company's or Subsidiary's regulatory requirements as a service contract provider under applicable Laws (such cash, for the avoidance of doubt, shall be included as a Current Asset in the calculation of Net Working Capital as specified herein).

(j) "Closing Cash" means the amount of consolidated Cash outstanding as of the Effective Time.

(k) "Closing Indebtedness" means the amount of consolidated Indebtedness of the Companies and the Subsidiaries outstanding as of the Effective Time. For the avoidance of doubt, any Indebtedness incurred or otherwise payable through the Closing will be deemed to be outstanding as of the Effective Time.

(l) "Closing Net Working Capital" means the amount of Net Working Capital as of the Effective Time.

(m) "Closing Transaction Expenses" means, to the extent not paid by the Sellers or otherwise paid prior to the Effective Time, the amount of Transaction Expenses incurred by the Companies and the Subsidiaries as of and through the Closing.

(n) "Code" means the United States Internal Revenue Code of 1986, as amended.

(o) "Common Interest and Cooperation Agreement" means the common interest and cooperation agreement in the form of Exhibit G.

(p) "Company Systems" means the computer systems (including the computer Software, firmware and hardware), networks, databases, applications, peripherals, platforms and other similar or related items of automated, computerized and/or Software systems that are used by or relied on by the Companies or the Subsidiaries.

(q) "Confidentiality Agreement" means that certain Confidentiality Agreement dated as of October 29, 2020, by and between Appx Partners, L.P. and AWK, as amended from time to time.

(r) "Confidential Information" means all information of a confidential or proprietary nature (whether or not specifically labeled or identified as "confidential"), in any form or medium, that relates to the business, products, services or research and development of the Companies or the Subsidiaries or any of their investors, partners, members, equityholders, affiliates, strategic alliance participants, officers, directors, employees or their respective Affiliates.

(s) "Contract" means any contract, commitment, lease, license, mortgage, bond, note or other instrument, or other legally binding agreement, and all amendments thereto, but excluding any Permits.

(t) "Current Assets" means the consolidated current assets of the Companies and the Subsidiaries, including only those line items identified as "Current Assets" on the Working Capital Example, as determined in accordance with the Accounting Principles and measured as of the Effective Time.

(u) "Current Liabilities" mean the consolidated current liabilities of the Companies and the Subsidiaries, including only those line items identified as "Current Liabilities" on the Working Capital Example, as determined in accordance with the Accounting Principles and measured as of the Effective Time.

(v) "Data" means the data relating to the Business as currently stored in an electronic or other format on computer servers operated by the Companies or the Subsidiaries (or stored elsewhere), including financial, employee, customer payment and billing information, customer service records, and maintenance records.

(w) "DOJ" means the U.S. Department of Justice.

(x) "Effective Time" 12:01 a.m. local time in New York, New York on the Closing Date.

(y) "Employee Plans" means employee benefit plans, programs, arrangements and agreements (whether or not written), including, without limitation, (i) all "employee benefit plans", as defined in Section 3.(3) of ERISA, (ii) all retirement, savings and other pension plans; (iii) all health, severance, insurance, disability and other employee welfare plans; and (iv) all employment, incentive, deferred compensation, equity compensation, perquisites, fringe benefit, change of control, retention, vacation and other similar plans, programs, practices or agreements, whether or not subject to ERISA and whether covering one person or more than one person, (x) that are sponsored, maintained or contributed to by the Company, the Subsidiaries, or any of their respective Affiliates, including ERISA Affiliates, for the benefit of, or that otherwise cover, any current or former employee, officer, director or individual independent contractor of the Business or (y) under which the Company, the Subsidiaries, or any of their respective Affiliates, including ERISA Affiliates, has or may reasonably be expected to have any Liability with respect to any current or former employee, officer, director or individual independent contractor of the Business.

(z) “Environmental Laws” means the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. § 9601 et seq.; the Resource Conservation and Recovery Act, 42 U.S.C. § 6901 et seq.; the Federal Water Pollution Control Act, 33 U.S.C. § 1251 et seq.; the Clean Air Act, 42 U.S.C. § 7401 et seq.; the Hazardous Materials Transportation Act, 49 U.S.C. § 5101 et seq.; the Toxic Substances Control Act, 15 U.S.C. §§ 2601 through 2629; the Oil Pollution Act, 33 U.S.C. § 2701 et seq.; the Emergency Planning and Community Right to Know Act, 42 U.S.C. § 11001 et seq.; and the Safe Drinking Water Act, 42 U.S.C. §§ 300f through 300j, and other Laws addressing pollution or protection of the environment or biological, natural or cultural resources or human exposure to Hazardous Substances and all regulations implementing the foregoing.

(aa) “ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

(bb) “ERISA Affiliate” means any other Person that is required to be treated as a single employer with the Companies under Section 414 of the Code or Section 4001(a)(14) of ERISA.

(cc) “Fraud” means an act, committed by a Party, with intent to deceive another Party and requires (1) a false representation of material fact made in Article 3 or Article 4 by such Party; (2) with actual knowledge that such representation is false; (3) with an intention to induce the Party to whom such representation is made to act or refrain from acting in reliance upon it; (4) causing that Party, in justifiable reliance upon such false representation and with ignorance to the falsity of such representation, to take or refrain from taking action; and (5) causing such Party to suffer material loss by reason of such reliance; provided, however, that for the avoidance of doubt, “Fraud” shall not include any type of constructive or equitable fraud.

(dd) “FTC” means the Federal Trade Commission.

(ee) “Fundamental Representations” means Sections 3.2, 3.3, 3.4, 3.5(a), 3.5(b), 3.5(c), 3.5(d) and 3.10.

(ff) “GAAP” means United States generally accepted accounting principles, as consistently applied by the Companies and the Subsidiaries.

(gg) “Governmental Authority” means any federal, state or local government located in the United States, including any political subdivision, departments, courts, commissions, boards, bureaus, ministries, agencies, or other instrumentalities of any of them.

(hh) “Group Company Plan” means any Employee Plan (i) that is sponsored, maintained or contributed to or obligated to be contributed to by the Company or the Subsidiaries, or (ii) under which the Company or the Subsidiaries has or may reasonably be expected to have any Liability as of or following the Closing.

(ii) "Hazardous Substance" means any pollutant, toxic substance, including asbestos and asbestos-containing materials, hazardous waste, hazardous material, hazardous substance, contaminant, petroleum and petroleum-containing materials, radiologically-enhanced materials, leaded paints, harmful biological agents, and polychlorinated biphenyls as defined in, the subject of, or that could give rise to liability under any Environmental Law; provided, however, that to the extent present in reasonable quantities and in compliance with applicable Environmental Laws, Hazardous Substances shall not include any (i) naturally occurring substances that are present in the environment as a result of natural processes, (ii) commercially available office cleaning supplies and materials, or (iii) used, obsolete or scrap electronic products, parts or components, including by way of illustration and not limitation, computers, computer monitors, rechargeable batteries and the like.

(jj) "HSR Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

(kk) "Indebtedness" means with respect to any specified Person at the specified time, without duplication, any of the following:

(i) obligations, including principal and interest, with respect to borrowed money; (ii) payment obligations evidenced by a bond, note, debenture, or similar instrument (including a purchase money obligation) that are not evidence of trade payable; (iii) payment obligations for a deferred purchase price of property, business, assets, securities or services in respect of which the Companies or any of their Subsidiaries is liable, contingently or otherwise (including the maximum amount for "earn-outs" and "seller notes" payable with respect to the acquisition of any property, business, assets, securities or services) (other than trade payables incurred in the Ordinary Course of Business to the extent included in Net Working Capital); (iv) off-balance sheet financing; (v) obligations, contingent or otherwise, as an account party or applicant under or in respect of bankers' acceptances, surety bonds, performance bonds, letters of credit, or similar arrangements, but only to the extent drawn; (vi) all obligations of such Person created or arising under any conditional sale or title retention agreement; (vii) any obligation or liability of the Companies or any of the Subsidiaries as lessee under leases that have been recorded as capital or finance leases in the Financial Statements or which are required to be recorded as capital or finance leases pursuant to GAAP; (viii) any obligation or liability of such Person (determined on the basis of actual, not notional, obligations) with respect to interest rate protection agreements, interest rate swap agreements, foreign currency exchange agreements, or other interest or exchange rate hedging agreements or arrangements; (ix) any guaranty or securing of any Indebtedness of the type referred to in clauses (i) through (viii) above of any other Person; (x) all fees, accrued or unpaid interest, premiums or penalties (including prepayment penalties, premiums, breakage costs, fees and other costs and expenses associated with repayment) related to any of the foregoing; (xi) all accrued payment obligations in respect of contributions, including employer matching contributions, of the Companies or the Subsidiaries under any "Pension Plan" (as defined in Section 3(2) of ERISA), (xii) all obligations of the Companies or the Subsidiaries in respect of deferred compensation, post-retirement welfare benefits (other than under the Consolidated Omnibus Budget Reconciliation Act of 1985 and similar obligations) and unfunded or underfunded pensions, including for Business Employees, (xiii) all obligations of the Companies or the Subsidiaries in respect of accrued bonuses, accrued commissions, and accrued severance payable to any current or former employee, officer, director or individual independent contractor of the Companies or the Subsidiaries (including the employer portion of any applicable payroll Taxes), (xiv) "tax gross-up" payments, if any, due or payable to any current or former employee, officer, director or individual independent contractor of the Companies or the Subsidiaries (including the employer portion of any applicable payroll taxes); (xv) all unpaid income Tax liabilities of the Company and the Subsidiaries for any Pre-Closing Tax Period, provided that such amounts shall: (A) not be an amount less than zero, and (B) be

calculated taking into account Tax assets (including Tax refunds and overpayments of Tax) that are available to offset such Taxes in such jurisdiction as a matter of applicable Law; (xvi) any obligation (including payroll or employment Taxes) deferred pursuant to the CARES Act or similar programs and that remain unpaid as of the Closing Date; and (xvii) declared and unpaid dividends or distribution or amounts owed to the Sellers or their Affiliates; provided, however that with respect to the Companies and the Subsidiaries, Indebtedness shall not include any (A) payables or loans of any kind or nature between any Company or any Subsidiary, on the one hand, and another Company or other Subsidiary, on the other hand and (B) item included in the calculation of Net Working Capital or Transaction Expenses.

(ll) “Insurance Product” means a Contract deemed a home protection contract by the State of California or an insurance contract by the Commonwealth of Virginia sold by one or more of the Companies and the Subsidiaries.

(mm) “Intellectual Property” means all of the following in all jurisdictions throughout the world: (i) patents, patent applications, and any reissue, continuation, continuation in part, divisional, extension or reexamination thereof; (ii) trademarks, trade names, service marks, trade dress, corporate, trade and d/b/a names, logos, slogans, trade dress, domain names, URLs, social and mobile media identifiers and other source indicators, together with all goodwill associated therewith, and all registrations and applications therefor (“Trademarks”); (iii) copyrights, copyrightable or copyrighted works and mask work, and all registrations and applications therefor; (iv) trade secrets and other confidential information; (v) computer programs and software (including source code, object code, executable code, tools, Data, databases, and related documentation) and software implementations of algorithms, models and methodologies (collectively, “Software”); and (vi) all other intellectual property rights.

(nn) “Intercompany Debt” means all Indebtedness between any Company or any Subsidiary, on the one hand, and any Seller or any of their Affiliates (other than the Companies and the Subsidiaries), on the other hand.

(oo) “Knowledge of the Companies” means the actual knowledge, after reasonable inquiry of direct reports, of Eric Palm, Lucas Bonstrom and Meghan Boyle.

(pp) “Knowledge of the Purchaser” means the actual knowledge, after reasonable inquiry of direct reports, of Nedu Ottih and Ashish Karandikar.

(qq) “Laws” means all laws, statutes, rules, regulations, ordinances, orders, decrees, requirements, judgments, and codes of Governmental Authorities.

(rr) “Legal Proceeding” means any litigation, action, arbitration, suit, hearing, claim or other similar proceeding before or by any Governmental Authority.

(ss) “Liability” or “Liabilities” means all obligations, guarantees, and other liabilities, whether absolute, accrued, matured, contingent (or based upon any contingency), known or unknown, fixed or otherwise, or whether due or to become due, including any fines, penalties, losses, costs, interest, charges, expenses, damages, assessments, deficiencies, judgments, awards or settlements, and without regard to (i) whether based on theories of negligence, breach of warranty, strict liability, breach of contract, violation of any consumer protection legislation passed by any Governmental Authority, absolute liability or arising as an obligation of transfer, or the violation of any other applicable legal duty or standard, (ii) the cause thereof or the negligence of any Person, whether such negligence be sole, joint or concurrent, active or passive, or (iii) whether arising before, on or after the Effective Time.

(tt) "License Agreements" means the license agreement between AWIP Holdings LLC and Purchaser, each substantially in the form attached hereto as Exhibit C.

(uu) "Lien" means, with respect to any property or asset, any mortgage, lien, pledge, charge, claim, security interest or encumbrance in respect of such property or asset.

(vv) "Loss" means any penalties, judgments, amends, assessments, Taxes, fines, obligations, deficiencies, amounts paid in settlements, costs, damages, losses, interests, expenses (including reasonable attorneys' or accountants' fees and expenses) or Liabilities.

(ww) "Material Adverse Effect" means (a) any change, condition or event ("Event") that has, or would reasonably be expected to have, individually or in the aggregate, a materially adverse effect on the business (including the Business) or the operations, results of operations or condition (financial or otherwise) of the Companies and the Subsidiaries, taken as a whole; provided, however, that any Event, to the extent arising from, relating to, or resulting from any of the following shall not be taken into account in determining whether there has been a Material Adverse Effect: (i) general economic, financial market, regulatory or political conditions; (ii) the announcement of any of the transactions contemplated hereby or any facts or circumstances relating to the Purchaser or its Affiliates; (iii) general changes in the industries or geographies in which the Companies and the Subsidiaries operate; (iv) changes in Law or arising out of, resulting from or attributable to any action required to be taken under any such changes in Law, in each case, after the date hereof; (v) changes after the date hereof in GAAP, or any other accounting rules, regulation, or standards; (vi) civil unrest or any act of terrorism, declaration of war or other global unrest or international hostilities, including any escalation or worsening thereof; (vii) compliance with the terms of, or the taking of any action required by, this Agreement; (viii) any action taken that is required or expressly permitted by this Agreement or that is taken or not taken at the Purchaser's written request; (ix) any failure to take any action expressly prohibited by this Agreement; (x) any earthquakes, landslides, hurricanes, tornados, adverse weather conditions, fire or other natural disasters, epidemics, pandemics (including the COVID-19 pandemic) or acts of God, including any escalation or worsening thereof, and any actions of any Governmental Authority in response thereto; (xi) effects or changes that are cured or no longer exist by the Closing; (xii) the failure of the Companies and the Subsidiaries to meet or achieve the results set forth in any internal projection (it being understood that the underlying Events giving rise to the failure to meet any projection shall be take into account in determining whether a Material Adverse Effect shall have occurred, unless such cause is otherwise excepted from this definition); and (xiii) the matters set forth on Schedule 1.1(ww); provided, however, that the exception in (i), (iii), (v), (vi) and (x) shall not apply to the extent that such Event disproportionately impacts the Company or the Subsidiaries, relative to other similarly situated industry participants (in which case, only such incremental disproportionate impact may be taken into account in determining whether there was or has been a material Adverse Effect) and (b) any Event that would reasonably be expected to prevent or materially delay the performance by Sellers or the Companies of any obligations under, or the consummation of the transactions contemplated by, this Agreement.

(xx) "Net Working Capital" means the amount of Current Assets minus the amount of Current Liabilities, it being understood and agreed that under no circumstances shall (i) any line item of "Current Assets" or "Current Liabilities" not included in the Working Capital Example be added or any line item of "Current Assets" or "Current Liabilities" included in the Working Capital Example be removed for any reason or for any purpose; provided that, to the extent any new line items are created between the date presented in the Working Capital Example and Closing, the amounts included therein will be allocated to an existing line item included in the Working Capital Example based on the nature of the new item such that the amounts will form part of the Closing Net Working Capital and (ii) Net Working Capital include any amounts or items to the extent included as Cash, Indebtedness or Transaction Expenses.

(yy) "Net Working Capital Target" means \$24,258,000.

(zz) "Ordinary Course of Business" means, with respect to the Companies and the Subsidiaries, an action that is in the ordinary course of normal day-to-day operations of any Company or any Subsidiary, as applicable, consistent in nature, scope and magnitude with the past custom and practice of any Company or any Subsidiary in the operation of its Business; provided, however, that "Ordinary Course of Business" shall include any modifications to the ordinary and usual course of business of the Companies and the Subsidiaries that the Company reasonably believes necessary or appropriate in response to, or otherwise intended to address conditions relating to, COVID-19, including suspending some or all business operations, reducing the workforce of the Companies or the Subsidiaries by terminations, layoffs, or furloughs, and otherwise complying with any Law and quarantine, "shelter in place", "stay at home", or "shut down" orders, directives, guidelines, or advisories.

(aaa) "PBGC" means the Pension Benefit Guaranty Corporation.

(bbb) "Permits" means any permit, license, registration, authorization, clearance, exemption, order or certificate from or of any Governmental Authority.

(ccc) "Permitted Lien" means (i) Liens for Taxes, in respect of workers' compensation, unemployment insurance, pension or employment Laws, or other governmental charges that are not yet delinquent or are being contested in good faith and for which appropriate reserves have been recorded on the Financial Statements in accordance with GAAP; (ii) mechanic's, materialman's, carrier's, repairer's and other similar Liens arising or incurred in the Ordinary Course of Business or that are not yet delinquent or are being contested in good faith; (iii) encumbrances in the nature of zoning restrictions, easements, rights or restrictions of record on the use of the Leased Real Property that do not materially impair the continued use of such property in the Business in the manner in which it is currently used; (iv) Liens to secure obligations owed to landlords, lessors or renters under (x) leases or rental agreements for the occupancy or use of personal property or (y) Company Leases, for amounts not yet due; (v) deposits or pledges made in connection with, or to secure payment of, worker's compensation, unemployment insurance, old age pension programs mandated under applicable Law or other social security regulations; (vi) Liens that will be discharged on or prior to the Closing Date or that will not be so discharged but that were granted with respect to Indebtedness for which the Estimated Cash Purchase Price is reduced, if applicable, pursuant to Section 2.4; (vii) non-exclusive Intellectual Property licenses; (viii) those Liens set forth on Schedule 1.1(ccc); and (ix) other non-monetary and non-financial Liens which would not, individually or in the aggregate, materially impair the continued use of such property and asset in the manner in which it is currently used.

(ddd) "Person" means any individual, corporation, partnership, limited liability company, trust, estate or any other entity.

(eee) "Personal Data" means any information that identifies or could reasonably be linked with a particular individual or household.

(fff) "Post-Closing Tax Period" means any Tax period beginning after the Closing Date and the portion of any Straddle Period beginning after the Closing Date.

(ggg) "Pre-Closing Tax Period" means any Tax period ending on or before the Closing Date and the portion of any Straddle Period ending on the Closing Date.

(hhh) "Privacy Policies" means all publicly posted policies concerning the privacy or security of Personal Data.

(iii) "Proceeding" means any action, audit, arbitration, charge, claim, complaint, demand, investigation, litigation, mediation, petition, suit or other dispute resolution proceeding, whether civil or criminal, at law or in equity by or before any Governmental Authority.

(jjj) "Purchase Price" means the sum of the Cash Purchase Price plus the Seller Note Amount.

(kkk) "Purchaser Group" means Purchaser and its Affiliates.

(lll) "Purchaser Indemnified Parties" means the Purchaser Group, or any member thereof.

(mmm) "Release" means any releasing, spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, migrating, disposing or dumping of a Hazardous Substance into the environment.

(nnn) "Representations and Warranties Insurance Policy" means that certain Buyer-side Representations and Warranties Insurance Policy bound as of the date of this Agreement and issued by Euclid Transactional, LLC, a copy of which is attached as Exhibit A.

(ooo) "Representatives" means, with respect to any Person, such Person's officers, directors, employees, Affiliates, partners, members, stockholders, financial or other advisors, attorneys, accountants and financing sources.

(ppp) "Revenue Share Agreement" means the revenue share agreement among Purchaser, American Water Resources, Pivotal and AWK substantially in the form attached hereto as Exhibit E.

(qqq) "S&S" means Shearman & Sterling LLP.

(rrr) "Sanctioned Country" means a country or territory that is subject or target of comprehensive Sanctions (currently, the Crimea region of Ukraine, Cuba, Iran, North Korea, Syria, and Venezuela).

(sss) "Sanctioned Person" means: (a) any person listed on any Sanctions-related list of designated or blocked persons, and including, but not limited to, any persons listed on the Specially Designated Nationals and Blocked Persons List maintained by the United States Department of the Treasury's Office of Foreign Assets Control ("OFAC"); (b) any person located, organized under the laws of, or resident in a Sanctioned Country; or (c) any person owned or controlled by any of the foregoing.

(ttt) "Sanctions" means all applicable economic or financial sanctions and trade embargoes of the United States (including those administered by OFAC), the United Nations Security Council, the European Union or the United Kingdom.

(uuu) "Seller Group" means the Sellers and each of their respective Affiliates.

(vvv) "Seller Group Indemnified Parties" means the Seller Group, or any member thereof.

(www) "Seller Note" means the secured seller note agreement substantially in the form of Exhibit D.

(xxx) "Seller Note Amount" means \$720,000,000.

(yyy) "Service Contract" means a Contract to which one or more of the Companies or the Subsidiaries are a party whereby one or more of the Companies or the Subsidiaries provide products or services to end customers.

(zzz) "Specified Utility Agreement" means the agreement set forth in Schedule 1.1(zzz).

(aaaa) "SRZ" means Schulte, Roth & Zabel LLP.

(bbbb) "Straddle Period" means any Tax period that begins on or before the Closing Date and ends after the Closing Date.

(cccc) "Tax" means (i) federal, state, or local taxes, charges, fees, imposts, levies, or other assessments, including all net income, gross receipts, franchise, capital, sales, use, premium, ad valorem, value added, transfer, profits, inventory, capital stock, license, withholding, payroll, employment, social security, unemployment, excise, severance, stamp, occupation, property and estimated taxes, fees, assessments, and charges of any kind whatsoever; (ii) all interest, penalties, fines, additions to tax, or additional amounts imposed by any Governmental Authority in connection with any item described in subsection (i); and (iii) any liability for any item described in subsections (i) and (ii), payable by reason of Contract, assumption, transferee liability, operation of Law, or otherwise.

(dddd) "Tax Return" means any return, declaration, report, claim for refund or information return or statement relating to taxes, including any Schedule or attachment thereto and any amendment thereof.

(eeee) "Transaction Expenses" means (i) the aggregate amount of all fees, costs and expenses, whether accrued for or not, including that of legal, investment banking, accounting and other advisors or service providers incurred by, or on behalf of, and to the extent payable by the Companies and the Subsidiaries in connection with the transactions contemplated by this Agreement and the other documents contemplated in this Agreement, including brokerage fees, commission, finders' fees, and expenses and the fees, costs and expenses that would be subject to indemnification under Section 6.1 of the Common Interest and Cooperation Agreement (for the avoidance of doubt, solely to the extent such amounts have not been paid under the Common Interest and Cooperation Agreement), in each case to the extent unpaid as of the Effective Time and (ii) all amounts payable, including after the Closing, in whole or in part, solely as a result of the consummation of the transactions contemplated by this Agreement in respect of any change of control, transaction, incentive, stay, or similar bonus, retention, termination or severance agreements or arrangements or other compensatory payments to any current or former employee, director, officer, agent or individual independent consultant of the Companies or the Subsidiaries, including the employer portion of any payroll or similar taxes and any "tax gross-up" payments, if any, payable with respect to any of the foregoing; provided, however that Transaction Expenses shall not include any item included in the calculation of Net Working Capital or Indebtedness.

(ffff) "Transition Services Agreement" means the transition services agreement among the Parties substantially in the form attached hereto as Exhibit F.

(gggg) "Utility Affiliate" means each of Pennsylvania-American Water Company, New Jersey-American Water Company, Inc., Virginia-American Water Company and Iowa-American Water Company.

(hhhh) "Utility Agreements" mean the utility agreements between either American Water Resources or Pivotal, on the one hand, and each of the Utility Affiliates, on the other hand, pursuant to which each Utility Affiliate shall provide billing and other related services to the Companies in connection with its operation of the Business following Closing, each substantially in the form attached hereto as Exhibit B.

(iiii) "WARN Act" means the federal Worker Adjustment and Retraining Notification Act of 1988, and similar state, local, and foreign Laws related to plant closings, relocations, mass layoffs, and employment losses.

(jjjj) "Working Capital Example" means a sample calculation of Net Working Capital as of July 31, 2021, prepared in accordance with the terms of this Agreement set forth on Schedule I.1(jjjj).

1.2 Additional Defined Terms. For the purposes of this Agreement, the following terms have the meanings specified in the indicated Section in this Agreement:

<u>Defined Terms</u>	<u>Section</u>
“Accounting Arbitrator”	2.4(c)
“ADSP”	8.7(b)
“Agreement”	Introduction
“American Water Enterprises”	Introduction
“American Water Florida”	Introduction
“American Water Holdings”	Introduction
“American Water Resources”	Introduction
“American Water Texas”	Introduction
“American Water USA”	Introduction
“Applicable Employees”	5.6(a)
“AWK”	Introduction
“Balance Sheet”	3.6(b)
“Balance Sheet Date”	3.6(b)
“Bankruptcy and Equity Exceptions”	3.1(b)
“Business”	Introduction
“Cash Purchase Price”	2.4(g)
“Check the Box Elections”	8.6
“Claim”	10.3(d)
“Closing”	7.1
“Closing Date”	7.1
“Closing End Date”	9.1(b)
“Companies”	Introduction
“Company Indemnified Agents”	5.11(a)
“Company Lease”	3.12(d)
“Continuing Employee”	5.6(b)
“Continuing Support Obligation”	5.13(d)
“Delayed Payment”	2.7
“D&O Indemnifying Person”	5.11(a)
“Dispute Notice”	2.4(b)
“Employee List”	3.17(f)
“Enterprise Units”	Introduction
“Equity Commitment Letter”	Introduction
“Equity Financing”	4.6(a)
“Estimated Cash Purchase Price”	2.2
“Estimated Closing Cash”	2.3
“Estimated Closing Indebtedness”	2.3
“Estimated Closing Net Working Capital”	2.3
“Estimated Closing Transaction Expenses”	2.3
“Event”	“Material Adverse Effect” definition
“Final Cash Purchase Price”	2.4(a)
“Final Closing Statement”	2.4(a)
“Final Section 338(h)(10) Allocation”	8.7(b)
“Financial Statements”	3.6(a)
“FSA Balances”	5.6(c)(iii)

“FSA End Date”	5.6(c)(iii)
“FSA Participants”	5.6(c)(iii)
“Indemnified Party”	10.3(d)
“Indemnifying Party”	10.3(d)
“Insurance Policies”	3.15
“Inventions”	5.15(a)(i)
“Leased Real Property”	3.12(d)
“Material Contracts”	3.13(a)
“OFAC”	“Sanctioned Person” definition
“Parties”	Introduction
“Payment Event”	2.7
“Pivotal”	Introduction
“Post-Closing Seller Group”	5.18
“Pre-Closing Returns”	8.2(a)
“Pre-Closing Tax Indemnity”	8.1(a)
“Preliminary Closing Statement”	2.3
“Proposed Section 338(h)(10) Allocation”	8.7(b)
“Purchaser”	Introduction
“Purchaser Covenant Parties”	5.15(a)(ii)
“Purchaser Employee Plans”	5.6(c)
“Purchaser Prepared Returns	8.2(b)
“Regulatory Agreement”	3.7(b)
“Savings Plan”	5.6(e)
“Schedules”	Article 3
“Section 338(h)(10) Elections”	8.7(a)
“Section 338 Allocation Forms”	8.7(b)
“Section 338 Election Forms”	8.7(a)
“Sellers”	Introduction
“Seller 401(k) Plan”	3.18(c)
“Seller Consolidated Returns”	8.2(a)
“Seller Covenant Parties”	5.15(a)(i)
“Seller FSA”	5.6(c)(iii)
“Seller Marks”	0
“Seller Pre-Closing Communications”	11.18
“Seller Prepared Returns”	8.2(a)
“Seller Separate Returns”	8.2(a)
“Service Condition”	3.17(f)
“Software”	“Intellectual Property” definition
“Sponsor” and “Sponsors”	Introduction
“Subsidiaries”	Introduction
“Support Obligations”	5.13(a)
“Tax Proceeding”	8.3
“Terminated Affiliate Obligations”	5.9
“Third-Party Proceeds”	10.3(c)(i)
“Transfer Taxes”	11.3
“Units”	Introduction
“USA Units”	Introduction
“Workers Compensation Event”	5.6(d)

ARTICLE 2
PURCHASE AND SALE

2.1 Purchase and Sale. Subject to, and on the terms and conditions contained in, this Agreement, at the Closing, the Sellers agree to sell to the Purchaser, and the Purchaser agrees to purchase, assume, accept, and pay for, the Units, free and clear of all Liens (other than any transfer restrictions under applicable securities Laws).

2.2 Estimated Cash Purchase Price. At Closing, the Purchaser shall (i) deliver the Seller Note to the Sellers (and the related documentation required by Section 7.3(c)) and (ii) pay to the Sellers, by wire transfer of immediately available funds to an account or accounts designated by Sellers, an amount equal to (the "Estimated Cash Purchase Price"):

- (a) the Base Cash Amount;
- (b) plus or minus, as applicable, Estimated Closing Cash;
- (c) minus Estimated Closing Indebtedness;
- (d) minus Estimated Closing Transaction Expenses;

(e) plus or minus, as applicable, on a dollar-for-dollar basis, the amount by which the Estimated Closing Net Working Capital is greater or less than the Net Working Capital Target.

2.3 Preliminary Closing Statement. Not later than five (5) Business Days prior to the Closing Date, the Sellers shall prepare and deliver to the Purchaser, using and based upon the books and records of the Companies and the Subsidiaries, a statement (the "Preliminary Closing Statement") setting forth the Seller's good faith estimate of: (i) the Closing Cash (the "Estimated Closing Cash"); (ii) the Closing Indebtedness (the "Estimated Closing Indebtedness"); (iii) the Closing Transaction Expenses (the "Estimated Closing Transaction Expenses"); (iv) the Closing Net Working Capital, prepared in accordance with the Accounting Principles (the "Estimated Closing Net Working Capital") and the amount by which, on a dollar-for-dollar basis, the Estimated Closing Net Working Capital is greater or less than the Net Working Capital Target; and (v) the Estimated Cash Purchase Price as calculated in accordance with Section 2.2 based on the estimated amounts set forth in the Preliminary Closing Statement.

2.4 Purchase Price Adjustment: Final Closing Statement.

(a) As soon as reasonably practicable after the Closing but not later than the sixtieth (60th) day following the Closing Date, the Purchaser shall prepare in good faith and deliver to the Sellers a statement (the "Final Closing Statement") setting forth the final calculation of: (i) Closing Cash; (ii) the Closing Indebtedness; (iii) the Closing Transaction Expenses; (iv) the Closing Net Working Capital (prepared in accordance with the Accounting Principles); and (v) a calculation of the Estimated Cash Purchase Price based on the amounts set forth in the Final Closing Statement (the "Final Cash Purchase Price"). The Purchaser shall provide the Seller with reasonable documentation to support the calculation of the Final Cash Purchase Price.

(b) If the Sellers disagree with any of the Purchaser's calculations set forth in the Final Closing Statement, as soon as reasonably practicable, but not later than the thirtieth (30th) day following receipt by Sellers of the Final Closing Statement, the Sellers may deliver to the Purchaser a written notice (a "Dispute Notice") specifying the nature and amount of any dispute as to the calculation of the Final Cash Purchase Price as set forth in the Final Closing Statement. If the Sellers fails to deliver a Dispute Notice prior to the end of the thirty (30) day period, the Seller shall be deemed to have agreed with the Purchaser's calculation of the Final Cash Purchase Price as set forth in the Final Closing Statement, and the Final Closing Statement shall become final and binding upon the Parties.

(c) In the event the Sellers deliver to the Purchaser a Dispute Notice prior to the end of the thirty (30) day period set forth in Section 2.4(b), the Parties shall undertake to agree on a final calculation of the Final Cash Purchase Price no later than thirty (30) days after receipt by Purchaser of the Dispute Notice. In the event that the Parties cannot reach agreement on the Final Cash Purchase Price within such 30-day period, any Party may submit in writing the Final Closing Statement and the Dispute Notice to the Philadelphia office of BDO USA, LLP, or, if such firm is not able or willing to serve, a nationally-recognized independent accounting firm mutually acceptable to both the Purchaser and the Seller (the "Accounting Arbitrator"), for review and final determination by arbitration. Each Party agrees to sign, if requested by the Accounting Arbitrator, a reasonable engagement letter and to provide indemnity and other standard agreements that the Accounting Arbitrator requires as a condition to the engagement.

(d) The Accounting Arbitrator's determination shall be made within forty-five (45) days after submission of the Final Closing Statement to the Accounting Arbitrator, which determination shall be final and binding on all Parties, without right of appeal. The Accounting Arbitrator will consider only those items and amounts included in the calculation of the Final Cash Purchase Price that the Parties have been unable to resolve. In resolving any such disputed item, the Accounting Arbitrator shall be bound by the terms of this Agreement and may not assign a value to any disputed item greater than the greatest value for such item proposed by a Party or less than the smallest value for such item proposed by a Party in the Final Closing Statement or in the Dispute Notice. The Accounting Arbitrator shall act as an expert for the limited purpose of determining the specific disputed aspects of those items and amounts included in the calculation of the Final Cash Purchase Price submitted by any Party and may not award damages, interest or penalties to any Party with respect to any matter. The Seller and the Purchaser shall each bear their own legal fees and other costs of presenting their respective cases. The costs and expenses of the Accounting Arbitrator shall be borne by the Sellers and the Purchaser inversely proportional to the dollar amounts resolved in favor of each Party.

(e) Within ten (10) days after the earlier of that date that is (i) the expiration of the Sellers' thirty (30) day review period without delivery of a Dispute Notice pursuant to Section 2.4(b), and (ii) the date on which the Parties or the Accounting Arbitrator, as the case may be, determine the Final Cash Purchase Price in accordance with this Section 2.4, (x) if the Final Cash Purchase Price exceeds the Estimated Cash Purchase Price, then the Purchaser shall pay such excess in immediately available funds to the Sellers to an account or accounts specified by the Sellers, or (y) if the Estimated Cash Purchase Price exceeds the Final Cash Purchase Price, then the Sellers shall pay such excess in immediately available funds to the Purchaser to an account designated by the Purchaser.

(f) The Sellers shall use commercially reasonable efforts (but without the obligation to pay any amount to, or undertake any obligations for the benefit of, the Purchaser, the Companies, the Subsidiaries, or any other Person) to assist the Purchaser in preparation of the Final Closing Statement by furnishing invoices, receipts, reasonable access to personnel, and such other assistance as may be reasonably requested by the Purchaser to facilitate such process. The Purchaser shall use commercially reasonable efforts (but without the obligation to pay any amount to, or undertake any obligations for the benefit of, the Sellers or any other Person) to assist the Sellers in their review of the Final Closing Statement by furnishing invoices, receipts, reasonable access to personnel, and such other assistance as may be reasonably requested by the Sellers to facilitate such process.

(g) Any amount paid pursuant to this Section 2.4 shall be the "Cash Purchase Price" for purposes of this Agreement. Upon payment of the Cash Purchase Price, none of the Parties to this Agreement may make or assert any further claim under this Section 2.4.

2.5 Purchase Price Adjustment. The payment of any amount paid pursuant to Section 2.4 shall be treated as an adjustment to the Cash Purchase Price for Tax purposes except to the extent otherwise required by applicable Law.

2.6 Withholding. Purchaser, its Affiliates, and any other applicable withholding agent shall be entitled to deduct and withhold from any payments made pursuant to this Agreement such amounts as it is required to deduct and withhold with respect to the making of any such payment under any applicable Tax Law; provided, that Purchaser shall use commercially reasonable efforts to provide each Seller and Company with notice of any such withholding from any payment by Purchaser pursuant to this Agreement no later than five (5) Business Days prior to the expected withholding and allow the relevant party an opportunity to correct or take any action that will mitigate such amounts. To the extent that amounts are so withheld, and paid to the proper Governmental Authority pursuant to any applicable Tax Law, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to such holder in respect of which such deduction and withholding was made. The Parties shall reasonably cooperate in determining and complying with any withholding obligations hereunder.

2.7 Delayed Payment. As additional consideration to Sellers hereunder, an additional cash payment of \$75,000,000 (the "Delayed Payment") shall become due and payable by (or on behalf of) the Purchaser to the Sellers if, as of December 31, 2023, a Payment Event (as defined in Schedule 2.7) shall have occurred. The Delayed Payment, if due, shall be made within forty-five (45) days of the Payment Event, by wire transfer of immediately available funds to an account or accounts designated by Sellers pursuant to Section 2.2. Certain other matters with respect to this Section 2.7 and the Delayed Payment are set forth in Schedule 2.7. Payment of the Delayed Payment will be pari passu with all other senior Indebtedness obligations of the Purchaser, the Companies or any of their respective Affiliates; provided, however, that any such Indebtedness shall in all circumstances permit the payment of the Delayed Payment pursuant to this Section 2.7. The payment of the Delayed Payment shall be treated as an adjustment to the Cash Purchase Price for Tax purposes except to the extent otherwise required by applicable Law.

ARTICLE 3
REPRESENTATIONS AND WARRANTIES OF THE SELLERS

Subject to the provisions of this Article 3, and the other terms and conditions of this Agreement, and except as set forth on the disclosure Schedules dated as of the date of this Agreement and delivered herewith (the "Schedules"), each Seller represents and warrants to the Purchaser, as follows:

3.1 Sellers.

(a) Organization and Power. Each Seller is a limited liability company duly organized, validly existing, and in good standing under the Laws of the State of Delaware. Each Seller is duly qualified and licensed to do business and is in good standing in each jurisdiction where such qualification or license is necessary, except where the failure to so qualify or be licensed would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Each Seller has all requisite power and authority to enter into and perform this Agreement and all other Ancillary Documents to which each Seller is or will be a party and to consummate the transactions contemplated by this Agreement and such Ancillary Documents.

(b) Due Authorization. The execution, delivery, and performance by each Seller of this Agreement and the other Ancillary Documents to which each Seller is or will be a party, and the consummation of the transactions contemplated hereby and thereby, have been or will be prior to Closing, duly and validly authorized and approved by all necessary action on the part of each Seller. This Agreement has been, and each other Ancillary Document to which each Seller is or will be a party has been or will be prior to Closing, duly executed and delivered by each Seller, and this Agreement constitutes, and each other Ancillary Document to which each Seller is or will be a party constitutes, or will constitute when so duly executed and delivered, in each case assuming the due execution and delivery of the other parties hereto and thereto, the valid and binding obligations of each Seller, enforceable in accordance with their terms except as such enforceability may be limited by (i) bankruptcy, insolvency, reorganization, moratorium or similar Laws now or hereafter in effect relating to creditors' rights generally and (ii) equitable defenses at the discretion of the court before which any Legal Proceeding therefor may be brought (clauses (i) and (ii) collectively, the "Bankruptcy and Equity Exceptions").

(c) No Conflict. The execution, delivery and performance by each Seller of this Agreement and the other Ancillary Documents to which each Seller is or will be a party and the consummation of the transactions contemplated hereby and thereby do not and will not: (i) violate or conflict with the applicable governing documents of each Seller; (ii) assuming compliance with the HSR Act, require any consent, approval, or Permit of or filing with or notification to any Governmental Authority or otherwise violate any Law applicable to each Seller; (iii) conflict with, constitute a default under, require any consent, approval, or Permit of or give rise to any third party any right of termination, amendment, suspension, revocation, cancellation or acceleration of any right or obligation of each Seller or to a loss of any benefit to which each Seller is entitled under

any provision of any Contract, note, bond, mortgage, indenture, or other financing instrument binding upon each Seller; or (iv) by the creation or imposition of any Lien (other than a Permitted Lien) on any property, right, or asset of each Seller, except in the case of the foregoing clauses (ii), (iii) and (iv), where such violation, default, right of termination, cancellation, acceleration, loss or Lien would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(d) Required Consents. Except as required by the HSR Act, the execution and delivery by each Seller of this Agreement and the other Ancillary Documents to which each Seller is or will be a party does not and will not, and the performance of this Agreement by each Seller and the other Ancillary Documents to which each Seller is or will be a Party does not and will not, require any consent, approval, or Permit of, or registration, declaration or filing with or notification to, any Governmental Authority that if not obtained would, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(e) Legal Proceedings. Except as required by the HSR Act, there are no Legal Proceedings pending or threatened in writing before any Governmental Authority or arbitrator against each Seller which, if adversely determined, are reasonably likely to (a) challenge or seek to prevent, enjoin, alter or materially delay the transactions contemplated by this Agreement or (b) have a Material Adverse Effect.

(f) Governing Documents. Prior to the date hereof, the Sellers have made available to the Purchaser true and complete copies of the governing documents of the Companies and the Subsidiaries currently in effect, reflecting all amendments made thereto prior to the date of this Agreement.

3.2 Company.

(a) Organization and Power. Each Company is a limited liability company and each Utility Affiliate is a corporation, duly organized, validly existing and in good standing under the Laws of the state of its organization and has all limited liability company (or applicable organizational) power and authority required to carry on its respective businesses (including the Business) as now operated or conducted and to own, lease and operate its respective property, rights or assets. Each Company and each Utility Affiliate is duly qualified or licensed to do business (including the Business) and is in good standing in each jurisdiction where such qualification is necessary, except where the failure to so qualify would not, in the aggregate, have a Material Adverse Effect. Each Company and each Utility Affiliate has all limited liability company (or applicable organizational) power and authority to enter into and perform this Agreement and all other Ancillary Documents to which each Company and each Utility Affiliate is or will be a party and to consummate or cause to be consummated the transactions contemplated by this Agreement and such Ancillary Documents.

(b) Due Authorization. The execution, delivery, and performance by each Company and each Utility Affiliate of this Agreement and the other Ancillary Documents to which each Company and each Utility Affiliate is or will be a party, and the consummation of the transactions contemplated hereby and thereby, have been or will be prior to Closing, duly and validly authorized and approved by all necessary action on the part of each Company and each

Utility Affiliate. This Agreement has been, and each other Ancillary Document to which each Company and each Utility Affiliate is or will be a party has been or will be prior to Closing, duly executed and delivered by each Company and each Utility Affiliate, and this Agreement constitutes, and each other Ancillary Document to which each Company and each Utility Affiliate is or will be a party constitutes, or will constitute when so duly executed and delivered, in each case assuming the due execution and delivery of the other parties hereto and thereto, the valid and binding obligations of each Company and each Utility Affiliate, enforceable in accordance with their terms except as such enforceability may be limited by the Bankruptcy and Equity Exceptions.

(c) No Conflict. The execution, delivery and performance of this Agreement and the other Ancillary Documents to which each Company and each Utility Affiliate is or will be a party and the consummation of the transactions contemplated hereby and thereby do not and will not: (i) violate or conflict with the applicable governing documents of each Company and each Utility Affiliate; (ii) assuming compliance with the HSR Act, require any consent, approval, or Permit of or filing with or notification to any Governmental Authority or otherwise violate any Law applicable to each Company, each Utility Affiliate or the Business; (iii) conflict with, constitute a default under, require any consent, approval, or Permit of or give rise to any third party any right of termination, amendment, suspension, revocation, cancellation or acceleration of any right or obligation of each Company and each Utility Affiliate or to a loss of any benefit to which each Company, each Utility Affiliate or the Business is entitled under any provision of any Contract, note, bond, mortgage, indenture, or other financing instrument binding upon each Company, each Utility Affiliate or binding the Business; or (iv) result in the creation or imposition of any Lien (other than a Permitted Lien) on any property, right, or asset of each Company or each Utility Affiliate, except in the case of the foregoing clauses (ii), (iii) and (iv), where such violation, default, right of termination, cancellation, acceleration, loss or Lien would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(d) Required Consents. Except as required by the HSR Act, the execution and delivery by each Company and each Utility Affiliate of this Agreement and the other Ancillary Documents to which each Company and each Utility Affiliate is or will be a party does not and will not, and the performance of this Agreement by each Company and each Utility Affiliate and the other Ancillary Documents to which each Company is or will be a Party does not and will not, require any consent, approval, authorization or permit of, or registration, declaration or filing with or notification to, any Governmental Authority that if not obtained would, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

3.3 Subsidiaries.

(a) Organization and Power. Each Subsidiary is a limited liability company duly organized, validly existing and in good standing under the Laws of the state of its organization and has all limited liability company power and authority required to carry on its business (including, as applicable, the Business) as now operated or conducted. Each Subsidiary is duly qualified to do business and is in good standing in each jurisdiction where such qualification is necessary, except where the failure to so qualify would not, in the aggregate, have a Material Adverse Effect. Other than the Subsidiaries, the Companies do not own, directly or indirectly, any equity interest in any other Person.

(b) No Conflict. The execution, delivery and performance of this Agreement and the other Ancillary Documents to which Sellers or the Companies or the Utility Affiliates are or will be party and the consummation of the transactions contemplated hereby and thereby do not and will not: (i) violate or conflict with the applicable governing documents of any Subsidiary; (ii) assuming compliance with the HSR Act, violate any Law applicable to any Subsidiary; (iii) conflict with, constitute a default under, require any consent, approval, or Permit of or give rise to any third party any right of termination, amendment, suspension, revocation, cancellation or acceleration of any right or obligation of each Subsidiary or to a loss of any benefit to which any Subsidiary is entitled under any provision of any Contract, not, bond, mortgage, indenture, or other financing instrument binding upon each Subsidiary or binding the Business; or (iv) result in the creation or imposition of any Lien (other than a Permitted Lien) on any property, right, or asset of any Subsidiary, except in the case of the foregoing clauses (ii), (iii) and (iv), where such violation, default, right of termination, cancellation, acceleration, loss or Lien would not individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

3.4 Title.

(a) American Water Enterprises owns, beneficially and of record, and has good and valid title to the Enterprise Units, and American Water USA owns, beneficially and of record, and has good and valid title to the USA Units, in each case free and clear of any Liens (other than restrictions on transfer that may be imposed by applicable securities Laws or in the Companies' governing documents). Other than pursuant to this Agreement and the Companies' governing documents, the Units are not subject to any voting or other Contract, including any agreement, arrangement, commitment or understanding restricting or otherwise relating to the voting, dividend rights or disposition of the Units.

(b) American Water Enterprises has all requisite power and authority to sell, transfer, assign and deliver the Enterprise Units, and American Water USA has all requisite power and authority to sell, transfer, assign and deliver the USA Units, in each case as provided herein and the other Ancillary Documents to which such Seller is or will be party, and at the Closing, such Seller shall transfer to the Purchaser good and marketable title to the Units owned by such Seller (other than restrictions on transfer that may be imposed by applicable securities Laws or in the Companies' governing documents). Immediately after the Closing, the Purchaser shall own all of the Units, free and clear of any Liens (other than restrictions on transfer that may be imposed by applicable securities Laws or in the Companies' governing documents).

3.5 Capitalization.

(a) Schedule 3.5(a) sets forth a complete and correct list of each of the Companies and Subsidiaries, and with respect to each, (i) its name and jurisdiction of organization, (ii) its form of organization and (iii) the authorized, issue and outstanding equity interests in such entity owned, directly or indirectly (without duplication), by the Seller or Companies. There are no equity interests in any of the Companies or Subsidiaries issued and outstanding other than those listed on Schedule 3.5(a).

(b) The Units are duly authorized and validly issued and outstanding, fully paid, non-assessable and have not been issued in violation of any preemptive rights or any Law. Except for the Units, there are no outstanding equity interests in the Companies, or any contractual arrangements giving any Person a right to receive any benefits or rights similar to the rights enjoyed by or accruing to the holders of such equity interests. Other than pursuant to this Agreement and other than as provided for in the Companies' governing documents, there are no outstanding warrants, options, rights, convertible or exchangeable securities or other commitments pursuant to which the Sellers or the Companies are or may become obligated to issue or sell any securities of the Companies. There are no outstanding obligations of the Companies to repurchase, redeem or otherwise acquire any outstanding securities of the Companies other than as may be provided for in the Companies' governing documents.

(c) All of the issued and outstanding equity interests of each Subsidiary are owned by American Water Holdings free and clear of any Liens (other than restrictions on transfer that may be imposed by applicable securities Laws or in the Companies' governing documents). Other than pursuant to this Agreement and their respective governing documents, the issued and outstanding equity interests in each Subsidiary are not subject to any voting agreement or other Contract, including any such agreement, arrangement, commitment or understanding restricting or otherwise relating to the voting, dividend rights or disposition of such equity interest.

(d) All of the issued and outstanding equity interests of each Subsidiary are duly authorized and validly issued and outstanding, fully paid, non-assessable and have not been issued in violation of any preemptive rights. Except for the equity interests held by American Water Holdings, there are no outstanding equity interests in any Subsidiary, or any contractual arrangements giving any Person a right to receive any benefits or rights similar to the rights enjoyed by or accruing to the holders of such equity interests. Other than pursuant to this Agreement and other than as provided for in the Subsidiaries' governing documents, there are no outstanding warrants, options, rights, convertible or exchangeable securities or other commitments pursuant to which American Water Resources or the Subsidiaries are or may become obligated to issue or sell any securities of the Subsidiaries. There are no outstanding obligations of any Subsidiary to repurchase, redeem or otherwise acquire any outstanding securities of such Subsidiary other than as may be provided for in the Subsidiaries' governing documents.

(e) There is no obligation, contingent or otherwise, of the Companies or the Subsidiaries to provide funds to, or make any investment in (in the form of a loan, capital contribution or otherwise), or provide any guarantee with respect to the obligations of, any other Person. There are no bonds, debentures, notes or other indebtedness issued by the Companies or the Subsidiaries which have the right to vote (or which are convertible into, or exchangeable for, securities having the right to vote) or any matter on which interest holders of such Company or Subsidiary are entitled to vote.

3.6 Financial Statements; No Undisclosed Liabilities; Absence of Changes.

(a) Each of (i) the audited combined balance sheet of the Companies and the Subsidiaries (other than Pivotal) for the year ended December 31, 2019, and the related audited combined statements of operations, cash flows and equity and accompanying notes of the Companies and the Subsidiaries (other than Pivotal) for the year ended December 31, 2019, (ii) the audited balance sheet of Pivotal as of December 31, 2019 and 2020, and the related audited statements of operations, cash flows and equity and accompanying notes of Pivotal for the years

ended December 31, 2019 and 2020, and (iii) the unaudited combined balance sheet of the Companies and the Subsidiaries (other than Pivotal) for the year ended December 31, 2020, and the related unaudited combined statements of operations, cash flows and equity and accompanying notes of the Companies and the Subsidiaries (other than Pivotal) for the year ended December 31, 2020 (collectively, the “Financial Statements”), were prepared in accordance with GAAP applied on a consistent basis throughout the periods referred to therein (except as may be indicated in the notes thereto), and fairly present in all material respects the financial position, assets and liabilities of the Companies and the Subsidiaries, as applicable, for the periods referred to therein, and their results of operations and cash flows for the fiscal years then ended. True, correct and complete copies of such Financial Statements are attached hereto as Schedule 3.6(a). American Water Holdings’ only assets are the equity interests of American Water Florida and American Water Texas, and it has no liabilities or operations.

(b) The unaudited combined balance sheet (the “Balance Sheet”) and the related unaudited combined statement of operations of the Companies and the Subsidiaries for the seven (7)-month period ending July 31, 2021 (the “Balance Sheet Date”) were prepared in accordance with GAAP applied on a consistent basis throughout the period indicated, and fairly present in all material respects the combined financial position, assets and liabilities of the Companies and the Subsidiaries as of the Balance Sheet Date and their combined results of operations for the period referred to therein, subject to normal and recurring year-end adjustments (which are not, individually or in the aggregate, reasonably expected to be material) and the absence of notes otherwise required by GAAP which if presented would not differ materially from those presented in the audited Financial Statements. True, correct and complete copies of the Balance Sheet and such other financial statements are attached hereto as Schedule 3.6(b).

(c) Neither the Companies nor the Subsidiaries have any Liabilities, except: (i) Liabilities specifically reflected and adequately reserved on the face of the Balance Sheet; (ii) Liabilities in connection with the transactions contemplated by this Agreement; (iii) Liabilities incurred in the Ordinary Course of Business since the Balance Sheet Date (none of which results from, arises out of, or relates to any breach or violation of, or default under, any Contract or Laws); (iv) those post-Closing executory obligations which arise pursuant to any Contract, in each such case, which arose in the Ordinary Course of Business and did not result from any default, tort, breach of Contract or breach of warranty; (v) liabilities disclosed on Schedule 3.6(c); or Liabilities which, individually or in the aggregate have not had or would not have a Material Adverse Effect.

(d) Since (i) December 31, 2020, (A) the Business has been operated in the Ordinary Course of Business and (B) there has not been any event, occurrence or development which, individually or in the aggregate, has had or would reasonably be expected to have, a Material Adverse Effect or (ii) the Balance Sheet Date, none of the Companies or Subsidiaries or the Business has taken any action which, if taken or omitted to be taken after the date of this Agreement, would require the consent of the Purchaser in accordance with Section 5.5.

(e) The Companies, Subsidiaries and the Business maintain systems of internal accounting controls sufficient to provide reasonable assurances regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP in all material respects, including internal accountings controls sufficient to provide reasonable assurance that: (i) transactions are executed in accordance with management’s general

or specific authorization, (ii) transactions are recorded as necessary to permit the preparation of financial statements of the Companies, Subsidiaries and the Business in conformity with GAAP and maintain accountability for assets, and (iii) the recorded accountability for assets is maintained at reasonable intervals and appropriate action is taken with respect to any differences.

(f) Schedule 3.6(f) sets forth a true and complete list as of the date hereof of the Indebtedness (but, for the purposes of this Section 3.6(f), only the types set forth in clauses (i), (ii), (iii), (iv), (v), (vii) and (viii) of the definition of “Indebtedness”) of the Companies and Subsidiaries (including the amount of outstanding principal and any accrued but unpaid interests) and the Contracts under which such Indebtedness of the Companies or Subsidiaries exists.

3.7 Litigation.

(a) There are no, and since January 1, 2019 have not been any, Legal Proceedings pending or, to the Knowledge of the Companies, threatened against or affecting the Companies or the Subsidiaries or any of their respective properties, rights or assets or the Business, before any Governmental Authority or arbitrator that (a) are reasonably likely to be material to the Companies and the Subsidiaries, taken as a whole or (b) challenge or seek to prevent, enjoin, alter or materially delay the transactions contemplated by this Agreement. No Seller, Company, or Subsidiary is a party or subject to or in default under any judgment or order of any Governmental Authority other than orders of general applicability.

(b) The Companies and the Subsidiaries are not subject to any cease-and-desist or other order or enforcement action issued by, or is a party to any written agreement, consent agreement or memorandum of understanding with, or is a party to any commitment letter or similar undertaking to, or is subject to any order or directive by, or has been ordered to pay any civil money penalty by, or has been since January 1, 2019, a recipient of any supervisory letter from, or since January 1, 2019, has adopted any policies, procedures or board resolutions at the request or suggestion of any Governmental Authority that currently restricts in any material respect the conduct of the Business (each, whether or not set forth in the Schedules, a “Regulatory Agreement”), nor has the Companies or the Subsidiaries been advised in writing since January 1, 2019, by any Governmental Authority that it is considering (and to the Knowledge of the Companies, no Governmental Authority is considering) issuing, initiating, ordering or requesting any such Regulatory Agreement.

(c) Except for normal examinations conducted by a Governmental Authority in the regular course of the Business, since January 1, 2019, no Governmental Authority has, to the Knowledge of the Companies, initiated or threatened any proceeding with respect to, the business or operations of the Companies or the Subsidiaries. The Sellers have made available to Purchaser complete and correct copies of all (i) material investigation, examination, audit or inspection reports provided to each Seller, the Companies or the Subsidiaries by any Governmental Authority in respect of the Companies or the Subsidiaries, (ii) material written responses to any such reports made by the Companies or the Subsidiaries and (iii) other material correspondence relating to any investigation, examination, audit or inspection of the Companies or the Subsidiaries, in the case of each of clauses (i), (ii) and (iii), since January 1, 2019 and except to the extent Sellers are required to keep such reports, responses and correspondence confidential under applicable Law.

(d) Except as provided in Schedule 3.7(d), none of the Companies or the Subsidiaries are required to satisfy any regulatory capital requirements under applicable Law or applicable agreement with any Governmental Authority.

3.8 Taxes and Assessments.

(a) Sellers, the Companies and the Subsidiaries have each (i) duly and timely filed all income and other material Tax Returns required to be filed with respect to the Companies, the Subsidiaries and the Business under applicable Law, and all such Tax Returns are true, correct and complete in all material respects; (ii) timely paid all income and other material Taxes due from or with respect to the Companies, the Subsidiaries and the Business; and (iii) deducted, withheld and timely paid all material Taxes required to have been deducted, withheld or paid in connection with amounts paid or owing any employee, independent contractor, creditor, member or other Person, and all Forms W-2 and 1099 required with respect thereto have been properly and timely filed or provided, in each case with respect to the Companies, the Subsidiaries and the Business.

(b) No Legal Proceeding, audit, investigation, examination, or claim is now in progress with respect to the Companies, the Subsidiaries or the Business regarding Taxes, and none of the Sellers, the Companies, or the Subsidiaries has received written notice of any pending or threatened Legal Proceeding, audit, investigation, examination, or claim against it (which remains outstanding) from any applicable Governmental Authority. No deficiency has been assessed or asserted with respect to Taxes of the Companies, the Subsidiaries or the Business which has not been timely paid in full. None of the Sellers, Companies or the Subsidiaries has waived any statute of limitations in respect of any income or other material Taxes of the Companies, the Subsidiaries or the Business or agreed to any extension of time with respect to an income or other material Tax assessment or deficiency with respect to the Companies, Subsidiaries or the Business. There are no Liens with respect to Taxes upon any asset of the Companies, the Subsidiaries or the Business other than liens for Taxes not yet due and payable.

(c) No claim has ever been made in writing by a Governmental Authority in a jurisdiction where the Companies and/or any of the Subsidiaries do not file a specific type of Tax Return that such Company or such Subsidiary is or may be subject to taxation by, or required to file Tax Returns in, that jurisdiction, which claim has not been fully resolved.

(d) No Company or Subsidiary (i) has ever been a member of an affiliated, consolidated, joint, unitary, combined or similar Tax group for Tax purposes, (ii) is a party to or has any obligation under any Tax sharing, Tax indemnification, or Tax allocation agreement or similar contract or arrangement (other than any customary commercial contract entered into in the ordinary course of business the principal subject of which is not Taxes) or (iii) has any liability for the Taxes of any other Person under Treas. Reg. § 1.1502-6 (or any similar provision of state, local or foreign Law), as a transferee or successor, or otherwise as a matter of Law.

(e) The Companies and the Subsidiaries will not be required to include any material amounts in income, or exclude any material items of deduction, in a taxable period (or portion thereof) beginning after the Closing Date as a result of (i) a change in or incorrect method of accounting occurring prior to the Closing, (ii) an installment sale or open transaction arising in a taxable period (or portion thereof) ending on or before the Closing Date, (iii) a prepaid amount

received, or paid, or deferred revenue accrued, prior to the Closing, (iv) a “closing agreement” as described in Section 7121 of the Code for 2017 (or any corresponding or similar provision of state or local income Tax Law) executed on or prior to the Closing Date, (v) any intercompany transactions or any excess loss account described in Treasury Regulations under Section 1502 of the Code (or any corresponding or similar provision of state or local income Tax Law), or (vi) an election under Section 965(h) of the Code.

(f) No Company or Subsidiary (i) has participated in or has any liability or obligation with respect to any “listed transaction” within the meaning of Treas. Reg. § 1.6011-4, (ii) has deferred any payroll or employment Taxes or claimed any other benefit or relief pursuant to the CARES Act or (iii) has a permanent establishment (within the meaning of an applicable Tax treaty) or otherwise has an office or fixed place of business in, or is tax resident in, in a country other than the country in which it is organized.

(g) Each of the Companies and the Subsidiaries have collected all material sales and use Taxes required to be collected, and has remitted, or will remit on a timely basis, such amounts to the appropriate governmental authorities, or has been furnished properly completed exemption certificates.

(h) Each Company and Subsidiary is, and has been since its formation and until the Effective Time of the Check the Box Elections, properly treated as an entity disregarded from its owner for U.S. federal (and applicable state and local) income tax purposes. Following the Effective Time of the Check the Box Elections, each Company and Subsidiary will be properly treated as a corporation for U.S. federal (and applicable state and local) income tax purposes. As of the Closing, no Company or Subsidiary will be a “United States real property holding corporation” within the meaning of Section 897(c)(2) of the Code.

3.9 Permits and Approvals; Compliance with Laws.

(a) The Companies and the Subsidiaries (i) are, and since January 1, 2019 have been, in compliance in all material respects with all applicable Laws, and (ii) have all material Permits required to carry on the Business as now conducted. All such Permits are in full force and effect and the Companies and the Subsidiaries are in compliance in all material respects with the requirements of such Permits. No suspension, cancellation or revocation of any such Permit is pending or, to the Knowledge of the Companies, threatened.

(b) Since January 1, 2019, none of the Companies or the Subsidiaries has received written or, to the Knowledge of the Companies, oral notice of any material violation of any Permit or applicable Law. There is no consent decree, compliance order or administrative order against any Company or any Subsidiary or by which any Company or any Subsidiary is or was bound or which otherwise relates to the Business or assets, including any Privacy Policy, of any Company or any Subsidiary.

(c) To the extent required by applicable Laws and Permits, each of the Companies and the Subsidiaries currently has, and since January 1, 2019, has had (i) insured Service Contracts under reimbursement or other insurance policies, (ii) posted bonds or other security, (iii) maintained reserve accounts, or (iv) maintained its net worth, in each case in amounts

no less than the minimum required by applicable Law, except where the failure to take any such actions would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Each of the Companies and the Subsidiaries has marketed, sold and issued Service Contracts and Insurance Products, as the case may be, in compliance with applicable Laws and Permits in all material respects in the respective jurisdictions in which such products have been sold. All advertising, promotional and sales materials and marketing practices used by each of the Companies and the Subsidiaries have complied and are currently in compliance with all applicable Laws in all material respects. All Service Contracts and Insurance Products issued, or which are being issued, are in compliance, and at their respective dates of issuance were in compliance with all applicable Laws and Permits in all material respects. To the extent required by applicable Law, all Service Contracts and Insurance Products are on forms approved by the applicable Governmental Authority or have been filed and not objected to (or such objection has been withdrawn or resolved) by such Governmental Authority. All forms of Service Contracts and Insurance Products currently in force, including all amendments thereto, have been provided to Purchaser.

3.10 Sufficiency of Assets. Other than the Support Obligations and the shared services and systems provided by Sellers or its respective Affiliates (other than the Companies or the Subsidiaries) or as otherwise set forth in Schedule 3.10, as of the Closing, the Companies and Subsidiaries will own or otherwise have sufficient and legally enforceable rights to use all of the material assets, rights and properties (excluding Intellectual Property), used or held for use in the conduct of the Business substantially in the same manner as the Business was conducted during the 12 month prior to the date of this Agreement and through the Closing. None of the Sellers or its respective Affiliates (other than the Companies or the Subsidiaries) hold title to, or has an ownership interest in, any of the properties, rights or assets primarily related to or primarily used in the Business.

3.11 Environmental Matters.

(a) The Companies and the Subsidiaries are, and have been, since January 1, 2019, in material compliance with all applicable Environmental Laws.

(b) None of the Companies or the Subsidiaries has received a written notice, order, complaint or penalty from a Governmental Authority or any other Person alleging a material violation by or material liability of any Company or any Subsidiary of or under any Environmental Law and there are no judicial, administrative or other actions, suits or Legal Proceedings pending or, to the Knowledge of the Companies, threatened, in the case of any of the foregoing, which allege a material violation by or material liability of the Companies or the Subsidiaries of or under any Environmental Law.

(c) There has been no Release or threatened Release of any Hazardous Substance by and of the Companies or the Subsidiaries at any location, or any Release or threatened Release at any Leased Real Property or, to the Knowledge of the Companies, at any property formerly leased, operated or owned, by the Companies or the Subsidiaries during the time of such leasing or operation or ownership, in violation of applicable Environmental Law or that in any case requires, or would reasonably be expected to result in, liability, reporting, investigation, assessment, cleanup, or remediation of or by any of the Companies or the Subsidiaries pursuant to any Environmental Law, except to the extent that such Release or threatened Release has been addressed fully and appropriately pursuant to Environmental Law.

(d) None of the Companies or the Subsidiaries has assumed, undertaken or otherwise become responsible for any material liability of any other Person relating to or arising from any Environmental Law.

(e) None of the Companies or the Subsidiaries has entered into or been subject to any consent decree, compliance order or administrative order pursuant to any Environmental Law.

(f) The Sellers have made available to the Purchaser copies of all written studies, reports, data and assessments or investigations, including "Phase I" and "Phase II" reports, which have been performed by or on behalf of the Companies or the Subsidiaries and are in their possession and relate to the environmental condition or compliance status of the Leased Real Property or other properties.

3.12 Properties.

(a) Except for the Permitted Liens, the Companies and the Subsidiaries have good and marketable title to, or in the case of leased property and assets, have valid leasehold interests in, or the right to use, all property and assets (whether real, personal, tangible or intangible, excluding Intellectual Property) reflected on the Balance Sheet or acquired after the Balance Sheet Date, except for properties and assets sold since the Balance Sheet Date in the Ordinary Course of Business.

(b) None of the properties and assets (whether real, personal, tangible or intangible) reflected on the Balance Sheet or acquired by the Companies or the Subsidiaries after the Balance Sheet Date are subject to any Lien, except Permitted Liens.

(c) Neither the Companies nor any Subsidiary own any real property. None of the Company or any of the Subsidiaries is a party to any agreement or option to purchase or sell any real property or interest therein.

(d) The Sellers have made available to the Purchaser a correct and complete copy of each lease, sublease, license or other Contract, currently in effect, under which any real property leased or subleased has been granted to the Companies or the Subsidiaries (each, a "Leased Real Property") or is occupied or used by the Companies or the Subsidiaries (each, a "Company Lease"), as amended to date. Each Company Lease is a valid and binding obligation of the Company or Subsidiary party and, to the Knowledge of the Companies, the other party thereto, enforceable in accordance with the terms. Neither the applicable Company or Subsidiary party to any Company Lease nor, to the Knowledge of the Companies, any other party to any such Company Lease, is in breach or default, and no event has occurred (including the failure to obtain any consent) which, with notice or lapse of time or both, would constitute a breach or default under or permit termination or material modification of, or acceleration of a material amount of rents due under, any Company Lease.

3.13 Contracts.

(a) Schedule 3.13(a) lists all Contracts of the type described below that are currently in effect as of the date of this Agreement and to which any Company or any Subsidiary is party or to which the Sellers or any of their Affiliates are party and primarily relate to the Business, other than any Employee Plan or Company Lease (of which complete and correct copies of such Contracts have been made available to Purchaser prior to the date hereof) or any Service Contracts (collectively, the "Material Contracts"):

- (i) any material joint venture, strategic partnership or similar arrangement;
- (ii) any Contracts which provided for the top twenty (20) aggregate payments by the Company to third party contractors to perform repair services for the twelve (12) months ended June 30, 2021;
- (iii) except for Contracts with third party contractors to perform repair services, any Contract (A) which obligates any Company or any Subsidiary to make future annual payments of more than Five Hundred Thousand Dollars (\$500,000) individually and is not terminable by the Company or the applicable Subsidiary without penalty on one hundred twenty (120) days' or less notice, (B) which provided for the top twenty (20) aggregate payments (or the incurrence or assumption of liabilities) by the Company and its Subsidiaries for the twelve (12) months ending December 31, 2020 and (C) which provided for the top twenty (20) aggregate payments (or the incurrence or assumption of liabilities) by the Company and its Subsidiaries for the six (6) months ending June 30, 2021;
- (iv) any Contract relating to the acquisition or disposition (by merger, sale of equity interests or otherwise) by any Company or any Subsidiary of any assets or equity interests to the extent that any Company or any Subsidiary has any surviving obligations under such Contract;
- (v) any Contract involving any resolution or settlement of any actual or threatened Legal Proceeding or other dispute involving the Companies or the Subsidiaries which will (A) involve payments after the Balance Sheet Date of amounts in excess of Five Hundred Thousand Dollars (\$500,000) or (B) impose monitoring, reporting or other non-monetary obligations on any Company or any Subsidiary to any other Person outside the Ordinary Course of Business;
- (vi) any Contract that constitutes a lease of personal property used in the Business under which any Company or any Subsidiary is lessor or lessee, which lease cannot be terminated by any Company or any Subsidiary without penalty on one hundred twenty (120) days' or less notice and which involves an annual base rental of more than Five Hundred Thousand Dollars (\$500,000);
- (vii) any material Contract relating to Intellectual Property, Personal Data or Company Systems, excluding (A) commercially available, off-the-shelf, non-exclusive Software licenses to any Company or any Subsidiary which involve annual or aggregate payments of less than \$500,000 and (B) non-exclusive licenses granted by any Company or any Subsidiary to customers in the Ordinary Course of Business;

- (viii) any Contract that contains a non-competition covenant, area of mutual interest agreement, or any other covenant that purports to restrict, limit, or prohibit the manner in which, or the locations in which, the Companies or the Subsidiaries conduct the Business including the right to approve providing services in an geographic area in which the Business is not currently operating (other than confidentiality obligations and restrictions on the solicitation of employees);
- (ix) any collective bargaining agreement;
- (x) any Contract relating to any Indebtedness required to be disclosed under Schedule 3.6(f).
- (xi) any Contract that provides for “most favored nations” or similar provisions or any right of first offer or right of first refusal to purchase any assets or equity securities of the Companies or the Subsidiaries;
- (xii) any Contract providing for Support Obligations; and
- (xiii) an agreement with (i) a municipality, other Governmental Authority, utility provider or other partner organization, or (ii) a league, group, collective or any of the foregoing in combination pursuant to which Service Contracts or Insurance Products are offered to end customers.

(b) The Material Contracts are in full force and effect and are valid, binding and enforceable against each Company and each Subsidiary party thereto and, to the Knowledge of the Companies, the other parties thereto in accordance with their respective terms (subject to the Bankruptcy and Equity Exceptions). There are no material defaults under such Material Contracts by each Company and each Subsidiary party thereto or, to the Knowledge of the Companies, the other parties thereto. No event has occurred that, with notice or lapse of time or both, would constitute a material default under any such Material Contract by each Company and each Subsidiary party thereto or, to the Knowledge of the Companies, the other parties thereto. No party to any Material Contract has exercised any termination rights with respect thereto, nor has any party to any Material Contract provided any written notice of any intention to terminate any such Material Contract. No party to any Material Contract has given written notice of any material breach of, material default under or material dispute with respect to any Material Contract.

3.14 Intercompany Arrangements. Except as set forth in Schedule 3.14, other than this Agreement and the Ancillary Documents, there are no Contracts or other arrangements between the Sellers or their Affiliates (other than the Companies or the Subsidiaries), on the one hand, and the Companies or the Subsidiaries, on the other hand. As of the Closing, except as set forth on Schedule 3.14 or pursuant to this Agreement or the Ancillary Documents, all liabilities and obligations of the Companies, the Subsidiaries or of the Business, on the one hand, to the Sellers or their Affiliates (other than the Companies or the Subsidiaries) shall have been cancelled without liability to Purchaser, the Companies and the Subsidiaries, and none of the Companies, the Subsidiaries or the Business will have any liabilities to the Sellers or their Affiliates other than pursuant to the terms of this Agreement and the Ancillary Documents.

3.15 Insurance Policies. Schedule 3.15 contains a complete and correct list of all insurance policies and/or programs of self-insurance owned, held, maintained, carried by, or covering the Companies and the Subsidiaries in connection with their ownership and operation of the Business (such policies or programs required to be set forth on Schedule 3.15, collectively, the “Insurance Policies”). There are no claims by any Company or any Subsidiary pending under the Insurance Policies. The Insurance Policies satisfy all requirements of applicable Laws and any Contracts to which the Companies or the Subsidiaries are a party. There have been no claims by the Business under the Insurance Policies as to which coverage has been questioned, denied or disputed by the underwriters of such Insurance Policies or in respect of which such underwriters have reserved their rights. All premiums due and payable for Insurance Policies have been duly paid, and all Insurance Policies are and shall be until the Closing Date, in full force and effect and no written notice of cancellation, termination or non-renewal has been received with respect to any such Insurance Policy.

3.16 Intellectual Property.

(a) Schedule 3.16(a) lists all registrations of and applications for registration for Intellectual Property owned by the Companies or the Subsidiaries. All of the Intellectual Property owned by the Companies or the Subsidiaries are subsisting, unexpired, and to the Knowledge of the Companies, valid and enforceable. The Companies or the Subsidiaries exclusively owns the material Intellectual Property owned or purported to be owned by the Companies or the Subsidiaries, free and clear of all Liens other than Permitted Liens.

(b) To the Knowledge of the Companies, no Intellectual Property owned by the Companies or the Subsidiaries is being infringed or misappropriated by any third party in any material respect, and none of the Companies or the Subsidiaries is materially infringing or misappropriating any valid and enforceable Intellectual Property owned by any third party. There are no claims pending or, to the Knowledge of the Companies, threatened alleging infringement, dilution, misappropriation, or other unauthorized use (x) by the Companies or the Subsidiaries of any Intellectual Property of any other Person or (y) by any other Person of any Intellectual Property owned by the Companies or the Subsidiaries. To the Knowledge of the Companies, the Companies and the Subsidiaries own or have licenses to use all Intellectual Property owned by third parties that is material to the conduct of the Business as currently conducted.

(c) The Company Systems operate and perform as required to conduct the Business as currently conducted. The Company Systems (and all Personal Data within the same) have been safeguarded with information security controls, system and data backup practices, and disaster recovery and business-continuity practices that, in each case, are commercially reasonable and comply in all material respects with applicable Law and Privacy Policies. Since January 1, 2019, there has been no material theft or unauthorized disclosure, use, access, intrusions, or breaches or violations of security, of any: (i) Company Systems; (ii) Personal Data, payment card information collected, maintained or stored by or on behalf of the Companies or the Subsidiaries; or (iii) trade secrets and other confidential information that constitutes Intellectual Property owned by the Companies or the Subsidiaries.

(d) All Persons who created Intellectual Property that is used in and material to the conduct of the Business on behalf of the Company or its Subsidiaries have assigned in writing to the Seller or one of its Affiliates (including a Company or a Subsidiary) their rights in same that do not vest initially in such entities by operation of law. The Company and its Subsidiaries have not distributed or made available to other Persons any material proprietary Software that is subject to any "open source" or similar license in such a way that requires the Company or the Subsidiaries to license or make available any material proprietary source code to any third party. No Person other than employees or authorized contractors performing services for the Company or its Subsidiaries possesses or has the current or contingent right to possess any material proprietary source code of the Company or its Subsidiaries.

3.17 Labor Matters.

(a) None of the Companies or the Subsidiaries is party to, or bound by, any collective bargaining agreement with any labor organizations. No labor organization or group of the Business Employees has made a demand for recognition or certification as a union or other labor organization with respect to any of the Business Employees. There has been no representation or certification Legal Proceedings or petitions seeking a representation Legal Proceeding pending or threatened to be brought or filed with the National Labor Relations Board or any labor relations tribunal or authority with respect to any of such employees. Since January 1, 2019, none of the Companies or the Subsidiaries has experienced any strike, grievance, unfair labor practice claim, or other material employee or labor dispute.

(b) Since January 1, 2019, the Companies and the Subsidiaries have been in compliance in all material respects with all applicable Laws relating to labor, employment, and fair employment practices, including all Laws relating to terms and conditions of employment, health and safety, employee-independent contractor classifications, wages and hours (including payment of overtime), child labor, immigration, employment discrimination, the prevention of harassment and retaliation, disability rights or benefits, equal opportunity, plant closures and layoffs, affirmation action, workers' compensation, employee leave issues, labor relations, unemployment insurance, and the collection and payment of withholding or social security Taxes.

(c) Since January 1, 2019, the Companies and the Subsidiaries have not received notice of, nor, to the Knowledge of the Companies, been threatened with (i) any charge or complaint with respect to or relating to them before any Governmental Authority responsible for the prevention of unlawful employment practices; (ii) the intent of any Governmental Authority responsible for the enforcement of Laws concerning labor, employment, wages and hours of work, child labor, immigration, or occupational safety and health Laws to conduct an audit or investigation with respect to or relating to them or written notice that such investigation is in progress; or (iii) any lawsuit or other Legal Proceeding pending or threatened in any judicial or arbitral forum by or on behalf of any present or former employee of such entities, any applicant for employment or classes of the foregoing alleging breach of any express or implied Contract of employment, any applicable Law governing employment or the termination thereof or other discriminatory, wrongful or tortious conduct in connection with the employment relationship, or otherwise arising from or relating to any of the Companies' or any of the Subsidiaries' labor or employment practices.

(d) Since January 1, 2019, none of the Companies or the Subsidiaries have implemented any employee layoffs that could implicate the WARN Act, and no such activities have been announced or planned for the future.

(e) No officer, director or management level employee of the Companies or the Subsidiaries is the subject of a pending allegation of sexual harassment or assault, nor has any officer, director or management level employee of the Companies or the Subsidiaries engaged in sexual harassment or assault or been accused of sexual harassment or assault since January 1, 2019. None of the Companies or the Subsidiaries has entered into any settlement agreements related to allegations of sexual harassment or misconduct by any employee.

(f) Sellers have provided to Purchaser a true and correct Schedule of all Business Employees as of the date of this Agreement (the "Employee List"). Each Business Employee has dedicated at least seventy-five percent (75%) of his or her working hours to the Business over the prior twelve (12) month period (or, if shorter, during any period of employment) (the "Service Condition"). There are no employees of Seller or its Affiliates who satisfy the Service Condition but are not included on the Employee List.

3.18 Employee Benefits.

(a) Schedule 3.18(a) sets forth a complete and correct list of each Employee Plan and separately identifies any Employee Plan that is a Group Company Plan. Accurate, correct, and complete copies of each Employee Plan and summaries of material modifications in respect of any Employee Plan have been made available to the Purchaser.

(b) Each Employee Plan has been established, administered and maintained in all material respects in accordance with its terms and in compliance with all applicable Laws (including without limitation ERISA and the Code). All benefits, contributions and premiums required by and due under the terms of each Employee Plan or applicable Law have been timely paid in accordance with the terms of such Employee Plan, and in material compliance with all applicable Laws.

(c) Each Employee Plan intended to be qualified under Section 401 of the Code (each a "Seller 401(k) Plan") has received a favorable determination letter from the Internal Revenue Service, or with respect to a prototype plan, can rely on an opinion letter from the Internal Revenue Service to the prototype plan sponsor, to the effect that such Employee Plan is so qualified and that the plan and the trust related thereto are exempt from federal income Taxes under Sections 401(a) and 501(a), respectively, of the Code. To the Knowledge of the Companies, nothing has occurred that could reasonably be expected to cause the revocation of such determination letter from the Internal Revenue Service or the unavailability of reliance on such opinion letter from the Internal Revenue Service or which may materially and adversely affect the qualified status of the Employee Plan. No Group Company Plan is intended to be qualified under Section 401 of the Code.

(d) No Employee Plan: (i) is a “multi-employer plan” (as defined in Section 3(37) of ERISA); or (ii) is a “multiple employer plan” within the meaning of Section 4063 or 4064 of ERISA, and the Companies and the Subsidiaries have no Liability with respect to any such plans. No Employee Plan that is a “Pension Plan” (as defined in Section 3(2) of ERISA) subject to Title IV of ERISA or Sections 412 or 430 of the Code is in at-risk status as defined under Section 430(i)(4) of the Code or has failed to make any required minimum contribution, as defined in Section 430 of the Code or Section 303 of ERISA and there has been no waived funding deficiency within the meaning of Section 412 of the Code or Section 303 of ERISA. The Companies and Subsidiaries have no liability with respect to any terminated “Pension Plan” (as defined in Section 3(2) of ERISA). None of the Sellers, the Companies or the Subsidiaries: (A) has withdrawn or terminated from any pension plan under circumstances resulting (or expected to result) in a liability to the PBGC or (B) has engaged in any transaction which would give rise to a liability of the Companies, the Subsidiaries or the Purchaser under Section 4069 or Section 4212(c) of ERISA.

(e) Neither the execution of this Agreement nor any of the transactions contemplated by this Agreement will (either alone or upon the occurrence of any additional or subsequent events): (i) entitle any current or former manager, officer, or employee of the Companies or the Subsidiaries to severance pay or any other payment or benefit; (ii) accelerate the time of payment, funding or vesting, or increase the amount of compensation due to any such individual; (iii) limit or restrict the right of the Companies or Subsidiaries to merge, amend or terminate any Employee Plan; or (iv) increase the amount payable under or result in any other material obligation pursuant to any Employee Plan. Neither the execution of this Agreement nor the consummation of the transactions contemplated hereby (either alone or upon the occurrence of any additional or subsequent events) will result in “excess parachute payments” within the meaning of Section 280G(b) of the Code or require a “gross-up” or other payment to any “disqualified individual” within the meaning of Section 280G(c) of the Code. The Sellers have made available to the Purchaser true and complete copies of any Section 280G calculations prepared (whether or not final) with respect to any disqualified individual in connection with the transactions.

(f) Other than as required under Section 4980B of the Code or other applicable Law, no Employee Plan provides benefits or coverage in the nature of health, life or disability insurance following retirement or other termination of employment (other than death benefits when termination occurs upon death).

(g) Each Employee Plan that is subject to Section 409A of the Code has been administered in material compliance with its terms and the operational and documentary requirements of Section 409A of the Code and all applicable regulatory guidance (including notices, rulings and proposed and final regulations) thereunder. The Companies do not have any obligation to gross up, indemnify or otherwise reimburse any individual for any excise taxes, interest or penalties incurred pursuant to Section 409A of the Code.

(h) There is no material Proceeding pending or, to the Knowledge of the Companies, threatened against, or arising out of, any Employee Plan or the assets of any Employee Plan (other than routine claims for benefits) and, to the Knowledge of the Companies, no facts or circumstances exist that could reasonably be expected to give rise to any such Proceeding.

(i) No Contract, plan, policy or arrangement that is not a Group Company Plan will automatically transfer, in whole or in part, to Purchaser or a subsidiary of Purchaser under applicable Law in connection with the transactions contemplated by this Agreement. Upon and following the Closing, Purchaser and its Affiliates (including, following the Closing, the Companies and Subsidiaries) shall have no Liability under or with respect to any Employee Plan other than Group Company Plans except to the extent any such Liability is included as Indebtedness.

3.19 Service Contracts. All Service Contracts are valid, binding and enforceable against the Company or the Subsidiary party thereto in accordance with their respective terms (subject to the Bankruptcy and Equity Exceptions). Other than arising or occurring in the Ordinary Course of Business, since January 1, 2021, (a) there have been no material defaults under any Service Contracts by the Company or the Subsidiary party thereto and (b) no party to any Service Contract has (i) exercised any termination rights with respect thereto or (ii) given written notice of any material dispute with respect to any Service Contract.

3.20 Brokers. No Seller, Company or Subsidiary has any liability or obligation to pay any fees or commissions to any broker, finder, or agent in connection with the negotiation, execution or delivery of this Agreement or any Ancillary Document.

3.21 FCPA. The Company and its Subsidiaries, and each of their respective officers and directors, and, to the Knowledge of the Companies, each of its and their respective employees, agents, and representatives, have been since January 1, 2019 and are currently in compliance in all material respects with the U.S. Foreign Corrupt Practices Act of 1977, as amended, and all other anti-corruption or anti-bribery laws of all jurisdictions in which the Company or its Subsidiaries conduct business.

3.22 Sanctions. The Companies and its Subsidiaries have been and are currently in compliance in all material respects with all applicable Sanctions. None of the Company, any Subsidiary, any of their respective officers or directors, nor, to the Knowledge of the Companies, any of their respective employees, agents or representatives (x) has been or is a Sanctioned Person, (y) has engaged in any transactions or business dealings with any Sanctioned Person in the last three (3) years, or (z) has engaged in any transactions or business dealings in or with any Sanctioned Country in the last three (3) years.

3.23 Limitations. Except as expressly represented otherwise in this Article 3 (which include the Schedules) or in the certificate of the Sellers to be delivered at Closing pursuant to Section 7.2(d) or in any Ancillary Documents, each Seller and each Company makes no, and hereby expressly disclaims, any representation or warranty, express, implied, or statutory as to: (i) the contents, character, or nature of any descriptive memorandum, report, study, presentation or summary, abstract, or derivative work based on, or relating to, the Companies, the Subsidiaries, or the Business; (ii) future costs or revenues relating to, or arising from, the ownership of the Units, the Companies, the Subsidiaries, or the Business; (iii) the existence of any prospect, expansion, or opportunities with respect to the Business, the Companies, the Subsidiaries, or the Units; (iv) any estimates of the value of the Units, the Business, the Subsidiaries, or the Companies, or the assets thereof or future revenues to be generated, or costs incurred, by any of the foregoing; (v) the maintenance, repair, condition, quality, suitability, design or marketability of any assets owned or leased by the Companies or the Subsidiaries, or otherwise included in the Business; (vi) infringement of any Intellectual Property right; (vii) any other materials or information that

may have been made available or communicated to Purchaser or its Affiliates, or its or their employees, agents, consultants, Representatives or advisors in connection with the transactions contemplated by this Agreement or any discussion or presentation relating thereto; and (viii) compliance with any Law (including Environmental Laws); and further disclaims any representation or warranty, express, implied, or statutory, of merchantability, fitness for a particular purpose, or conformity to models or samples of materials of any equipment or other assets, it being expressly understood and agreed by the Parties that, except as expressly set forth in this Article 3, the Units, the Companies, the Subsidiaries, and all assets thereof or that otherwise relate to the Business, are being transferred “as is, where is,” with all faults and defects, and that Purchaser has made or caused to be made such inspections as purchaser deems appropriate to enter into this Agreement. The Parties agree and understand that nothing contained in this Agreement, including this Section 3.23, shall limit any claims for Fraud.

ARTICLE 4 REPRESENTATIONS AND WARRANTIES OF PURCHASER

Subject to the provisions of this Article 4, and the other terms and conditions of this Agreement, Purchaser represents and warrants to each Seller as follows:

4.1 Organization and Power. The Purchaser is a Delaware corporation duly organized, validly existing, and in good standing under the Laws of the State of Delaware. The Purchaser is duly qualified to do business and is in good standing in each jurisdiction where such qualification is necessary, except where the failure to so qualify would not reasonably be likely to impair or delay materially the Purchaser’s ability to perform its obligations under this Agreement or any other Ancillary Document to which the Purchaser is or will be a party. The Purchaser has the power to enter into and perform this Agreement and all other Ancillary Documents to which the Purchaser is or will be a party and to consummate the transactions contemplated by this Agreement and such Ancillary Documents.

4.2 Due Authorization. The execution, delivery, and performance by the Purchaser of this Agreement and the other Ancillary Documents to which the Purchaser is or will be a party, and the consummation of the transactions contemplated hereby and thereby, have been or will be prior to Closing, duly and validly authorized and approved by all necessary action on the part of the Purchaser. This Agreement has been, and each other Ancillary Document to which the Purchaser is or will be a party has been or will be prior to Closing, duly executed and delivered by the Purchaser, and this Agreement constitutes, and each other Ancillary Document to which the Purchaser is or will be a party constitutes, or will constitute when so duly executed and delivered, in each case assuming the due execution and delivery of the other parties hereto and thereto, the valid and binding obligations of the Purchaser, enforceable in accordance with their terms except as such enforceability may be limited by the Bankruptcy and Equity Exceptions.

4.3 No Conflict. The execution, delivery and performance by the Purchaser of this Agreement and the other Ancillary Documents to which the Purchaser is or will be a party and the consummation of the transactions contemplated hereby and thereby do not and will not: (i) violate or conflict with the applicable governing documents of the Purchaser; (ii) assuming compliance with the HSR Act, require any consent, approval, or Permit of or filing with or notification to any Governmental Authority or otherwise violate any Law applicable to the Purchaser; (iii) conflict

with, constitute a default under, require any consent, approval, or Permit of or give rise to any third party any right of termination, amendment, suspension, revocation, cancellation or acceleration of any right or obligation of the Purchaser or to a loss of any benefit to which the Purchaser is entitled under any provision of any Contract, note, bond, mortgage, indenture, or other financing instrument binding upon the Purchaser; or (iv) result in the creation or imposition of any Lien (other than a Permitted Lien) on any property, right, or asset of the Purchaser, except in the case of the foregoing clauses (ii), (iii) and (iv), where such violation, default, right of termination, cancellation, acceleration, loss or Lien would not reasonably be likely to impair or delay materially the Purchaser's ability to perform its obligations under this Agreement or any other Ancillary Document to which the Purchaser is or will be a party.

4.4 Litigation. Except as required by the HSR Act, there are no Legal Proceedings pending or to the Knowledge of the Purchaser threatened in writing before any Governmental Authority or arbitrator against the Purchaser which, if adversely determined, are reasonably likely to (a) challenge or seek to prevent, enjoin, alter or materially delay the transactions contemplated by this Agreement or (b) impair or delay materially the Purchaser's ability to perform its obligations under this Agreement or any other Ancillary Document to which the Purchaser is or will be a party.

4.5 Required Consents. Except as required by the HSR Act, the execution and delivery by the Purchaser of this Agreement and the other Ancillary Documents to which the Purchaser is or will be a party does not and will not, and the performance of this Agreement by the Purchaser and the other Ancillary Documents to which the Purchaser is or will be a Party does not and will not, require any consent, approval, or Permit of, or registration, declaration or filing with or notification to, any Governmental Authority that if not obtained would reasonably be likely to impair or delay materially the Purchaser's ability to perform its obligations under this Agreement or any other Ancillary Document to which the Purchaser is or will be a party. Notwithstanding anything contrary in the Agreement, the Purchaser's acquisition of American Water Florida and Pivotal is not final until approved by the Florida Office of Insurance Regulation pursuant to section 628.4615, Florida Statutes; provided, for the avoidance of doubt, such approval by the Florida Office of Insurance Regulation shall not be a condition to the Closing of the transactions contemplated hereunder and Closing shall occur hereunder if such approval has not been obtained and neither Purchaser nor any of its Affiliates shall have any claim against any member of the Seller Group for failure to comply with its obligations hereunder or otherwise in connection therewith.

4.6 Financial Ability.

(a) Purchaser has delivered to the Sellers true, correct and complete copies, as of the date of this Agreement, of the Equity Commitment Letter from the Sponsors to provide, subject to the terms and conditions therein, cash in the aggregate amount to satisfy all of the Purchaser's obligations hereunder (other than the Seller Note Amount but including payments of any consideration hereunder or any Liabilities or Losses payable pursuant to Section 9.2) (the "Equity Financing") which provides that the Sellers are a third party beneficiary thereof.

(b) The Equity Commitment Letter has not been amended or modified, and the commitment contained in the Equity Commitment Letter has not been withdrawn or rescinded in any respect, no such withdrawal, termination, amendment or modification is contemplated or pending, and no event has occurred that, with or without notice, lapse of time or both, would or would reasonably be expected to constitute a default or breach on the part of the Purchaser or any of its respective Affiliates or, to the Knowledge of the Purchaser, any other Person, under any term or condition of the Equity Commitment Letter. Assuming the Equity Financing is funded in accordance with the Equity Commitment Letter, the aggregate proceeds contemplated by the Equity Commitment Letter together with the issuance of the Seller Note will be sufficient when funded for Purchaser to make, in full, the payments described in Article 2 and to pay all fees, costs and expenses related to the Equity Financing and the transactions contemplated by this Agreement and the other Ancillary Documents. The Equity Commitment Letter constitutes the entire and complete agreement between the parties thereto with respect to the Equity Financing and are not subject to any conditions precedent or other contingencies other than as expressly set forth therein and, as of the date hereof, are (x) in full force and effect and (y) the legal, valid, binding and enforceable obligations of the Purchaser and each of the other parties thereto. As of the date hereof, the Purchaser has no reason to believe that any of the conditions to the Equity Financing shall not be satisfied on a timely basis or that the funding contemplated in the Equity Financing shall not be made available to Purchaser on a timely basis in order to consummate the transactions contemplated by this Agreement and to the Knowledge of the Purchaser, there are no facts or occurrences existing on the date hereof that would reasonably be expected to make any of the assumptions or any of the statements set forth in the Equity Commitment Letter inaccurate or that would reasonably be expected to cause the Equity Commitment Letter to be ineffective.

4.7 Investment Intent. The Purchaser is acquiring the Units for its own account and not with a view to their sale or distribution in violation of the Securities Act of 1933, as amended, the rules and regulations thereunder, any applicable state blue sky Laws, or any other applicable securities Laws. The Purchaser is an “accredited investor” as defined in Regulation D promulgated under the Securities Act of 1933, and has sufficient knowledge and experience in financial and business matters so as to be capable of evaluating the merits and risks of its investment in the Units and is capable of bearing the economic risks of such investment.

4.8 Solvency. As of the Closing and immediately after giving effect to the transactions contemplated by this Agreement, including the payment of the Cash Purchase Price and the Seller Note Amount and any amounts which, by the terms of this Agreement, increase the Cash Purchase Price, and all of the related fees and expenses of the Purchaser and its Affiliates in connection therewith and assuming (1) the accuracy of the representations and warranties by the Sellers set forth in Article 3 (for such purposes, such representations shall be true and correct in all material respects without giving effect to any “knowledge”, “materiality”, “Material Adverse Effect” or similar qualification or expectation) and compliance in all material respects by the Sellers with their covenants contained herein, (2) any estimates, projections or forecasts with respect to the Business that have been provided to the Purchaser have been prepared in good faith upon assumptions that were reasonable as of the date provided and (3) immediately prior to the Closing, none of the Companies or the Subsidiaries are insolvent after giving effect to the transactions contemplated by this Agreement, then, immediately after the Closing: (i) the amount of the “fair saleable value” of the assets of the Purchaser, the Companies, the Subsidiaries and the Purchaser’s other subsidiaries will exceed (A) the value of all liabilities of the Purchaser, the Companies, the Subsidiaries and the Purchaser’s other subsidiaries, including contingent and other liabilities, and (B) the amount that will be required to pay the probable liabilities of the Purchaser, the Companies,

the Subsidiaries and the Purchaser's other subsidiaries on their existing debts (including contingent liabilities) as such debts become absolute and matured; (ii) the Purchaser, the Companies, the Subsidiaries and the Purchaser's other subsidiaries will not have an unreasonably small amount of capital for the operation of the businesses in which they are engaged or proposed to be engaged; and (iii) the Purchaser, the Companies, the Subsidiaries and the Purchaser's other subsidiaries will be able to pay their liabilities, including contingent and other liabilities, as they mature. For purposes of the foregoing, "not have an unreasonably small amount of capital for the operation of the businesses in which they are engaged or proposed to be engaged" and "able to pay their liabilities, including contingent and other liabilities, as they mature" means that the Purchaser, the Companies, the Subsidiaries and the Purchaser's other subsidiaries will be able to generate enough cash from operations, asset dispositions or refinancing, or a combination thereof, to meet their obligations as they become due.

4.9 Qualification: Bonding. As of the Closing, the Purchaser will have (and will cause the Companies and the Subsidiaries to have) posted such bonds and other financial assurances, and provided such evidence of financial responsibility, as may be required (to the Knowledge of the Purchaser) for the ownership of such Permits and other assets. To the Knowledge of the Purchaser, no fact or condition exists with respect to the properties and assets of Purchaser which may cause any Governmental Authority to withhold its approval of the transactions contemplated hereby.

4.10 Brokers. The Purchaser does not have any liability or obligation to pay any fees or commissions to any broker, finder, or agent in connection with the negotiation, execution or delivery of this Agreement or any Ancillary Document.

ARTICLE 5 COVENANTS OF THE PARTIES

5.1 Regulatory Compliance: Consents.

(a) Upon the terms and subject to the conditions set forth in this Agreement, each of the Purchaser and the Sellers shall use their reasonable best efforts to assist, consult with and cooperate with each other and any other parties in doing all things necessary, proper or advisable to consummate and make effective, in the most expeditious manner practicable, the transactions contemplated by this Agreement, including using reasonable best efforts to accomplish the following: (i) the taking of all actions necessary to cause the conditions to the Closing to be satisfied as promptly as practicable; (ii) the obtaining of all actions, waivers, Permits, consents, approvals and authorizations from all third parties and all Governmental Authorities required to consummate, or in connection with, the transactions contemplated by this Agreement; (iii) the making of all necessary registrations and filings promptly with the appropriate Governmental Authorities, including any registrations and filings required by the HSR Act; and (iv) the execution and delivery of any additional instruments necessary to consummate the transactions contemplated by, and to fully carry out the purposes of, this Agreement. In addition to and in no way limiting the generality of the foregoing, following the date hereof, the Parties shall in good faith prepare and finalize, in the most expeditious manner practicable, the schedules to the Seller Note, the Pledge and Security Agreement (as defined in the Seller Note) and all related ancillary documentation required to be delivered by Purchaser or its Affiliates pursuant thereto so that such documents and schedules are completed on or prior to the Closing in a form that is

reasonably satisfactory to Purchaser and the Sellers and in a manner that implements the transactions contemplated by this Agreement and the Seller Note; provided that (i) the schedules to Article 6 to the Seller Note shall only include transactions involving the Companies and the Subsidiaries (and not, for the avoidance of doubt, the Purchaser or Holdings (as defined in the Seller Note)) and (ii) the Sellers shall use their reasonable best efforts to provide readily available historical inputs as they pertain to Companies and the Subsidiaries as may be reasonably requested by the Purchaser to complete such schedules.

(b) In furtherance (but not in limitation) of Section 5.1(a), the Purchaser and the Sellers shall each keep the other apprised of the status of matters relating to actions, waivers, Permits, consents, approvals, authorizations, applications, filings and completion of the transactions contemplated by this Agreement and the Ancillary Documents. Subject to applicable Law and other than with respect to filings and disclosures made pursuant to Section 5.4, each of the Purchaser and the Sellers shall have the right to review in advance, and, to the extent practicable, each shall consult the other on, all of the information relating to the Purchaser, the Sellers, the Companies or any of the Subsidiaries, as the case may be, and any of their respective Affiliates, that appear in any filing made with, or written materials submitted to, any third party or any Governmental Authority in connection with the transactions contemplated by this Agreement and the Ancillary Documents. The Purchaser and the Sellers shall promptly (but in no event later than (i) with respect to any required applications, notices or other filings under the HSR Act, five (5) Business Days after the date of this Agreement, or (ii) with respect to any required applications, notices or other filings under any other applicable Law, ten (10) days after the date of this Agreement) make all filings and submissions with Governmental Authorities under applicable Law that are necessary or advisable to consummate, or in connection with, the transactions contemplated by this Agreement and the Ancillary Documents. The Sellers, on the one hand, and the Purchaser, on the other hand, shall each, in connection with the efforts referenced in this Section 5.1 to obtain all requisite Permits for the transactions contemplated by this Agreement under applicable Law, use its reasonable best efforts to: (i) cooperate in all respects with each other in connection with any filing or submission and in connection with any investigation or other inquiry, including any Legal Proceeding initiated by a private party, in each case, regarding any such transaction; (ii) promptly keep the other Party informed of any material communication received by such Party from, or given by such Party to, the FTC, the Antitrust Division of the DOJ, or any other Governmental Authority and of any communication received or given in connection with any Legal Proceeding by a private party, in each case regarding any such transaction; (iii) subject to applicable Law, permit the other Party to review, in advance, any written communication given by it to or received from, and consult with each other in advance of any meeting or conference with, the FTC, the DOJ, or any other Governmental Authority or, in connection with any Legal Proceeding by a private party regarding any such transaction, any other Person, and to the extent permitted by the FTC, the DOJ, or other applicable Governmental Authority or other Person, give the other Party the opportunity to attend and participate, and shall participate and attend upon the request of the other Party, in such meetings and conferences subject to applicable Law; provided, however, that to the extent any of the documents or information provided pursuant to this Section 5.1 are commercially or competitively sensitive, the Sellers or Purchaser, as the case may be, may satisfy its obligations by providing such documents or information to the other Party's outside counsel, with the understanding and agreement that such counsel shall not share such documents and information with its client; provided, further, that materials may also be redacted as necessary to address reasonable attorney-client or other privilege or confidentiality concerns; and (iv) shall, if requested by the other Party or any Governmental Authority, promptly provide information or respond to questions by such Governmental Authority in connection with the subject matter of this Agreement. All fees payable pursuant to this Section 5.1 relating to registrations and filings required by the HSR Act shall be borne by the Purchaser.

(c) Notwithstanding anything contained in Sections 5.1(a) and 5.1(b), Purchaser shall take promptly any and all steps necessary to avoid or eliminate each and every impediment under any Law or decree, order, judgment, injunction, temporary restraining order, or other order that may be asserted by any Governmental Authority or any other Person with respect to the transaction contemplated by this Agreement so as to enable the Closing to occur expeditiously, but in no case later than the Closing Date, including providing information, proposing, negotiating, committing to and/or effecting, by consent decree, hold separate orders, or otherwise, the sale, divestiture or disposition of, or holding separate (through the establishment of a trust or otherwise) such of the assets, properties or businesses of the Business to be acquired by it pursuant hereto as are required to be divested in order to avoid the entry of, or to effect the dissolution of, any decree, order, judgment, injunction, temporary restraining order, or other order in any suit or proceeding, which would otherwise have the effect of materially delaying or preventing the consummation of the transaction contemplated hereby or that would make the consummation of the acquisition of Business in accordance with the terms of this Agreement unlawful. Notwithstanding anything in this Agreement to the contrary, nothing in this Section 5.1 or elsewhere shall require Purchaser or any of its Affiliates (including Apax Partners US, LLC and any investment funds or investment vehicles affiliated with, or managed or advised by Apax Partners US, LLC or any portfolio company (as such term is commonly understood in the private equity industry) or investment of Apax Partners US, LLC or of any such investment fund or investment vehicle) to, and the Sellers shall not, without the prior written consent of Purchaser, agree or otherwise be required to, take any action with respect to Purchaser, or any of its Subsidiaries or Affiliates, including selling, divesting, or otherwise disposing of, licensing, holding separate, or taking or committing to take any action that limits in any respect its freedom of action with respect to, or its ability to retain, any business, products, rights, services, licenses, assets or properties of Purchaser or any of its Subsidiaries or such Affiliates, or any interest therein, other than with respect to the Post-Closing Sellers Group. Without limiting the foregoing, in no event shall the Sellers or any of their respective Subsidiaries or Affiliates propose, negotiate, effect or agree to any action contemplated by this Section 5.1(c) without the prior written consent of Purchaser. In addition, the Purchaser shall defend through litigation on the merits any claim asserted in court by any party in order to avoid entry of, or to have vacated or terminated, any decree, order, or judgment (whether temporary, preliminary, or permanent) that would restrain or prevent the Closing by the Closing Date.

5.2 Interim Period Access.

(a) Upon reasonable notice, subject to applicable HSR and other applicable Laws, the Companies and the Subsidiaries shall afford to the Purchaser and its Representatives, reasonable access during normal business hours during the period from the date of this Agreement to the earlier of the Closing Date or the termination of this Agreement, to the properties and existing books and records of the Business for the sole purpose of enabling the Purchaser to verify the accuracy of the Sellers' representations and warranties contained in this Agreement; provided, however, that any such access shall be conducted (i) in accordance with all policies and procedures

of Seller and the Companies (including any restrictions on physical presence in offices and facilities as a result of COVID-19) at the Purchaser's sole expense, at reasonable times, under the supervision of appropriate personnel of the Companies and the Subsidiaries, in such a manner as to maintain the confidentiality of this Agreement and the transactions contemplated by this Agreement and (iii) not to interfere with the normal operation of the business of the Companies and the Subsidiaries, and the Purchaser shall provide the Sellers with at least three (3) Business Days written notice before such access is granted, along with a description of the activities the Purchaser intends to undertake; provided, further, that no environmental studies or tests (including sampling or testing of the soil, sediment, surface water, groundwater, stream sediments, ambient air or building materials) may be performed with respect to the real property leased by the Companies or the Subsidiaries. Notwithstanding the foregoing provisions of this Section 5.2(a) or any other provision of this Agreement, none of the Companies or the Subsidiaries shall be required to provide to the Purchaser documents that are subject to a confidentiality agreement that has not been duly waived or that are subject to attorney-client privilege or work-product doctrine. The Purchaser agrees that it will not, and it will cause its Representatives and Affiliates not to, use any information obtained pursuant to this Section 5.2 for any purpose unrelated to the consummation of the transactions contemplated hereby. All information obtained by the Purchaser and its Representatives under this Section 5.2 shall be subject to the terms of the Confidentiality Agreement and any applicable privacy Laws regarding personal information.

(b) The Purchaser's and the Purchaser's Affiliates' access to and inspection of the assets of the Business shall be at the Purchaser's sole risk, cost, and expense, and the Purchaser waives and releases all claims against the Sellers, the Companies, the Subsidiaries, and their respective Affiliates, and each of their respective partners, members, officers, directors, employees, attorneys, contactors, agents, or other Representatives, arising in any way therefrom, or in any way connected therewith. The Purchaser agrees to indemnify, defend, and hold harmless the Sellers, the Companies, the Subsidiaries, and their respective Affiliates, and each of their respective partners, members, officers, directors, employees, attorneys, contactors, agents, or other Representatives from and against any and all claims, liabilities, losses, costs, and out-of-pocket expenses (including court costs and reasonable attorneys' fees), including claims, liabilities, losses, costs, and expenses attributable to personal injury, death, or property damage, arising out of, or relating to, access to the books and records of the Companies and the Subsidiaries prior to the Closing by the Purchaser, its Affiliates, or their respective directors, officers, employees, agents, or Representatives, even if caused in whole or in part by the negligence (whether sole, joint, or concurrent), strict liability, or other legal fault of the Companies, the Subsidiaries, or their respective Affiliates or other Representatives. Purchaser recognizes and agrees that all materials, documents, reports, and other information of any type and nature made available to it, its Affiliates or other Representatives, in connection with the transaction contemplated by this Agreement, are made available to it as an accommodation, and without representation or warranty of any kind, whether express, implied, or statutory, as to the accuracy and completeness of such materials, documents, reports, and other information. No warranty of any kind is made by the Sellers, the Companies or the Subsidiaries as to the information supplied to Purchaser or its Affiliates or other Representatives or with respect to the assets to which the information relates. Purchaser expressly agrees that any reliance upon such information, or conclusions drawn from such information, shall be the result of its own independent review and judgment.

5.3 Post-Closing Retention and Access to Records. For a period of seven (7) years following the Closing Date, the Purchaser shall cause the Companies and the Subsidiaries to maintain all books and records relating to the Business, the Companies, and the Subsidiaries for the periods ending on or prior to the Closing Date and shall make them, and any individuals responsible for maintenance of such books and records, reasonably available to the Sellers and their Representatives upon reasonable notice during normal business hours. If at any time after the Closing, any Seller or Representative of any Seller reasonably requires a copy of any such book or record, any Seller shall have the right to promptly obtain a copy thereof from the Purchaser, the Companies or the Subsidiaries at the Purchaser's, the Companies' or the Subsidiaries' cost (as applicable). Notwithstanding the foregoing provisions of this Section 5.3, none of the Purchaser or its Affiliates shall be required to provide any Seller documents that are subject to a confidentiality agreement that has not been duly waived or that are subject to attorney-client privilege or work-product doctrine.

5.4 Press Releases. Neither the Sellers nor the Purchaser, nor any Affiliate or other Representative thereof, shall make any press release or other public announcement regarding the existence of this Agreement, the contents of this Agreement, or the transactions contemplated by this Agreement without the prior written consent of the Purchaser (in the case of announcements by the Sellers or its Affiliates or other Representative) or the Sellers (in the case of announcements by the Purchaser or its Affiliates or other Representatives); provided, however, that the foregoing shall not restrict disclosures by the Purchaser or the Sellers (or any of its Affiliates or other Representatives): (a) to the extent that such disclosures are required by, or advisable under, applicable securities or other Laws or the applicable rules of any stock exchange having jurisdiction over the disclosing Party or its Affiliates (and the Purchaser hereby acknowledges and agrees that AWK is required to publicly file this Agreement, the Seller Note and the Revenue Share Agreement with the U.S. Securities and Exchange Commission); (b) that, subject to Section 5.1(b), are necessary to provide notices, seek waivers, or seek consents necessary for the consummation of the transactions contemplated by this Agreement; (c) in connection with the enforcement of their respective rights under this Agreement; or (d) upon mutual consent of both the Sellers and the Purchasers to release such press release; provided, further, that, in the case of clause (b), each Party shall use its reasonable efforts to consult with the other Party regarding the contents of any such release or announcement prior to making such release or announcement. The Sellers and the Purchaser shall each be liable for the compliance of their respective Affiliates with the terms of this Section 5.4.

5.5 Operation of Business.

(a) From the date of this Agreement until the Closing or earlier termination of this Agreement in accordance with its terms, except as (i) may be expressly required by this Agreement, (ii) previously consented to in writing by the Purchaser or (iii) required by changes to Law, the Sellers shall, and shall cause the Companies and the Subsidiaries to: (A) operate the Business in the Ordinary Course of Business and (B) use commercially reasonable efforts to maintain and preserve intact the current organization, business and franchise of the Companies and the Subsidiaries and to preserve the rights, franchises, goodwill and relationships of its and their respective customers, lenders, suppliers, regulators and others having business relationships with the Companies and the Subsidiaries.

(b) Without limiting the foregoing, from the date of this Agreement until the Closing or earlier termination of this Agreement in accordance with its terms, except as (i) may be expressly required by this Agreement, (ii) previously consented to in writing by the Purchaser (such consent not to be unreasonably withheld, conditioned or delayed), (iii) required by changes to Law, or (iv) as set forth on Schedule 5.5(b), the Sellers shall not, and shall cause the Companies and the Subsidiaries not to:

- (i) take or fail to take any action which would reasonably be expected to cause a Lien to arise with respect to the Units (other than a Permitted Lien);
- (ii) split, combine, or reclassify any outstanding equity securities of any Company or any Subsidiary;
- (iii) repurchase, redeem, or otherwise acquire any Company's or any Subsidiary's interests or securities;
- (iv) adopt a plan or complete or partial dissolution, merger, consolidation, restructuring, recapitalization, or other reorganization of any Company or any Subsidiary;
- (v) issue, deliver or sell, or authorize the issuance, delivery or sale of, any equity securities of any Company or any Subsidiary;
- (vi) amend or otherwise alter, waive, or change any rights or obligations under or with respect to the articles of organization of any Company or any Subsidiary (whether by merger, consolidation or otherwise);
- (vii) liquidate, dissolve, recapitalize, or otherwise wind up any Company or any Subsidiary;
- (viii) change the financial accounting methods, policies, or practices of the Companies and the Subsidiaries except, in each case, as required by applicable Law or GAAP;
- (ix) make, change or revoke any material Tax election, change any accounting period or method with respect to Taxes, file any amended material Tax Return, enter into any closing agreement with respect to material Taxes, settle or compromise any proceeding with respect to any material Tax claim or assessment, surrender any right to claim a refund of a material amount of Taxes, initiate any voluntary disclosure with, or request any ruling from, a Governmental Authority with respect to Taxes, or consent to any extension or waiver of the limitation period applicable to any Taxes of the Company or any Subsidiary;
- (x) acquire (by merger, consolidation, acquisition of equity interest or assets or otherwise), directly or indirectly, any assets, securities, properties, interests or businesses of another Person, other than the acquisition of assets, securities, properties, interests or businesses in the Ordinary Course of Business or in replacement of worn-out, obsolete, or damaged equipment, which are not, individually or in the aggregate, material to the Business;

- (xi) transfer, sell, hypothecate, license, encumber, abandon, allow to lapse or otherwise dispose of (by merger, consolidation, acquisition of equity interests or assets or otherwise) any material assets of any Company or any Subsidiary, except for (i) non-exclusive licenses for Intellectual Property in the Ordinary Course of Business and (ii) distributions of cash to any Seller or its designee prior to the Effective Time;
- (xii) terminate, materially amend, or extend any Material Contract or enter into any Contract that, if in existence on the date of this Agreement, would be required to be disclosed pursuant to Section 3.13(a); (other than the expiration of such Material Contract in accordance with its terms); provided, however, that the Companies and the Subsidiaries may extend or renew, on terms no less favorable in the aggregate to the applicable Company or the applicable Subsidiary, or pursuant to the terms that are set forth in such Material Contract, any Material Contract that is Scheduled to expire in accordance with its terms within twelve (12) months after the date of this Agreement or amend the terms of, or change the forms of, its Service Contracts;
- (xiii) fail to use commercially reasonable efforts (including the expenditure of reasonable funds) to maintain in full force and effect all Permits;
- (xiv) make any loans, advances or capital contributions to, or investments in, any other Person other than accounts receivable in the Ordinary Course of Business and loans, advances or capital contributions to, or investments in, the Company or any Subsidiary;
- (xv) except as required by applicable Law, or required under any Employee Plan or Group Company Plan, (A) increase the compensation or benefits of any Business Employee (other than in the Ordinary Course of Business with respect to Business Employees whose annual compensation is less than \$100,000), (B) establish, adopt, enter into, terminate or amend any Group Company Plan (or any agreement, program, policy or plan that would be a Group Company Plan if it were in existence on the date of this Agreement), (C) hire or terminate (other than for cause) any Business Employees with a level of 40 or above or increase the number of employees satisfying the Service Condition by more than 15% (D) take any action to accelerate the vesting or payment, or the funding of any payment or benefit under, any amount under any Employee Plan (with respect to Business Employees), (E) change the duties of any employee of Sellers or its respective subsidiaries (including the Companies and the Subsidiaries) such that such employee becomes a Business Employee or ceases to be a Business Employee or (F) cause or permit the Companies or Subsidiaries to make any loans or advances to, or guarantees for the benefit of, any other Person (except participant loans made by the Seller 401(k) Plans pursuant to the terms of the applicable Seller 401(k) Plan) other than advances to Business Employees for business expenses to be incurred in the Ordinary Course of Business;

- (xvi) (A) pay, settle, waive, or compromise any suit, claim, arbitration, or other Legal Proceeding involving or against any Company or any Subsidiary other than any such claims (or series of related claims) seeking solely monetary damages; provided, however, that the payment of amounts for such claims are paid in full prior to the Closing, or are reflected in Net Working Capital as a Current Liability or (B) other than in response to an unsolicited inquiry following consultation with the Purchaser and subject to the terms of the Common Interest and Cooperation Agreement, make any disclosure to any regulatory or licensing authority, end customers, utility partners or other third parties (other than the EDNY (as defined in the Common Interest and Cooperation Agreement) with respect to the Covered Matters (as defined in the Common Interest and Cooperation Agreement);
- (xvii) enter into any Contract with any Seller or Affiliate of any Seller (other than the Companies and the Subsidiaries), on the one hand, and any Company or any Subsidiary, on the other hand;
- (xviii) make or commit to make any capital expenditure over \$500,000 in the aggregate other than those set forth in Schedule 5.5(b)(xviii);
- (xix) enter into any new line of business other than the Business;
- (xx) make any materially adverse change to the security of any Company Systems;
- (xxi) allow any Insurance Policy to lapse or otherwise terminate, except if replaced by a substantially similar insurance policy without any gaps in coverage;
- (xxii) pay payables and other accrued liabilities or collect receivables in any manner other than in the Ordinary Course of Business in all material respects; and
- (xxiii) agree to do any of the foregoing.

(c) The Purchaser's approval of any action restricted by this Section 5.5 shall not be unreasonably withheld, conditioned or delayed and shall be considered granted in full within ten (10) days (unless a shorter time is, in the reasonable discretion of the Sellers, required by the circumstances and such shorter time is specified in Sellers' notice requesting consent) of the Seller's notice to the Purchaser requesting such consent unless the Purchaser notifies the Seller to the contrary during that period.

(d) For purposes of the covenants contained in this Section 5.5, any change, event, circumstance, development, condition, occurrence, state of facts, or effect relating to or arising from COVID-19, and any action taken by any Company or any Subsidiary relating to or arising from COVID-19, shall not constitute a breach of such covenants, including any change, event, circumstance, development, condition, occurrence, state of facts, or effect, or act or omission of any Company or any Subsidiary, relating to or arising from one or more Laws or orders of Governmental Authorities relating to COVID-19.

5.6 Employee Matters.

(a) Employee List Updates; No Participation After Closing Date. Revisions to the Employee List following the date of this Agreement shall be made by Seller periodically prior to the Closing Date to reflect new hires, employment terminations, changes to employment status and any other change thereto which are not prohibited by this Agreement, and Seller shall provide an updated Employee List to Purchaser three (3) Business Days prior to the Closing Date. The Sellers shall take such action as necessary to ensure that each of the Companies and the Subsidiaries is no longer a participating employer eligible to participate in any of the Employee Plans on or after the Closing Date other than Group Company Plans. With respect to Employee Plans in which the Companies or the Subsidiaries cease to be participating employers, the Sellers shall take such action as necessary to ensure that all current or former employees of the Companies and the Subsidiaries (the "Applicable Employees"), and their dependents (as applicable), cease to participate in the Employee Plans on and after the Closing Date, except to the extent they, or their dependents, beneficiaries or alternate payees are entitled to receive a previously accrued benefit under an Employee Plan not transferred to the Purchaser under this Agreement.

(b) Purchaser Obligation for Employment Terms and Benefits. For the twelve (12) month period following the Closing Date, the Purchaser shall, or shall cause the Company to, provide each Applicable Employee as of the Closing Date who remains employed by the Company or the Subsidiary (each, a "Continuing Employee") with the following, for so long as such Continuing Employee remains employed by the Company or the Subsidiary: (A) base salary or hourly wages which are no less than the base salary or hourly wages provided thereto by the Companies or the applicable Subsidiary immediately prior to the Closing; (B) target cash award and other annual cash incentives (including, for the avoidance of doubt, the 2021 target cash award) and commission opportunities which are no less than the target cash award and other annual cash incentives and commission opportunities provided thereto by the Companies or the applicable Subsidiary immediately prior to the Closing; (C) 401(k) and health and welfare benefits that are substantially comparable in the aggregate than those provided thereto by the Company or the applicable Subsidiary immediately prior to the Closing; and (D) severance benefits that are no less favorable than the practice, plan or policy in effect therefor immediately prior to the Closing Date. Nothing in this Agreement shall be construed as requiring the Purchaser, the Companies, or the Subsidiaries to continue the employment of any specific person.

(c) Prior Service and Other Credits.

- (i) With respect to the employee benefit plans (within the meaning of Section 3(3) of ERISA), programs, policies, fringe benefits, or arrangements (whether written or unwritten of the Purchaser or its Affiliates (collectively the "Purchaser Employee Plans"), all periods of service with the Companies, the Subsidiaries or any ERISA Affiliate, or any predecessor entity of either, by any Continuing Employee prior to the Closing Date shall be credited for purposes of (vesting and eligibility, benefit accrual and/or level of benefits) under the Purchaser Employee Plans, including but not limited to fringe benefit plans, sick leave policies, vacation, severance plans or policies (subject to any retention agreements), defined contribution, and matching contributions under defined contribution plans (but excluding benefits under a defined benefit pension plan, any benefit plan that provides retiree welfare benefits, or any benefit plan that is a frozen plan or provides grandfathered benefits); provided, however, that, except as expressly provided in this Section 5.6, such service need not be recognized to the extent that such recognition would result in any duplication of benefits for the same period of service.

- (ii) With respect to any Purchaser Employee Plans which are welfare plans as defined in Section 3(1) of ERISA to which any Continuing Employee may become eligible, the Purchaser shall cause such Purchaser Employee Plans to provide credit for the year in which the Closing occurs for any co-payments, deductibles, maximum out-of-pocket payments by such employees, and to waive all pre-existing condition exclusions and waiting periods, to the extent permitted by the insurance carriers for Purchaser Employee Plans without additional cost.
- (iii) Solely to the extent the Closing occurs during calendar year 2021, effective as of the last day of the month in which the Closing occurs (the "FSA End Date"), Continuing Employees who participate in an Employee Plan that is a flexible spending account plan (such accounts, the "Seller FSA" and such participants in the FSA, "FSA Participants") shall no longer be eligible to contribute to the Seller FSA except as otherwise provided by and in accordance with COBRA. Effective as of the Closing Date, Purchaser or one of its Affiliates, shall establish a flexible spending account plan which shall (i) permit immediate participation as of the first day of the month immediately following Closing for all FSA Participants and (ii) accept for reimbursement any claims related to the calendar year in which the Closing Date occurs and eligible for reimbursement on the basis of participant elections initially made under the Seller FSA, to the extent such claims have not been previously reimbursed by Seller or the Company. The salary reduction election of FSA Participants under the Seller FSA will be continued by the Purchaser or its Affiliate following Closing (and no such FSA Participant shall be able to change such an election as a result of the transactions contemplated by this Agreement). The Seller shall provide to the Purchaser as soon as administratively feasible, but in no event later than ten (10) Business Days following the date of this Agreement, a Schedule setting forth the FSA Participants and (x) if applicable, the amount each FSA Participant has elected to contribute to the Seller FSA for the calendar year in which the Closing Date occurs and (y) the account balance of each FSA Participant (the "FSA Balances"). In addition, the Seller shall provide to the Purchaser as soon as administratively feasible, but in no event later than ten (10) Business Days, following the FSA End Date, an updated Schedule setting forth the FSA Balance for each FSA Participant as of the FSA End Date. To the extent the FSA Balances in the aggregate are positive, the Seller shall make a payment to the Purchaser equal to the aggregate positive FSA Balances by the fifteenth (15th) Business Day following the Closing Date. To the extent the FSA Balances in the aggregate are negative, the Purchaser shall make a payment to the Seller equal to the aggregate negative FSA Balances by the fifteenth (15th) Business Day following the Closing Date. The Seller shall reasonably cooperate with the Purchaser in order to effectuate the foregoing, including by providing the FSA Participants' claims history, to the extent permitted by applicable Law, under the Seller FSA in order to verify the FSA Balances. Notwithstanding the foregoing, no Continuing Employee who elects COBRA continuation coverage with respect to such Continuing Employee's flexible spending account shall be considered an FSA Participant and any such Continuing Employee's flexible spending account balance shall not be an FSA Balance.

- (iv) The Purchaser shall cause the Company and the Subsidiary to recognize and assume liability for vacation days and previously accrued and reserved for by the Companies and the Subsidiary as of the Closing Date.

(d) Health and Welfare Benefits. Sellers shall be responsible for all (a) medical, vision, dental and prescription drug claims for expenses incurred by any Applicable Employee or his or her dependents, (b) claims for short-term and long-term disability income benefits incurred by any Applicable Employee and (c) claims for group life, travel and accident and accidental death and dismemberment insurance benefits incurred by any Applicable Employee, in each case, prior to the Closing. Purchaser shall be, or shall cause its Affiliates to be, responsible for all (i) medical, vision, dental and prescription drug claims for expenses incurred by any Continuing Employee or his or her dependents, (ii) claims for short-term and long-term disability income benefits incurred by any Continuing Employee and (iii) claims for group life, travel and accident and accidental death and dismemberment insurance benefits incurred by any Continuing Employee, in each case, on or after the Closing. Except in the event of any claim for workers compensation benefits, for purposes of this Agreement, the following claims and liabilities shall be deemed to be incurred as follows: (x) medical, vision, dental or prescription drug benefits (including hospital expenses), upon provision of the services, materials or supplies comprising any such benefits and (y) short- and long-term disability, life, accidental death and dismemberment and business travel accident insurance benefits, upon the death, illness, injury or accident giving rise to such benefits. Sellers shall be responsible for all claims for workers compensation benefits that are incurred prior to the Closing by any Applicable Employee to the extent such claims are covered under a workers' compensation plan or policy maintained or owned by Sellers or their Affiliates. Purchaser and its Affiliates shall be responsible for all claims for workers compensation benefits that are incurred on or after the Closing by any Continuing Employee to the extent such claims are covered under a workers' compensation plan or policy maintained or owned by Purchaser or its Affiliates. A claim for workers compensation benefits shall be deemed to be incurred when the event giving rise to the claim (the "Workers Compensation Event") occurs. If the Workers Compensation Event occurs over a period both preceding and following the Closing, the claim shall be the responsibility and liability of Purchaser.

(e) 401(k) Plan. The Sellers shall retain the Savings Plan for Employees of American Water Works Company, Inc. and its designated Subsidiaries (the "Savings Plan"), and Applicable Employees shall be entitled to a distribution from the Savings Plan after the Closing Date to the extent permitted by the Savings Plan and applicable Law. The Sellers, if applicable, shall amend the Savings Plan to (i) fully vest the Applicable Employees as of the Closing Date and (ii) allow Applicable Employees to continue to make loan payments on any outstanding participant loan following the Closing Date provided any such Applicable Employee retains a balance in the Savings Plan. The Continuing Employees shall be eligible to commence participation in a Purchaser-designated 401(k) savings plan as soon as administratively practicable following the Closing Date and shall be permitted to rollover their account balances from the Savings Plan, including any outstanding loans.

(f) Nothing in this Agreement is intended to amend any Employee Plan or affect the Sellers', the Companies', the Subsidiaries', or any ERISA Affiliate's right to amend or terminate any Employee Plan pursuant to the terms of such plan. Nothing in this Agreement is intended to amend any Purchaser Employee Plan or affect the Purchaser's or any of the Purchaser's Affiliate's right to amend or terminate any the Purchaser Employee Plan pursuant to the terms of such plan. This Section 5.6 shall be binding upon and inure solely to the benefit of each of the Parties to this Agreement, and nothing in this Section 5.6, express or implied, shall confer upon any other Person any rights or remedies of any nature whatsoever under or by reason of this Section 5.6. Nothing contained in this Agreement, express or implied, shall be construed to establish, amend or modify any benefit plan, program, agreement or arrangement. The Parties acknowledge and agree that the terms set forth in this Section 5.6 shall not create any right in any employee or any other Person to any continued employment with the Companies, the Subsidiaries, the Purchaser or any of their respective Affiliates or compensation or benefits of any nature or kind whatsoever.

(g) From and after the date hereof until the Closing Date, Purchasers and Sellers shall cooperate in good faith regarding any written communications to be distributed to any Business Employees relating to the transactions contemplated by this Agreement or post-Closing terms of employment, and Purchaser shall consult with Sellers and obtain Sellers' consent before distributing any communications to any Business Employees. Sellers shall not (i) take any action that would impede, hinder, interfere or otherwise compete (directly or indirectly) with Purchaser's effort to employ any Business Employee or (ii) enforce against any Continuing Employee any non-compete or other restrictive covenant that would restrict or prohibit in any manner such employee's ability to be employed by Purchaser or any of its Affiliates, or such employee's employment or ability to provide services to Purchaser or any of its Affiliates in any capacity from and after the Closing. Sellers shall assign to Purchaser all of Seller's right in, and interest as a beneficiary under, the Contracts, Employee Plans or other arrangements set forth on Schedule 5.6(g).

5.7 Further Assurances. After Closing, the Sellers and the Purchaser each agree to take such further actions and to execute, acknowledge and deliver all such further documents as are reasonably requested by the other for carrying out the purposes of this Agreement or of any document delivered pursuant to this Agreement, all at the sole cost and expense of the requesting Party.

5.8 Exclusivity. From and after the date of this Agreement and until the earlier of the Closing Date or the termination of this Agreement in accordance with its terms, except for the transactions contemplated by this Agreement, without the prior written consent of the Purchaser, the Sellers shall not, and shall cause the Companies, the Subsidiaries, and their respective Affiliates, not to, directly or indirectly, solicit, encourage or enter into any negotiation, discussion or Contract with any Person, with respect to the sale of the Units or any other voting or equity interests of any Subsidiary, or all or substantially all of the assets of any Company or any Subsidiary, or any merger, recapitalization or similar transaction with respect to any Company or any of the Subsidiaries.

5.9 Termination of Affiliate Obligations. Except with respect to liabilities relating to employment relationships and the payment of employment compensation and benefits in the Ordinary Course of Business, and except for the matters described on Schedule 5.9, the Sellers shall cause the termination, settlement, cancellation, or assignment of, effective as of or prior to the Effective Time, all Contracts, Intercompany Debt and obligations between the Companies and the Subsidiaries, on the one hand, and Sellers or its Affiliates (other than the Company and the Subsidiaries), on the other hand (collectively, the "Terminated Affiliate Obligations"). On and after the Closing, none of the Purchaser, the Companies, the Subsidiaries or any of their Affiliates shall have any obligations or liabilities arising out of or pursuant to any Terminated Affiliate Obligations.

5.10 Confidentiality.

(a) For five (5) years after the Closing Date, the Sellers shall (and shall cause its Affiliates to) maintain as confidential, and shall not (and shall cause their representative Affiliates to not) use or disclose, except as required by Law or as authorized in writing by the Purchaser, any Confidential Information. The Sellers shall take all appropriate steps (and to cause each of their representative Affiliates to take all appropriate steps) to safeguard such Confidential Information and to protect it against disclosure, misuse, espionage, loss and theft, using the standard of care that they each use to protect their own similar confidential information (and in no event less than a reasonable standard of care). In the event any Seller or any of its Affiliates is required by Law to disclose any Confidential Information, the Seller shall promptly notify the Purchaser in writing, which notification shall include the nature of the legal requirement and the extent of the required disclosure. The foregoing shall not apply to press releases or other announcements pursuant to Section 5.4 or Confidential Information that: (i) is or becomes available to the public, other than as a result of breach of this Section 5.10(a) by any Seller; (ii) is acquired independently from a third Person that represents to any Seller or its Affiliate that it has, and such Seller or such Affiliate does not otherwise have reason to believe that such Person does not have, the right to disseminate such information at the time it is acquired by such Seller or Affiliate; or (iii) is used or disclosed by any Seller or its Affiliate in the enforcement of this Agreement or any Seller's rights under this Agreement or under any document executed pursuant to the transactions contemplated hereby. The Confidentiality Agreement shall terminate and be of no further force or effect as of the Closing.

(b) The Sellers acknowledge and agree that the remedy at law for any breach, or threatened breach, of any of the provisions of this Section 5.10 will be inadequate and, accordingly, the Sellers covenant and agree that the Purchaser shall, in addition to any other rights and remedies which the Purchaser may have at Law, be entitled to equitable relief, including injunctive relief, and to the remedy of specific performance with respect to any breach or threatened breach of this Section 5.10, as may be available from any court of competent jurisdiction. In addition, the Sellers and the Purchaser agree that the terms of this Section 5.10 are fair and reasonable and are necessary to accomplish the full transfer of the goodwill and other intangible assets contemplated hereby. In the event that any of the covenants contained in this Section 5.10 shall be determined by any court of competent jurisdiction to be unenforceable for any reason whatsoever, then any such provision or provisions shall not be deemed void, and the Parties hereto agree that said limits may be modified by the court and that said covenant contained in this Section 5.10 shall be amended in accordance with said modification, it being specifically agreed by the Parties that it is their continuing desire that this covenant be enforced to the full extent of its terms and conditions or if a court finds the scope of the covenant unenforceable, the court should redefine the covenant so as to comply with applicable Law.

5.11 Directors' and Officers' Insurance.

(a) From and after the Closing Date, the Purchaser, the Companies and the Subsidiaries (each, a "D&O Indemnifying Person") shall indemnify, defend and hold harmless each Person who is now, or has been at any time prior to the Closing Date, an officer, director, employee, equityholder, member or manager of any Company or any Subsidiary (collectively, the "Company Indemnified Agents") against all losses, claims, damages, costs, expenses, liabilities or judgments or amounts that are paid in settlement with the approval of the D&O Indemnifying Person (which approval shall not be unreasonably delayed, conditioned, or withheld) or in connection with any claim, action, suit, proceeding or investigation based in whole or in part on, or arising in whole or in part out, of the fact that such Person is or was a director, officer, employee, equityholder, member or manager of any Company or any Subsidiary and arising out of actions or omissions occurring at or prior to the Closing Date and whether asserted or claimed prior to, at, or after, the Closing Date, but only to the extent any Company or any Subsidiary would be required to do so as of the date of this Agreement; provided, that each D&O Indemnifying Person shall only be required to indemnify a Company Indemnified Agent pursuant to this Section 5.11 to the extent it is permitted under the Law of the state of its formation to indemnify directors, officers, managers, equityholders, members and employees, as the case may be (and the Purchaser, the Companies and the Subsidiaries, as the case may be, will pay expenses in advance of the final disposition of any such action or proceeding to each Company Indemnified Agent to the fullest extent permitted by Law). The Purchaser agrees that the indemnification obligations set forth in the Companies' and the Subsidiaries' governing documents shall survive the Closing and shall not be amended, repealed or otherwise modified for a period of six (6) years after the Closing in any manner that would adversely affect the rights thereunder of any Company Indemnified Agent.

(b) Each Company Indemnified Agent under this Section 5.11 will, promptly after the receipt of notice of the commencement of any action or other proceeding against such Company Indemnified Agent in respect of which indemnity may be sought from a D&O Indemnifying Person under this Section 5.11, notify the D&O Indemnifying Person in writing of the commencement thereof. The failure of any Company Indemnified Agent to notify a D&O Indemnifying Person of any such action shall not relieve such D&O Indemnifying Person from any liability which it may have to such Company Indemnified Agent, unless, and only to the extent that, such failure actually and materially prejudices the D&O Indemnifying Person. In case any such action or other proceeding shall be brought against any Company Indemnified Agent and it shall notify the D&O Indemnifying Person of the commencement thereof, the D&O Indemnifying Person shall be entitled to participate therein and, to the extent that it may wish, to assume the defense thereof, with counsel reasonably satisfactory to such Company Indemnified Agent; provided, however, that any Company Indemnified Agent may, at its own expense, retain separate counsel to participate in such defense. Notwithstanding the foregoing, in any action or proceeding in which both the D&O Indemnifying Person and a Company Indemnified Agent are, or are reasonably likely to become, a party, such Company Indemnified Agent shall have the right to employ separate counsel at the D&O Indemnifying Person's expense and to control its own defense of such action or proceeding if, based on the advice of counsel to such Company Indemnified Agent, (a) there are or may be legal defenses available to such Company Indemnified Agent or to other Company Indemnified Agents that are different from or additional to those available to the D&O Indemnifying Person or (b) any conflict or potential conflict exists between the D&O Indemnifying Person and such Company Indemnified Agent that would make such separate representation advisable. The D&O Indemnifying Person shall not, without the consent of the Company Indemnified Agent, consent to the entry of any judgment or enter into any

settlement which (i) does not include as an unconditional term thereof the giving by the claimant or plaintiff to such Company Indemnified Agent of a release from all liability in respect to such claim or litigation or (ii) requires action by the Company Indemnified Agent. The rights accorded to Company Indemnified Agents under this Agreement shall be in addition to any rights that any Company Indemnified Agent may have at common law, by separate agreement or otherwise.

(c) Purchaser has obtained, or shall obtain prior to Closing, a prepaid "tail" officers' and directors' liability insurance policy for a term of no less than six (6) years following Closing covering the Persons who are presently covered by the officers' and directors' liability insurance policies maintained by an Affiliate of the Sellers covering officers and directors of the Companies and the Subsidiaries (copies of which have been made available to the Purchaser) with respect to actions and omissions occurring prior to the Closing Date that provides coverage from insurance carriers with the same or better credit ratings as the Companies' and the Subsidiaries' current insurance carrier with respect to officers' and directors' liability insurance and fiduciary duty insurance with a policy limit of \$35 million and otherwise not less favorable than provided by such insurance in effect on the date of this Agreement set forth on Schedule 5.11(c); provided, Purchaser shall not be required to provide or purchase any coverage related to the Covered Matters (as defined in the Common Interest and Cooperation Agreement). The Purchaser shall pay any applicable premiums for such insurance.

(d) The provisions of this Section 5.11 are intended to be for the benefit of, and shall be enforceable by, each Company Indemnified Agent, his or her heirs and his or her Representatives.

5.12 Purchaser's Due Diligence Investigation.

(a) The Purchaser acknowledges and agrees that none of the Sellers, the Companies or the Subsidiaries nor any of their respective Affiliates or Representatives has made any representations or warranties regarding the Sellers, the Companies, the Subsidiaries, any of their respective businesses or assets or the Units or equity interests of the Subsidiaries or otherwise in connection with the transactions contemplated hereby, other than the representations and warranties expressly set forth in Article 3. Without limiting the generality of the foregoing, the Purchaser acknowledges and agrees that no projections, forecasts, predictions, other estimates, data, financial information, documents, reports, statements (oral or written), summaries, abstracts, descriptions, presentations (including any management presentation or facility tour), memoranda, or offering material with respect to the Companies or the Subsidiaries or the Units or equity interests of the Subsidiaries, is or shall be deemed to be a representation or warranty by the Sellers, the Companies or the Subsidiaries to the Purchaser under this Agreement or otherwise, and that the Purchaser has not relied thereon in determining to execute this Agreement or any Ancillary Document to which Purchaser is or will be a party and proceed with the transactions contemplated hereby. The Purchaser further acknowledges and agrees that materials it and its Representatives have received from the Sellers, the Companies, the Subsidiaries and their respective Affiliates or Representatives, including any investment banker or broker, include projections, forecasts and predictions relating to the Business and that (i) there are uncertainties inherent in attempting to make such projections, forecasts and predictions, (ii) the Purchaser is familiar with such uncertainties and is taking full responsibility for making its own evaluation of the adequacy and accuracy of all projections, forecasts, predictions and information so furnished (iii) the Purchaser

shall not have any claims against the Sellers, the Companies, the Subsidiaries or their respective Affiliates or Representatives, including any investment banker or broker, with respect thereto, and (iv) the Purchaser has not relied thereon. The Purchaser acknowledges that, except for the representations and warranties expressly set forth in Article 3, no Person has been authorized by the Sellers, the Companies or the Subsidiaries to make any representation or warranty regarding the Sellers, the Companies or the Subsidiaries, any of their respective businesses or assets, the Units or equity interests of the Subsidiaries or the transactions contemplated hereby and, if made, such representation or warranty may not be relied upon as having been authorized by the Sellers, the Companies or the Subsidiaries.

(b) The Purchaser acknowledges and agrees that it: (i) has made its own inquiry and investigation into, and, based thereon and on the representations and warranties expressly set forth in Article 3, has formed an independent judgment concerning the Companies and the Subsidiaries, their businesses and the Units and the equity interests of the Subsidiaries; and (ii) has conducted such investigations of the Companies and the Subsidiaries, their businesses and the Units and equity interests of the Subsidiaries as the Purchaser deems necessary to satisfy itself as to the operations and conditions thereof, and will rely solely on such investigations and inquiries, and the representations and warranties expressly set forth in Article 3. The Purchaser further acknowledges and agrees that it will not at any time assert any claim against the Sellers, the Companies, the Subsidiaries or any of their respective present and former Affiliates or Representatives, including any investment banker or broker, or attempt to hold any of such Persons liable, for any inaccuracies, misstatements or omissions with respect to the information furnished by such Persons concerning the Sellers, the Companies or the Subsidiaries, any of their respective businesses or assets or the Units or equity interests of the Subsidiaries, other than for any inaccuracies or misstatements in the representations and warranties set forth in Article 3 (subject to the limitations and expiration set forth in Article 10).

(c) The Purchaser is (or its advisors are) experienced and knowledgeable in the Business and is aware of the risks of owning and operating the Business. The Purchaser acknowledges and affirms that: (a) it has been given such access to the Business, been afforded the opportunity to ask all questions of the Sellers, the Companies, the Subsidiaries and their Affiliates and Representatives, and completed such independent investigation, verification, reviews, analysis, and evaluation of the Companies, the Subsidiaries, and the Business, as it has deemed necessary or appropriate to enter into this Agreement and the other Ancillary Document to which Purchaser is a party that will be executed and delivered concurrently with this Agreement; and (b) prior to the Closing, it will have completed its independent investigation, verification, analysis, and evaluation of the Companies, the Subsidiaries, and the Business and made all such reviews and inspections of Companies, the Subsidiaries, and the Business as it deems necessary or appropriate to enter into the other Ancillary Documents to which Purchaser will be a party on or prior to Closing, and to consummate the transactions contemplated by this Agreement and such Ancillary Documents. Except for the representations and warranties expressly made by Sellers in Article 3 of this Agreement or the certificate to be delivered to the Purchaser pursuant to Section 7.2(d), the Purchaser acknowledges that there are no representations or warranties, express or implied, as to the financial condition, liabilities, operations, business, or prospects of the Companies, the Subsidiaries, and the Business and that, in making its decision to enter into this Agreement and the other Ancillary Document to which Purchaser is or will be a party, and to consummate the transactions contemplated hereby and thereby, the Purchaser has relied solely

upon its own independent investigation, verification, analysis, and evaluation. The Purchaser understands and acknowledges that neither the United States Securities and Exchange Commission nor any Governmental Authority or foreign government, agency or instrumentality has passed upon the Units, the equity interests of the Subsidiaries, the Companies, the Subsidiaries, or the Business or made any finding or determination as to the fairness of an investment in any of the foregoing or the accuracy or adequacy of the disclosures made to the Purchaser, and, except as set forth in Article 9, the Purchaser is not entitled to cancel, terminate, or revoke this Agreement.

(d) The Purchaser acknowledges that the Purchase Price has been negotiated based upon the Purchaser's express agreement that should the Closing occur, the Purchaser will acquire the Companies and the Subsidiaries and their equity interests, businesses, properties, assets and liabilities in an "as is" condition and on a "where is" basis, without any representation or warranty of any kind, express or implied, except such representations and warranties expressly set forth in Article 3. Further, without limiting any representation or warranty set forth in Article 3, and without limitation or prejudice to Purchaser's rights pursuant to Section 5.2 hereof, the Purchaser acknowledges that it has waived and hereby waives as a condition to the Closing or otherwise any further due diligence reviews, inspections or examinations with respect to the Companies, the Subsidiaries and the Units and equity interests of the Subsidiaries, including with respect to engineering, environmental, title, survey, financial, operational, regulatory and legal compliance matters.

5.13 Release of Support Obligations.

(a) The Purchaser recognizes that the Sellers and their Affiliates have provided guarantees or other credit support to the Companies and/or the Subsidiaries, all of which that are outstanding as of this Agreement are set forth on Schedule 5.13 (such support obligations set forth on Schedule 5.13, hereinafter referred to as "Support Obligations").

(b) Prior to the Closing, the Purchaser and the Sellers shall cooperate, and each shall use its commercially reasonable efforts to, effect the full and unconditional release, effective as of the Closing Date, of the Sellers and their Affiliates (other than the Companies or the Subsidiaries) from all Support Obligations, and in the case of the Purchaser, by:

- (i) furnishing a letter of credit to replace each existing letter of credit that is a Support Obligation containing terms and conditions that are no less favorable to the terms and conditions of such existing letter of credit and from lending institutions that have a credit rating commensurate with or better than that of lending institutions for such existing letter of credit;
- (ii) instituting an escrow arrangement to replace each existing escrow arrangement that is a Support Obligation on terms no less favorable to the counterparty of such existing escrow arrangement;
- (iii) furnishing a guaranty to replace each existing guaranty that is a Support Obligation, which replacement guaranty is issued by a Person having a credit rating at least equal to "investment grade" and containing terms and conditions that no less favorable to the terms and conditions of such existing guaranty;

- (iv) posting a surety or performance bond to replace each existing surety or performance bond that is a Support Obligation, which replacement surety or performance bond is issued by a Person having a net worth and credit rating at least equal to those of the issuer of such existing surety or performance bond, and containing terms and conditions that are no less favorable to the terms and conditions of such existing surety or performance bond; and/or
- (v) replacing any other security agreement or arrangement on no less favorable terms and conditions to the existing security agreement or arrangement that is a Support Obligation.

(c) The Purchaser shall cause the beneficiary or beneficiaries of such Support Obligations to: (i) remit any cash or other asset to a Seller or one of its Affiliates, as applicable, held under any escrow arrangement that is a Support Obligation promptly following the replacement of such escrow arrangement pursuant to Section 5.13(b)(ii); and (ii) terminate, surrender and redeliver to a Seller or one of its Affiliates the copy of each original guaranty, letter of credit or other instrument constituting or evidencing such Support Obligations.

(d) If the Purchaser and the Sellers are not successful, following the use of commercially reasonable efforts, in obtaining the complete and unconditional release of the Sellers and their Affiliates (other than the Company and the Subsidiaries) from any Support Obligations by the Closing Date (each such unreleased Support Obligation, until such time as such Support Obligation is released in accordance with Section 5.13(d)(i), a “Continuing Support Obligation”), then:

- (i) from and after the Closing Date, the Purchaser and the Sellers shall continue to cooperate, and each shall continue to use its commercially reasonable efforts, to obtain promptly the full and unconditional release of the Sellers and their Affiliates from each Continuing Support Obligation;
- (ii) the Purchaser shall indemnify the Sellers and their Affiliates from and against any liabilities, losses and reasonable out-of-pocket costs or expenses incurred by the Sellers and their Affiliates from and after the Closing Date in connection with each Continuing Support Obligation (including any demand or draw upon, or withdrawal from, any Continuing Support Obligation) until such time as such Continuing Support Obligation is released in accordance with Section 5.13(d)(i);
- (iii) the Purchaser shall not, and shall cause its Affiliates, including in all events the Companies and the Subsidiaries, not to, effect any amendments or modifications or any other changes to the Contracts or obligations to which any of the Continuing Support Obligations relate, or to otherwise take any action that could increase, extend or accelerate the liability of the Sellers or any of their Affiliates under any Continuing Support Obligation, without the Sellers’ prior written consent, which, subject to the application of the provisions of this Section 5.13(d) to any such increase, extension or acceleration, shall not be unreasonably withheld or delayed; and

- (iv) the Seller shall not, and shall cause its Affiliates not to, cancel or otherwise effect any amendments or modifications or any other changes to the Continuing Support Obligations that could increase, extend or accelerate the liability of the Purchaser or any of their Affiliates under any Continuing Support Obligation, without the Purchaser's prior written consent, which, subject to the application of the provisions of this Section 5.13(d) to any such increase, extension or acceleration, shall not be unreasonably withheld or delayed.

5.14 Sellers' Marks. From and after the Closing, except as permitted by the License Agreement, (i) the Companies and the Subsidiaries shall cease all use of (including in any domain name, and shall not register) all Trademarks owned by Seller or any of its Affiliates and identified on Schedule 5.145.5(b) (collectively, the "Seller Marks"), and (ii) the Purchaser shall not, and shall cause its Affiliates, including in all events the Companies and the Subsidiaries, not to, use (including in any domain name, and shall not register) any Seller Marks, or any recognizable abbreviation or derivation thereof or any Trademark confusingly similar thereto. From and after the Closing, Purchaser shall not, and shall cause its Affiliates, including in all events the Companies and the Subsidiaries, not to, challenge the validity, enforceability or use (including registration) by Seller or any of its Affiliates or licensees of any of the Seller Marks, so long as any such use does not violate the License Agreement.

5.15 Intellectual Property Covenants: Websites and Social Media Sites.

(a) Effective as of the Closing Date:

- (i) Sellers, on behalf of themselves and their respective Affiliates (as of the Closing Date) (excluding the Companies and the Subsidiaries, the "Seller Covenant Parties"), hereby covenants to Purchaser that none of the Seller Covenant Parties shall bring any Legal Proceeding against the Purchaser Covenant Parties that alleges that the current and future operation of the Business infringes any Intellectual Property other than Trademarks that, in each case, is (x) owned by the Seller Covenant Parties as of the Closing Date and (y) used in the Business on or at any time during the twelve (12) month period prior to the Closing Date.
- (ii) Purchaser, on behalf of itself, the Companies and their Affiliates (the "Purchaser Covenant Parties") hereby covenants to the Seller Covenant Parties that none of the Purchaser Covenant Parties shall bring any Legal Proceeding against any of the Seller Covenant Parties that alleges that the current and future operation of the retained businesses of the Seller Covenant Parties infringes any Intellectual Property, other than Trademarks, that, in each case, is (x) owned by the Companies or the Purchaser Covenant Parties as of the Closing Date and (y) used in the retained businesses of the Seller Covenant Parties on or at any time during the twelve (12) month period prior to the Closing Date.
- (iii) The covenants in Sections 5.15(a)(i) and (ii) extend to the contractors, service providers, distributors, resellers and end-users of the applicable Seller Covenant Parties or the Purchaser Covenant Parties, as applicable, with respect to the Business or retained businesses, as applicable, of the Seller Covenant Parties or the Purchaser Covenant Parties, as applicable, but not with respect to other products or services of such third parties.

- (iv) The above covenants are deemed to run with the Intellectual Property subject thereto and shall automatically be binding upon any assignee thereof.

(b) At Purchaser's request, for up to 180 days after the Closing Date, Seller shall display on all of its and its applicable Affiliates' website and social media sites set out on Schedule 5.15(b) a mutually agreed statement about the transactions contemplated herein and link to a website and social media sites designated by Purchaser.

5.16 Transfer of Assets. Notwithstanding anything in this Agreement to the contrary, in addition to the purchase of the Units, the Sellers shall and cause its respective Affiliates to convey, assign and transfer to the Companies or the Subsidiaries as designated by the Purchaser in its sole discretion, at or prior to the Closing, all of the right, title and interest in any assets of the Sellers and their respective Affiliates primarily related to the Business, including such assets set forth in Schedule 5.16. Following the date of this Agreement until eighteen (18) months after the Closing, in the event any Seller is or becomes aware of any assets primarily related to the Business in the possession of any Seller or any other Affiliate, such Seller shall notify the Purchaser of such fact and provide a reasonably detailed description of such asset and, upon the request of the Purchaser, shall transfer such asset to the Purchaser (or a designee of the Purchaser).

5.17 Equity Commitment Letter. The Purchaser will take (or cause to be taken) all actions, and do (or cause to be done) all things, necessary, proper, or advisable to obtain the Equity Financing contemplated by the Equity Commitment Letter, including fully enforcing the Sponsors' obligations (and the rights of the Purchaser) under the applicable Equity Commitment Letter.

5.18 Non-Solicitation. During the period commencing as of the date hereof and ending on the third (3rd) anniversary of the Closing, none of Sellers and each entity that is or becomes an Affiliate of Sellers after the Closing (collectively, the "Post-Closing Seller Group") shall, directly or indirectly, or as a stockholder, partner, member, manager, or other owner or participant in any Person, solicit, endeavor to entice away from or otherwise encourage to leave the employ or service of any of the Companies or their Subsidiaries or offer employment or a consulting position to, or hire any Person who is a Continuing Employee as of the Closing; provided, however, that any member of the Post-Closing Seller Group may advertise for employees, in newspapers, trade publications or other through the internet or other media, or engage recruiters to conduct general employee, search activities, in either case not targeted specifically at employees of the Purchaser, the Companies or their Subsidiaries.

5.19 Insurance Claims. From and after the Closing, the Sellers shall, or shall cause their respective Affiliates to, reasonably cooperate with the Purchaser with respect to any claim for coverage by or on behalf of the Companies or the Subsidiaries or with respect to the Companies or the Subsidiaries arising out of or related to the Business under the insurance policies of, or arranged or maintained by, Sellers or their respective Affiliates with respect to the Business (the "Pre-Closing Insurance") for Losses or claims arising from facts, events or circumstances that occurred or were alleged to have occurred prior to the Closing ("Pre-Closing Occurrences"), and shall, promptly upon receipt, surrender to the applicable Company, Subsidiary or Purchaser any

insurance proceeds received by Sellers or its respective Affiliates under the Pre-Closing Insurance with respect to any Loss incurred solely by the Companies or the Subsidiaries arising from such Pre-Closing Occurrences. Sellers shall take no action to exclude or remove the Companies or the Subsidiaries from coverage under any such Pre-Closing Insurance with respect to Pre-Closing Occurrences. Sellers shall reasonably cooperate with the Purchaser in the pursuit of the collection of all insurance proceeds in respect of claims made by the Purchaser, the Companies or the Subsidiaries with respect to Pre-Closing Occurrences. Purchaser shall reimburse Sellers in a timely manner for all reasonable costs and expenses incurred by Sellers or their Affiliates in connection with such cooperation. This Section 5.19 shall not be considered as an attempted assignment of any policy of insurance or as a contract of insurance, and nothing in this Section 5.19 is intended to waive or abrogate in any way Sellers' rights to insurance coverage.

5.20 Common Interest and Cooperation Agreement. Sections 4.1 (other than the last sentence thereof), 4.2, 4.4, 4.5, 4.6, 5.1 and 5.2 of the Common Interest and Cooperation Agreement shall apply *mutatis mutandis* to this Agreement, as if they have been fully set forth herein and effective as of the date hereof through the Closing or the termination of this Agreement.

ARTICLE 6 CONDITIONS TO CLOSING

6.1 Conditions of the Sellers and Companies to Closing. The obligations of the Sellers to consummate the transactions contemplated by this Agreement are subject to the satisfaction on or prior to the Closing of each of the following conditions by the Purchaser, any and all of which may be waived in writing by the Sellers:

(a) the representations and warranties of the Purchaser set forth in Article 4 shall be true and correct in all material respects (or in all respects, in the case of representations and warranties qualified by materiality) as of the date of this Agreement and as of the Closing Date as though made on and as of the Closing Date (other than representations and warranties that refer to a specified date, which need only be true and accurate as of such specified date), except to the extent the failure of such representations and warranties to be so true and correct would not in the aggregate have a material adverse effect on ability of the Purchaser to consummate the transactions contemplated hereby;

(b) the Purchaser shall have performed and observed, in all material respects, all covenants and agreements to be performed or observed by the Purchaser under this Agreement prior to or on the Closing Date;

(c) on the Closing Date, no provision of applicable Law and no injunction, order or award restraining, enjoining or otherwise prohibiting the consummation of the transactions contemplated by this Agreement and the Ancillary Document shall have been issued and remain in force;

(d) the Purchaser shall have delivered, or caused to be delivered, to the Sellers all items required to be delivered in accordance with Section 7.3; and

(e) the applicable waiting period under the HSR Act with respect to the transactions contemplated by this Agreement shall have expired or been terminated.

6.2 Conditions of the Purchaser to Closing. The obligations of the Purchaser to consummate the transactions contemplated by this Agreement are subject to the satisfaction on or prior to the Closing of each of the following conditions by the Sellers, any and all of which may be waived in writing by the Purchaser:

(a) (i) the representations and warranties of the Sellers set forth in Article 3 (other than the Fundamental Representations and Section 3.6(d)(ii)) shall be true and correct in all respects (without giving effect to any materiality or Material Adverse Effect qualifications contained herein) as of the date of this Agreement and as of the Closing Date as though made on and as of the Closing Date (other than representations and warranties that refer to a specified date, which need only be true and correct on and as of such specified date), except where the failure of such representations and warranties to be so true and correct would not, individually or in the aggregate, have a Material Adverse Effect, (ii) the representation and warranty of the Sellers in Section 3.6(d)(ii) shall be true and correct in all respects as of the date hereof and as of the Closing as though made at and as of the Closing, (iii) the representations and warranties of the Sellers in Section 3.4, 3.5(a), 3.5(b), 3.5(c), 3.5(d) shall be true and correct in all respects (other than de minimis inaccuracies) as of the date hereof and as of the Closing as though made at and as of the Closing and (iv) the Fundamental Representations (other than 3.4, 3.5(a), 3.5(b), 3.5(c), 3.5(d)) shall be true and correct in all material respect (without giving effect to any materiality or Material Adverse Effect qualifications contained herein) as of the date of this Agreement and as of the Closing Date as though made on and as of the Closing Date;

(b) the Sellers and the Companies shall have performed and observed, in all material respects, all covenants and agreements to be performed or observed by the Sellers or the Companies under this Agreement prior to or on the Closing Date;

(c) on the Closing Date, no provision of applicable Law and no injunction, order or award restraining, enjoining or otherwise prohibiting the consummation of the transactions contemplated by this Agreement and the Ancillary Document shall have been issued and remain in force;

(d) the Sellers shall have delivered, or caused to be delivered, to the Purchaser all items required to be delivered in accordance with Section 7.2; and

(e) the applicable waiting period under the HSR Act with respect to the transactions contemplated by this Agreement shall have expired or been terminated.

ARTICLE 7 CLOSING

7.1 Time and Place of the Closing. The consummation of the purchase and sale of the Units and the other transactions contemplated by this Agreement (the "Closing") shall take place at the offices of Schulte, Roth & Zabel LLP, 919 Third Avenue, New York, New York 10022, as soon as possible, but in no event later than the third Business Day after satisfaction or, to the extent legally permissible, waiver by the party entitled to the benefit of, each of the conditions set forth in Article 6 (other than those conditions that, by their terms, are to be satisfied or waived at the Closing, but subject to the satisfaction or waiver of those conditions at the Closing) or at such other

time or place as the Parties may mutually agree. The date on which the Closing occurs is referred to in this Agreement as the "Closing Date." The Closing may take place by delivery of the documents required to be delivered at the Closing pursuant to this Agreement by facsimile or other electronic transmission. All document deliveries and payments by one Party to another Party at the Closing shall be deemed to have occurred simultaneously and none shall be effective until and unless all have occurred. Subject to the provisions of Article 9, failure to consummate the transactions contemplated in this Agreement on the date and time and at the place determined pursuant to this Section 7.1 will not result in the termination of this Agreement and will not relieve any Party of any obligation under this Agreement.

7.2 Sellers' Deliverables. At the Closing, upon the terms and subject to the conditions of this Agreement, and subject to the simultaneous performance by the Purchaser of its obligations pursuant to Section 7.3, the Sellers shall deliver, or cause to be delivered, to the Purchaser the following:

- (a) a duly executed assignment and assumption agreement related to the transfer of the Units, dated as of the Closing Date, in form and substance reasonably satisfactory to the Purchaser;
- (b) counterpart signature pages to the Utility Agreements and the License Agreements, in each case duly executed by the Utility Affiliate a party thereto;
- (c) counterpart signature pages to the Transition Services Agreement, the Common Interest and Cooperation Agreement and the Revenue Share Agreement duly executed by each party thereto other than the Purchaser;
- (d) a certificate from the Sellers duly executed by an authorized officer of each Seller, dated as of the Closing Date, certifying on behalf each Seller that the conditions set forth in Section 6.2(a) and Section 6.2(b) have been fulfilled;
- (e) a duly executed IRS Form W-9 from each Seller;
- (f) a duly executed IRS Form W-9 or applicable IRS Form W-8 from each payee of Transaction Expenses or Indebtedness;
- (g) the Check the Box Elections;
- (h) the Section 338 Election Forms;
- (i) resignations of officers and/or members of the board of directors (or equivalent) of the Companies and the Subsidiaries (in their capacities as officers and/or members and not as employees, if applicable) which have been requested in writing by Purchaser at least five (5) Business Days prior to the scheduled Closing Date, such resignations to be effective concurrently with the Closing; and
- (j) evidence of termination of each Contract between any of the Companies and the Subsidiaries on the one hand and each Utility Affiliate on the other hand (other than the Utility Agreements).

7.3 Purchaser's Deliverables. At the Closing, upon the terms and subject to the conditions of this Agreement, and subject to the simultaneous performance by the Sellers of their obligations pursuant to Section 7.2, the Purchaser shall deliver, or cause to be delivered, the following:

- (a) a duly executed assignment and assumption agreement related to the transfer of the Units, dated as of the Closing Date, in form and substance reasonably satisfactory to the Sellers;
- (b) wire transfer(s) of immediately available funds of an amount equal to the Estimated Cash Purchase Price to an account (or accounts) designated by the Sellers, in accordance with Section 2.2;
- (c) the Seller Note, together with, the Pledge and Security Agreement (as defined in the Seller Note) and to the extent required by the terms of the Seller Note, any related promissory notes, and all related ancillary documentation and schedules required to be delivered by the Purchaser or its Affiliates pursuant thereto (including all of the deliverables set forth in or contemplated by Section 5.14 of the Seller Note), in each case to the extent applicable duly executed by the Purchaser or such Affiliate, in each case, in accordance with Section 2.2;
- (d) counterpart signature pages to the Utility Agreements, the License Agreement, the Revenue Share Agreement, the Common Interest and Cooperation Agreement and the Transition Services Agreement, in each case duly executed by Purchaser;
- (e) on behalf of the Company or the Subsidiaries (as applicable), wire transfer(s) of immediately available funds of all amounts necessary to discharge fully all Estimated Closing Transaction Expenses, in the amounts and in accordance with the payment instructions set forth on the Preliminary Closing Statement; and
- (f) to the Sellers, a certificate by an authorized officer of the Purchaser, dated as of the Closing, certifying on behalf of the Purchaser that the conditions set forth in Section 6.1(a) and Section 6.1(b) have been fulfilled.

ARTICLE 8 TAX MATTERS

8.1 Liability for Taxes.

(a) From and after Closing, the Sellers shall jointly and severally be liable for, and indemnify and hold harmless the Purchaser and its Affiliates from and against any Losses attributable to (i) any Taxes of the Companies or the Subsidiaries for any Pre-Closing Tax Period or the portion of a Straddle Period ending on the Closing Date; (ii) all Taxes relating to the ownership or operation of the Business or the acquisition, ownership, or sale of any assets primarily related to the Business in any Pre-Closing Tax Period or the portion of a Straddle Period ending on the Closing Date; (iii) any Taxes of Sellers or of any other Person for which any Company or Subsidiary is liable, including pursuant to Treasury Regulation Section 1.1502-6 or any similar provision of state, local or non-U.S. Law, as a result of being a member of an affiliated, consolidated, joint, unitary, combined or similar group for Tax purposes including Sellers or any

Affiliate of any Seller other than the Companies and the Subsidiaries on or prior to the Closing Date, or as a successor or transferee or otherwise as a matter of Law to the extent arising from a transaction or event occurring prior to the Closing; (iv) any payments required to be made by the Companies or the Subsidiaries following the Closing Date pursuant to any Tax allocation, Tax indemnity, or Tax sharing agreement entered into by any Company or Subsidiary prior to the Closing (other than any such agreements solely among Companies and/or Subsidiaries or any customary agreements entered into in the ordinary course of business that do not primarily relate to Tax matters); and (v) any Taxes arising from or imposed in connection with the transfer, conveyance or assignment of any assets pursuant to Section 5.16 or the termination of the Terminated Affiliate Obligations pursuant to Section 5.9 (clauses (i) through (v), collectively, the "Pre-Closing Tax Indemnity"). Notwithstanding the foregoing, the Purchaser and its Affiliates shall first seek recovery under the Representations and Warranties Insurance Policy before seeking recovery from the Sellers pursuant to the Pre-Closing Tax Indemnity.

(b) Whenever it is necessary for purposes of this Agreement to determine the portion of any Taxes for a Straddle Period which is allocable to the Pre-Closing Tax Period or the Post-Closing Tax Period, (i) any Taxes attributable to the Straddle Period that are based on or related to income, gains, or receipts will be allocated between the Pre-Closing Tax Period and the Post-Closing Tax Period based on an interim closing of the books (such Taxes allocable to the Pre-Closing Tax Period being determined as if such taxable period ended as of the end of the Closing Date) (provided that exemptions, allowances or deductions that are calculated on an annual basis (including, but not limited to, depreciation and amortization deductions) shall be allocated between the portion of the Straddle Period ending on the Closing Date, on the one hand, and the portion of the Straddle Period beginning after the Closing Date, on the other hand, in proportion to the number of days in such Straddle Period included in the portion ending on the Closing Date and the number of days in such Straddle Period included in the portion beginning after the Closing) and (ii) any other Taxes will be prorated between the Pre-Closing Tax Period and the Post-Closing Tax Period based upon the number of days in the applicable period ending on and including the Closing Date and the number of days in the portion of the Straddle Period beginning on and including the day after the Closing Date.

8.2 Preparation and Filing of Company Tax Returns.

(a) The Sellers shall prepare or cause to be prepared and file or cause to be filed when due (taking account of any applicable extensions) all Tax Returns that are required to be filed by the Sellers, the Companies, or the Subsidiaries that are (i) Tax Returns due on or before the Closing Date ("Pre-Closing Returns"), (ii) Tax Returns due after the Closing Date for taxable years ending on or before the Closing Date ("Seller Separate Returns") and (iii) Tax Returns of any affiliated, consolidated, joint, unitary, combined or similar group for Tax purposes that includes the Companies or the Subsidiaries and of which an Affiliate of the Sellers other than the Companies and the Subsidiaries is the common parent ("Seller Consolidated Returns" and together with the Pre-Closing Returns and Seller Separate Returns, the "Seller Prepared Returns"), and shall pay or cause to be paid all Taxes shown as due on such Tax Returns. Any such Tax Returns shall be prepared consistent with the past practice of the Companies and the Subsidiaries except to the extent otherwise required by applicable Law. For the avoidance of doubt, any items of income or gain attributable to the Section 338(h)(10) Elections shall be included on the Seller Consolidated Return for the Pre-Closing Tax Period. Any Seller Separate Returns that are filed following the

Closing Date shall be submitted (with copies of any relevant Schedules, work papers and other documentation then available) to the Purchaser for the Purchaser's review and approval at least thirty (30) days prior to the filing of such Tax Return (or as soon as reasonably practicable in the case of any Seller Separate Return that is due within thirty (30) days of Closing or which is a non-income Tax Return), and Seller will incorporate any reasonable comments received from Purchaser at least ten (10) days prior to filing, and no such Tax Return will be filed without the prior written consent of Purchaser (not to be unreasonably withheld, conditioned or delayed).

(b) Following the Closing, the Purchaser shall prepare or cause to be prepared and file or cause to be filed when due (taking account of any applicable extensions) all Tax Returns that are required to be filed by the Companies or the Subsidiaries other than the Seller Prepared Returns. Any such Tax Returns of the Companies or Subsidiaries that are Tax Returns for taxable periods ending on or prior to the Closing Date or for Straddle Periods (the "Purchaser Prepared Returns") shall be prepared in accordance with the past practice of the Companies and the Subsidiaries except to the extent otherwise required by applicable Law. Any Purchaser Prepared Return shall be submitted (with copies of any relevant Schedules, work papers and other documentation then available) to the Sellers for the Sellers' review not less than thirty (30) days prior to the due date for the filing of such Tax Return (or as soon as reasonably practicable in the case of any Tax Return that is due within thirty (30) days of Closing or which is a non-income Tax Return), and Purchaser will incorporate any reasonable comments received from Sellers related to the Pre-Closing Tax Period at least ten (10) days prior to filing; provided that with respect to any Purchaser Prepared Returns that are filed following the Closing Date for which Seller could reasonably be expected to be liable in accordance with Section 8.1(a), no such Purchaser Prepared Return will be filed without the prior written consent of Seller (not to be unreasonably withheld, conditioned or delayed). Sellers shall pay or cause to be paid to Purchaser the portion of any Taxes due with a Purchaser Prepared Return for which Sellers are responsible pursuant to Section 8.1(a) at least five (5) days prior to the filing of any Purchaser Prepared Return.

8.3 Contest Provisions. If, after the Closing, the Purchaser or any of its Affiliates receives written notice from a Governmental Authority of any pending or threatened Tax audits or assessments or other disputes, assessments or proceedings concerning Taxes of any Company or Subsidiary for a taxable period ending on or prior to the Closing Date or a Straddle Period and with respect to which the Sellers are responsible under this Agreement (a "Tax Proceeding"), the Purchaser shall promptly notify the Sellers of the Tax Proceeding in writing and in any event within ten (10) days after receiving the notice of the Tax Proceeding; provided, that the failure of Purchaser to timely give such notice shall not relieve the Sellers of any of their obligations under this Agreement, except to the extent that the Sellers are actually and materially prejudiced by such failure. The Sellers shall have the right to elect to control any Tax Proceeding relating solely to a taxable period ending on or prior to the Closing Date and to employ counsel of their choice at their expense; provided, that (A) Sellers shall keep Purchaser reasonably informed regarding any material development of such Tax Proceeding and shall permit Purchaser to participate in such Tax Proceeding at its own expense (to the extent such participation is permitted by the applicable Governmental Authority), and (B) Sellers shall not settle, compromise or abandon any such Tax Proceeding without the prior written consent of Purchaser, which consent shall not be unreasonably withheld, conditioned or delayed. In the case of (i) any Tax Proceeding relating to a taxable period ending on or prior to the Closing Date that Sellers do not timely elect to assume the control of or (ii) any Tax Proceeding relating to any Straddle Period, Purchaser shall have the right

to control such Tax Proceeding and to employ counsel of its choice; provided, that (A) Purchaser shall keep Sellers reasonably informed regarding any material development of such Tax Proceeding and shall permit Sellers to participate in such Tax Proceeding at their own expense (to the extent such participation is permitted by the applicable Governmental Authority), and (B) Purchaser shall not settle, compromise or abandon any such Tax Proceeding without obtaining the prior written consent of Sellers (which consent shall not be unreasonably withheld, conditioned or delayed). Notwithstanding the foregoing, the rights of the Sellers with respect to any Tax Proceeding shall be subject to any rights of the insurer with respect to such Tax Proceeding pursuant to the Representations and Warranties Insurance Policy, unless the Sellers agree that the Sellers will be fully liable for any Losses resulting from such Tax Proceeding. This Section 8.3 shall not apply to the audit of any Seller Consolidated Return and the Sellers will have the exclusive right to control, at its own expense, any audit of a Seller Consolidated Return, including, without limitation, any disposition or settlement of such audit.

8.4 Post-Closing Actions Which Affect the Sellers' Tax Liability. Except as required by applicable Law, neither the Purchaser nor any Affiliate of the Purchaser shall amend or refile any Tax Return of any Company or Subsidiary with respect to any taxable period ending on or prior to the Closing Date or any Straddle Period, nor, make or change any Tax election that is retroactive to any taxable period (or portion thereof) ending on or before the Closing Date, in each case, without the prior written consent of the Sellers, such consent not to be unreasonably withheld, conditioned or delayed, in each case if such amendment, refiling or election would result in an increase in any Tax liability taken into account for purposes of calculating the Final Cash Purchase Price after giving effect to all adjustments set forth in Section 2.4 or reasonably be expected to result in Sellers or their Affiliates being liable for any amounts with respect to Taxes under this Agreement or pursuant to applicable Law.

8.5 Refunds. Any refunds of Taxes attributable to any Pre-Closing Tax Period for which Sellers are responsible for pursuant to Section 8.1(a) shall be for the account of the Sellers (other than any refund (i) that was taken into account for purposes of calculating the Final Cash Purchase Price after giving effect to all adjustments set forth in Section 2.4, (ii) that results from the carry back required by applicable Law of any Tax assets attributable to a Tax period or portion of a Straddle Period beginning after the Closing Date, and (iii) of Transfer Taxes, each of which shall be for the account of Purchaser). To the extent the Purchaser or any Company or Subsidiary receives a refund that is for the account of the Seller, such refund shall be paid by the Purchaser to the Sellers net of any Taxes and reasonable out-of-pocket expenses incurred in connection with obtaining such Tax refund within ten (10) days of receipt thereof. In determining the portion of a Tax refund relating to a Pre-Closing Tax Period, any refund of Taxes relating to a Straddle Period shall be apportioned between the portion of such period ending on the Closing Date and the portion of such taxable period beginning on the day after the Closing Date in accordance with the same principles provided for in Section 8.1(b).

8.6 Check the Box Elections. The Sellers shall prepare a properly completed IRS Form 8832 for the Companies and each Subsidiary, electing for each Company and each Subsidiary to be classified as a corporation for U.S. federal income Tax purposes effective no later than one (1) day prior to the Closing Date (the "Check the Box Elections") and shall deliver drafts of the Check the Box Elections to the Purchaser at least five (5) Business Days prior to the Closing Date. The Purchaser shall be entitled to review and comment on such draft IRS Forms 8832 and the Sellers shall revise such draft IRS Forms 8832 in accordance with the Purchaser's reasonable comments. On the Closing Date, the Sellers shall provide to the Purchaser such Check the Box Elections, properly executed, and the Purchaser shall file the Check the Box Elections with the Internal Revenue Service promptly following the Closing.

8.7 Section 338(h)(10) Elections.

(a) Sellers and Purchaser shall join in making timely and irrevocable elections under Section 338(h)(10) of the Code (and the Treasury Regulations and administrative pronouncements thereunder and any corresponding election under state, local, or foreign Law) (the “Section 338(h)(10) Elections”) with respect to Purchaser’s purchase of each of the Companies and the Subsidiaries pursuant to this Agreement. The Sellers shall prepare a properly completed IRS Form 8023 and any similar forms required by applicable state and local Tax Law (collectively, the “Section 338 Election Forms”) and shall deliver a draft of the Section 338 Election Forms to the Purchaser at least five (5) Business Days prior to the Closing Date. The Purchaser shall be entitled to review and comment on such draft Section 338 Election Forms and the Sellers shall revise such draft Section 338 Election Forms in accordance with the Purchaser’s reasonable comments. On the Closing Date, the Sellers shall provide to the Purchaser such Section 338 Election Forms, properly executed by the Sellers. The Purchaser shall execute and file the Section 338 Election Forms with the Internal Revenue Service and any other applicable Governmental Authority promptly following the Closing and shall provide Sellers a copy of such filings.

(b) Within thirty (30) days following the final determination of the Final Cash Purchase Price pursuant to Section 2.4 (but no later than ninety (90) days prior to the due date for the Section 338 Allocation Forms, taking account of any applicable extensions), Purchaser shall prepare a determination of the Aggregate Deemed Sales Price (as defined in the applicable Treasury Regulations under Section 338 of the Code) (“ADSP”) and a proposed allocation of the ADSP among the assets of each Company in a manner consistent with Sections 338 and 1060 of the Code (the “Proposed Section 338(h)(10) Allocation”) and shall deliver the Proposed Section 338(h)(10) Allocation to Sellers. Within thirty (30) days of receipt of the Proposed Section 338(h)(10) Allocation, Sellers shall notify Purchaser that Sellers agree with the Proposed Section 338(h)(10) Allocation or shall identify any objections to the Proposed Section 338(h)(10) Allocation. Purchaser and Sellers shall use commercially reasonable efforts to resolve any disagreement over the Proposed Section 338(h)(10) Allocation. If Purchaser and Sellers cannot agree on a mutually satisfactory allocation within thirty (30) days after delivery of the Proposed Section 338(h)(10) Allocation, the Accounting Arbitrator shall determine the appropriate allocation, which determination shall be binding on the parties. The costs and expenses of the Accounting Arbitrator shall be borne by Purchaser and Sellers in the manner provided in Section 2.4(d). As soon as practicable after Purchaser and Sellers are in agreement on the allocation or the allocation has otherwise been finally determined in accordance with this Section 8.7(b) (the “Final Section 338(h)(10) Allocation”), Purchaser shall prepare consistently therewith IRS Form 8883 and any similar forms required by applicable state and local Tax Law (collectively, the “Section 338 Allocation Forms”), and promptly deliver copies of the Section 338 Allocation Forms to Seller for review and approval (not to be unreasonably withheld, conditioned or delayed) and the Purchaser shall revise such draft Section 338 Allocation Forms in accordance with the Sellers’ reasonable comments. If the purchase price is increased as a result of an

adjustment pursuant to this Agreement or the payment of any Delayed Payment, then the Final Section 338(h)(10) Allocation shall be adjusted to increase amounts allocable to goodwill. If the purchase price is decreased as a result of an adjustment pursuant to this Agreement, then the Final Section 338(h)(10) Allocation shall be adjusted to decrease amounts allocable to goodwill and, with respect to any excess, the Final Section 338(h)(10) Allocation shall be adjusted as mutually agreed by Purchaser and Sellers. Purchaser, the Companies, the Subsidiaries and Sellers shall file all Tax Returns (including but not limited to the Section 338 Election Forms and the Section 338 Allocation Forms) consistent with the Final Section 338(h)(10) Allocation and will not take any position contrary thereto except pursuant to a “determination” within the meaning of Section 1313 of the Code.

8.8 Cooperation on Tax Matters. Purchaser and Sellers shall, and shall cause their respective Affiliates, officers, employees, agents, auditors and other representatives to, reasonably cooperate in connection with the preparation of any Tax Return or claim for refund, the determination of any Tax liability or indemnification obligation, the preparation, defense and conduct of any audit, investigation or other proceeding relating to Taxes, or otherwise with respect to the Taxes of the Companies or the Subsidiaries or with respect to the Business. Such cooperation shall include furnishing to each other, upon request, such information (including access to Tax Returns, books, records and employees) and assistance as is reasonably requested in connection with any such Tax Return, refund, determination, audit, investigation or proceeding relating to Taxes. Except as otherwise provided in this Agreement, the party requesting assistance pursuant to this Section 8.8 shall reimburse the other party for any reasonable out-of-pocket costs incurred in providing any Tax Return, document or other written information, and shall compensate the other party for any reasonable costs (excluding wages, salaries and related costs) of making employees available, upon receipt of reasonable documentation of such costs.

8.9 Characterization of Tax Indemnification Payments. Any payment under this Article 8 shall be treated as an adjustment to the Cash Purchase Price for Tax purposes except to the extent otherwise required by applicable Law.

8.10 Survival of Tax Matters Covenants. The provisions of this Article 8 shall survive the Closing until sixty (60) days following the expiration of the statute of limitations under applicable Tax Law.

ARTICLE 9 TERMINATION

9.1 Termination. This Agreement may be terminated at any time prior to Closing:

(a) by the mutual prior written consent of the Seller and the Purchaser;

(b) by the Sellers or the Purchaser if the Closing has not occurred on or before 5:00 p.m., New York time on December 27, 2021 (the “Closing End Date”); provided, that neither the Purchaser nor the Sellers will be entitled to terminate this Agreement pursuant to this Section 9.1(b) if such Person’s (or, in the case of the Sellers, including any of the Companies’) breach of, or failure to fulfill any obligation under, this Agreement or any other Ancillary Document to which such Person is or will be Party has been a cause of the failure of the Closing

to occur on or prior to such time on the Closing End Date; provided, further, that the Purchaser or the Sellers may, from time to time by written notice prior to the Closing End Date, extend the Closing End Date to a time and date not later than 5:00 p.m., New York time on the date that is nine (9) months following the Closing End Date set forth above in the event that the conditions set forth in Sections 6.1(c), 6.1(e), 6.2(c) or 6.2(e) are the only conditions to Closing that have not been satisfied so long as the notifying Party is, and has been since the date hereof, diligently pursuing the satisfaction of such conditions.

(c) by the Sellers or the Purchaser, upon delivery of written notice to the other, of any non-appealable final order, decree or judgment of any Governmental Authority having competent jurisdiction, that permanently restrains, enjoins or otherwise prohibits the consummation of the transactions contemplated by this Agreement or the other Ancillary Documents, subject, however, to compliance by the terminating Party with the terms of Section 5.1; provided, that neither the Purchaser nor the Sellers will be entitled to terminate this Agreement pursuant to this Section 9.1(c) if such order, decree or judgment is a result of such Person's (or, in the case of the Sellers, including any of the Companies') breach of, or failure to fulfill any obligation under, this Agreement or any other Ancillary Document to which such Person is or will be Party.

(d) by the Purchaser (if it is not in breach of its representations, warranties, covenants or agreements under this Agreement so as to cause any of the conditions set forth in Article 6 not to be satisfied), upon written notice to the Sellers, if there has been a violation, breach or inaccuracy of any representation, warranty, covenant or agreement of the Sellers or the Companies contained in this Agreement, which violation, breach or inaccuracy would cause any of the conditions set forth in Article 6 not to be satisfied, and such violation, breach or inaccuracy has not been waived by the Purchaser or cured by the Sellers, as applicable, within twenty (20) Business Days after receipt by the Sellers of written notice thereof from the Purchaser or is not reasonably capable of being cured prior to the Closing End Date;

(e) by the Sellers (if they are not in breach of their representations, warranties, covenants or agreements under this Agreement so as to cause any of the conditions set forth in Article 6 not to be satisfied), upon written notice to the Purchaser, if there has been a violation, breach or inaccuracy of any representation, warranty, covenant or agreement of the Purchaser contained in this Agreement, which violation, breach or inaccuracy would cause any of the conditions set forth in Article 6 not to be satisfied, and such violation, breach or inaccuracy has not been waived by the Sellers or cured by the Purchaser, as applicable, within twenty (20) Business Days after receipt by the Purchaser of written notice thereof from the Sellers or is not reasonably capable of being cured prior to the Closing End Date; or

(f) by the Sellers, upon written notice to the Purchaser, if: (i) each of the conditions set forth in Section 6.2 has been satisfied or waived by the Purchaser (other than those conditions that, by their terms, are to be satisfied or waived at the Closing, but subject to the satisfaction or waiver of those conditions at the Closing); (ii) the Sellers have irrevocably notified the Purchaser in writing that the Sellers and Companies are ready, willing and able to consummate the transactions contemplated by this Agreement; and (iii) the Purchaser fails to consummate the transactions contemplated by this Agreement within two (2) Business Days following delivery of such notice by the Sellers.

9.2 Effect of Termination. If this Agreement is terminated pursuant to Section 9.1, this Agreement shall become void and of no further force or effect (except for the provisions of Section 5.4, this Article 9, Article 11, and the Confidentiality Agreement, all of which shall continue in full force and effect). Notwithstanding anything to the contrary in this Agreement, the termination of this Agreement under Section 9.1 shall not relieve any Party from Liabilities or Losses (which the Parties acknowledge and agree shall not be limited to reimbursement of expenses or out-of-pocket costs, and may include, to the extent proven, the benefit of the bargain lost by a Party's equityholders (taking into consideration relevant matters, including other combination opportunities and the time value of money)) for Fraud or willful breach of any of its representations, warranties, covenants or agreements contained in this Agreement prior to termination.

ARTICLE 10 INDEMNIFICATION; LIMITATIONS

10.1 No Survival; Exclusive Remedy; Representations and Warranties Insurance Policy.

(a) All representations and warranties and pre-Closing covenants of the Parties and any certificate related to any such representations and warranties and pre-Closing covenants shall terminate upon, and shall not survive, the Closing, and none of the Parties, nor any of their Affiliates, nor any of their respective directors, officers, employees, equityholders, partners, members, managers, trustees, beneficiaries or Representatives shall have any liability whatsoever with respect to any such representations and warranties or pre-Closing covenants, and no claim for breach of any such representation, warranty, pre-Closing covenant, or any claim for detrimental reliance or other right or remedy (whether in contract, in tort or at law or in equity) may be brought after Closing with respect thereto against the other Party nor any Affiliate of such Party, or any director, officer, employee, equityholder, partner, member, manager, trustee, beneficiary or Representative of such Party or any Affiliate of the such Party except in the case of Fraud. For the avoidance of doubt, such pre-Closing covenants shall not include the Pre-Closing Tax Indemnity and other covenants contained in Article 8, which shall survive for the period specified in Section 8.10. Recovery by the Purchaser in respect of all losses arising or resulting from or related to a breach of any representation or warranty or pre-Closing covenant shall be limited to the Representations and Warranties Insurance Policy, except for (i) losses recoverable under the Pre-Closing Tax Indemnity and (ii) in cases of Fraud.

(b) Except in the case of Fraud, the Representations and Warranties Insurance Policy is the sole and exclusive remedy of the Purchaser for any breach of the representations and warranties and pre-Closing covenants set forth in this Agreement or the certificate delivered pursuant to Section 7.2(d), including those caused by any breach of or inaccuracy in any representation or warranty or breach, nonfulfillment or default in the performance of any of the pre-Closing covenants or agreements contained in this Agreement. Other than as expressly set forth in this Agreement or any Ancillary Document, the Parties shall not be entitled to a rescission of this Agreement, or to any further indemnification rights or other claims of any nature whatsoever in respect thereof (whether by contract, common law, statute, law, regulation or otherwise, including under the Racketeer Influence and Corrupt Organizations Act of 1970 and under any Environmental Laws), all of which the Parties hereby waive. In furtherance of the foregoing, effective as of the Effective Time and subject to this Article 10, the Purchaser hereby waives and

releases to the fullest extent permitted under applicable Law, the Sellers and each of their respective Affiliates, whether in any individual, corporate or any other capacity, from and against any and all other rights, claims and causes of action it may have against the Sellers or any of their respective Affiliates relating (directly or indirectly) to the subject matter of this Agreement or the transactions contemplated under this Agreement (including relating to any exhibit, Schedule or document delivered under this Agreement), including whether arising under or based upon any federal, state, local or foreign statute, Law or ordinance or otherwise, including any rights, claims or causes of action with respect to any environmental, health or safety matters, in each case, other than (A) as expressly set forth in this Agreement or any Ancillary Document and (B) with respect to any matters described on Schedule 5.9 and any rights that expressly survive the termination of the Contracts with the Utility Affiliates referenced in Section 7.2(i). Effective as of the Effective Time and subject to this Article 10, each Seller hereby waives and releases to the fullest extent permitted under applicable Law, the Purchaser and its Affiliates (including for the avoidance of doubt, the Company and its Subsidiaries), whether in any individual, corporate or any other capacity, from and against any and all other rights, claims and causes of action it may have against the Purchaser or its Affiliates relating (directly or indirectly) to (1) the subject matter of this Agreement or the transactions contemplated under this Agreement (including relating to any exhibit, Schedule or document delivered under this Agreement), including whether arising under or based upon any federal, state, local or foreign statute, Law or ordinance or otherwise, including any rights, claims or causes of action with respect to any environmental, health or safety matters or (2) the Companies and the Subsidiaries or any actions taken or failed to be taken by the Purchaser, the Companies, the Subsidiaries and its respective Affiliates in any capacity related to the Companies and the Subsidiaries or the operation of the Business of the Companies and the Subsidiaries, in each case, other than (A) as expressly set forth in this Agreement or any Ancillary Document and (B) with respect to any matters described on Schedule 5.9 and any rights that expressly survive the termination of the Contracts with the Utility Affiliates referenced in Section 7.2(i).

(c) The Purchaser acknowledges and agrees that the provisions of this Section 10.1 will apply regardless of whether (a) the Purchaser maintains the Representations and Warranties Insurance Policy following the Closing, (b) the Representations and Warranties Insurance Policy is revoked, cancelled, or modified in any manner after issuance, or (c) the Purchaser makes a claim under the Representations and Warranties Insurance Policy and such claim is denied by the insurer.

10.2 Representations and Warranties Insurance Policy. The Purchaser agrees that it will cause the Representations and Warranties Insurance Policy to expressly exclude rights of subrogation against the Sellers and each of the Seller's officers, directors, partners, managers, equity holders, employees, and Affiliates. The Purchaser and its Affiliates will not amend, waive or otherwise modify the Representations and Warranties Insurance Policy in any manner adverse to the Sellers without the prior written consent of the Sellers.

10.3 Indemnity. Notwithstanding anything contrary in this Article 10:

(a) Purchaser Indemnity. Purchaser shall indemnify, defend, save and hold harmless the Seller Group Indemnified Parties from and against all Losses (without duplication) that arise out of: (i) the conduct of the Business before, at and after the date of the Agreement and (ii) liabilities to the extent arising out of, based on or resulting from the Business. For the avoidance of doubt, Purchaser shall not be required to indemnify the Seller Group Indemnified Parties hereunder for any Losses to the extent arising out of the business of the Seller Group (other than the Business) (whether before or after the Effective Time) or any Losses to the extent arising out of the transactions of the Seller Group with the Business pursuant to the Ancillary Documents at or after the Effective Time.

(b) Seller Indemnity. Sellers shall indemnify, defend, save and hold harmless the Purchaser Indemnified Parties from and against all Losses (without duplication) that arise out of: (i) the conduct of the businesses of the Seller Group (other than the Business) before, at and after the Effective Time and (ii) liabilities to the extent arising out of, based on or resulting from businesses of the Seller Group (other than the Business). Notwithstanding anything to the contrary, the parties acknowledge and agree that (x) the purpose of this Section 10.3 is to effect the separation of the Business from the Seller Group as it may relate to liabilities and expressly not to serve as recourse to the Seller Group for breaches of the representations and warranties in Article 3 and (y) for the avoidance of doubt, Sellers shall not be required to indemnify the Purchaser Indemnified Parties hereunder for any Losses to the extent arising out of the Business (whether before or after the Effective Time) or any Losses to the extent arising out of (1) the transactions of the Seller Group with the Business pursuant to the Ancillary Documents at or after the Effective Time or (2) any Contracts set forth on Schedule 10.3(b) between any of the Companies or the Subsidiaries, on the one hand, and any other members of the Seller Group, on the other hand, including the Contracts with the Utility Affiliates referenced in Section 7.2(i). Purchaser shall make claims against the Representations and Warranties Insurance Policy to the extent coverage is available and Purchaser reasonably determines there is a claim to be made thereunder prior to (or substantially concurrent with) the making of any claim under this Article 10 and any proceeds recovered; provided, for the avoidance of doubt, the foregoing shall not be construed as providing that the indemnification in this Article 10 serves as recourse to the Seller Group for breaches of the representations and warranties in Article 3.

(c) Determination of Loss Amount.

- (i) The amount of any Loss subject to indemnification under Section 10.3 shall be calculated net of any insurance proceeds or any indemnity, contribution or other similar payment recovered by the Indemnified Party (or its Affiliates) from any third party with respect thereto, net of any retropremiums, out-of-pocket expenses and costs of recovery, if any (“Third-Party Proceeds”). The Indemnified Party shall take all commercially reasonable actions to seek full and prompt recovery from any Third-Party Proceeds covering any Loss to the same extent as it would if such Loss were not subject to indemnification hereunder; provided, that the Indemnified Party’s inability to collect or recover any such Third-Party Proceeds shall not limit or otherwise delay the Indemnifying Party’s obligation hereunder. In the event that an insurance or other recovery is made by any Indemnified Party with respect to any Loss for which any such Person has been indemnified hereunder, then a refund equal to the aggregate amount of the recovery (net of any retropremiums, out-pocket-expenses and costs of recovery) shall be made promptly to the Indemnifying Party. Each party hereby waives, to the extent permitted under its applicable insurance policies, any subrogation rights that its insurer may have with respect to

any indemnifiable Losses. If the Indemnifying Party elects to control the defense of any claim pursuant to Section 10.3(d), then the Indemnifying Party shall be subrogated to and shall stand in the place of the Indemnified Party as to any events or circumstance in respect of which the Indemnified Party may have any right, defense or claim pursuant to the applicable insurance policies. The Indemnified Party shall cooperate with and take such actions as reasonably requested by the Indemnifying Party in a reasonable manner, and at the cost of the Indemnifying Party, in presenting any subrogated right, defense or claim and effecting any such subrogation.

- (ii) An Indemnified Party shall not be entitled to recover damages or obtain payment, reimbursement, restitution or indemnity more than once in respect of any one Loss.
- (iii) Notwithstanding anything to the contrary contained in this Agreement, no Indemnified Party shall have any right to indemnification hereunder with respect to any Loss or alleged Loss to the extent such Loss or alleged Loss (i) is included in the final calculation of Cash, Indebtedness, Transaction Expenses, or Net Working Capital or (ii) is a possible or potential Loss that an Indemnified Party believes may be incurred rather than an actual Loss that has, in fact, been incurred by an Indemnified Party (which shall not limit the ability of any Indemnified Party to submit a notice of a Claim in accordance with Section 10.3(d)).
- (iv) Neither the Purchaser Group nor the Seller Group shall be required to indemnify, defend or hold harmless the Seller Group or the Purchaser Group, as applicable, for any Losses in a cumulative aggregate basis (taking into account all amounts paid hereunder) exceeding the Base Amount.

(d) Notice of Claim. After receipt by the Purchaser Indemnified Parties or the Seller Group Indemnified Parties, as the case may be (the "Indemnified Party"), of notice, or its actual discovery, of any action, proceeding, claim, demand, or potential claims, which could give rise to a right of indemnification pursuant to Section 10.3, as applicable (any of which is individually referred to as a "Claim"), Indemnified Party shall give the other party (the "Indemnifying Party") written notice describing the Claim in reasonable detail; provided that no delay by the Indemnified Party in notifying the Indemnifying Party shall relieve the Indemnifying Party from any Liability hereunder unless (and solely to the extent that) the Indemnifying Party's position is actually prejudiced by such a delay. In the event that the Indemnifying Party notifies the Indemnified Party, within 30 days after such notice that the Indemnifying Party is assuming the defense thereof, (i) the Indemnifying Party will defend the Indemnified Party against the Claim with counsel of its choice, provided such counsel is reasonably satisfactory to the Indemnified Party, (ii) the Indemnified Party may retain separate co-counsel at its or their sole cost and expense (except that the Indemnifying Party will be responsible for the fees and expenses for the separate co-counsel to the extent the Indemnifying party concludes reasonably that the counsel selected by the Indemnifying Party has a conflict of interest), (iii) the Indemnified Party will not consent to the entry of any judgment or enter into any settlement with respect to the Claim without the written consent of the Indemnifying Party and (iv) Indemnifying Party will not consent to the entry of any judgment with respect to the Claim, or enter into any settlement which does not include a provision whereby plaintiff or claimant in the matter releases the Indemnified Party from all Liability with

respect thereto, without the prior written consent of the Indemnified Party. In the event that the Indemnifying Party does not notify the Indemnified Party within 30 days after the Indemnified Party has given notice of the Claim that the Indemnifying Party is assuming the defense thereof, the Indemnified Party may defend against, or enter into any settlement with respect to, the Claim in any manner the Indemnified Party reasonably deems appropriate, at the Indemnifying Party's sole cost and expense (including attorney's fees).

ARTICLE 11 MISCELLANEOUS

11.1 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original instrument, but all of which shall together constitute one and the same document. Delivery of an executed counterpart signature page to this Agreement by electronic means (including, without limitation, DocuSign or portable document format (.pdf)) is as effective as executing and delivering this Agreement in the presence of the other Parties to this Agreement.

11.2 Notices. Any and all notices required or permitted under this Agreement must be made or given in writing and delivered in person or sent by postage, pre-paid, United States mail, certified or registered, return receipt requested, or by a recognized overnight carrier, or by e-mail, to the other Party at the addresses set forth below. All notices will be deemed given and effective on the earliest to occur of actual receipt and (i) when sent, if sent by e-mail, (ii) the hand delivery of the notice at the address for notices, (iii) one (1) Business Day after the deposit of such notice with an overnight carrier service by the time deadline for next day delivery addressed to the address for notices, or (iv) three (3) Business Days after depositing the notice in the United States mail. The addresses of the Parties for purposes of notice are as follows:

If to the Sellers:	American Water Enterprises, LLC and American Water (USA), LLC c/o American Water Works Company, Inc.
Address:	1 Water Street Camden, NJ 08102
Attention:	Jordan Mersky
Telephone:	(856) 955-4535
E-mail:	jordan.mersky@amwater.com

with a copy to:	Schulte, Roth & Zabel LLP
Address:	919 Third Avenue New York, NY 10022
Attention:	Brian C. Miner
Telephone:	(212) 756-2010
E-mail:	brian.miner@srz.com

and

with a copy to: Shearman & Sterling LLP
Address: 599 Lexington Avenue
New York, NY 10022
Attention: Scott Petepiece
Telephone: (212) 848-8576
E-mail: spetepiece@shearman.com

If to the Purchaser: Lakehouse Buyer Inc.
c/o Apax Partners US, LLC
Address: 601 Lexington Avenue
53rd Floor
New York, NY 10022
Attention: Ashish Karandikar; Nedu Ottih
Telephone: (212) 419-2495
E-mail: Ashish.Karandikar@apax.com;Nedu.Ottih@apax.com

with a copy to: Simpson Thacher & Bartlett LLP
Address: 425 Lexington Ave.
New York, NY 10017
Attention: Ryerson Symons; Ben Schaye
Telephone: (212) 455-2813; (212) 455-7866
E-mail: ryerson@stblaw.com; ben.schaye@stblaw.com

Either Party may change its address for notice by notice to the other in the manner set forth above.

11.3 Sales or Use Tax, Recording Fees and Similar Taxes and Fees. Notwithstanding anything to the contrary in Article 8, the Purchaser shall bear any sales, use, excise, real property transfer or gain, gross receipts, goods and services, registration, capital, documentary, stamp or transfer Taxes, recording fees, and similar Taxes and fees incurred and imposed upon, or with respect to, the property transfers or other transactions contemplated hereby (“Transfer Taxes”). The party legally responsible for doing so will file all necessary Tax Returns and other documentation with respect to all such Transfer Taxes, and the other party will cooperate with respect to the filing of such Tax Returns and other documentation and the payment of such Transfer Taxes and, if required by law, shall join or cause its Affiliates to join in the execution of any such Tax Returns and other documentation. Should the Sellers, the Companies, the Subsidiaries, or any Affiliate of any of them pay prior to Closing, or should the Sellers or any continuing Affiliate of the Sellers pay after Closing, any amount for which the Purchaser is liable under this Section 11.3, the Purchaser shall, promptly following receipt of the Sellers’ invoice, describing the amount in reasonable detail, reimburse the amount paid.

11.4 Expenses. Except as provided in Section 5.1, all expenses incurred by the Sellers in connection with or related to the authorization, preparation or execution of this Agreement, and the Exhibits and Schedules hereto and thereto, and all other matters related to the Closing, including all fees and expenses of counsel, accountants, and financial advisers employed by the Sellers, shall be borne solely and entirely by the Seller, and all such expenses incurred by the Purchaser shall be borne solely and entirely by the Purchaser.

11.5 Governing Law. This Agreement, any Legal Proceeding arising out of or relating to this Agreement, and the legal relations between the Parties shall be governed by and construed in accordance with the Laws of the State of Delaware, without regard to principles of conflicts of Laws that would direct the application of the Laws of another jurisdiction.

11.6 Dispute Resolution. Each Party irrevocably and unconditionally consents to the exclusive jurisdiction of the United States federal courts located in the State of Delaware, and any appellate court therefrom, with respect to any dispute, controversy, or claim arising out of, in relation to, or in connection with, this Agreement and the other Ancillary Documents, and each of the Parties irrevocably and unconditionally agrees that any Legal Proceeding instituted by it against the other with respect to any such dispute, controversy, or claim (except to the extent a dispute, controversy, or claim arises out of, in relation to, or in connection with, the determination of the Final Cash Purchase Price pursuant to Section 2.4 that is referred to the Accounting Arbitrator pursuant to that Section) will be instituted exclusively in such courts. Each Party irrevocably and unconditionally: (a) submits to the exclusive jurisdiction of such courts; (b) waives any objection to laying venue in any such Legal Proceeding in such courts; (c) waives any objection that such courts are an inconvenient forum or do not have jurisdiction over it; and (d) agrees that service of process upon it may be effected by mailing a copy thereof by registered mail (or any substantially similar form of mail), postage prepaid, to it at its address specified in Section 11.2. Notwithstanding the foregoing, a Party may commence any lawsuit in a court other than the above named courts solely for the purpose of enforcing an order or judgment issued by one of the above named courts. The foregoing consents to jurisdiction and service of process shall not constitute general consents to service of process in any other U.S. state for any purpose except as provided in this Agreement and shall not be deemed to confer any rights on any Person other than the Parties to this Agreement. The Parties hereby irrevocably and unconditionally waive trial by jury in any Legal Proceeding brought by any Party against another Party in any matter whatsoever arising out of, in relation to, or in connection with, this Agreement and the other Ancillary Documents or the transactions contemplated hereby and thereby. Each Party certifies and acknowledges that it understands and has considered the implications of the foregoing waiver, it makes such waiver voluntarily, and that it has been induced to enter into this Agreement by, among other things, the foregoing waiver.

11.7 Captions. The titles, headings or captions in this Agreement are for convenience only and shall not be considered a part of or affect the construction or interpretation of any provision of this Agreement.

11.8 Waivers. Any failure by any Party to comply with any of its obligations, agreements, or conditions in this Agreement contained may be waived by the Party to whom such compliance is owed by an instrument signed by the Party to whom compliance is owed and expressly identified as a waiver, but not in any other manner. No waiver of, or consent to a change in, any of the provisions of this Agreement shall be deemed or shall constitute a waiver of, or consent to a change in, other provisions of this Agreement (whether or not similar), nor shall such waiver constitute a continuing waiver unless otherwise expressly provided. No failure or delay by any party in exercising any right, power or privilege under this Agreement shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

11.9 Assignment. No Party shall assign (including by change of control, merger, consolidation, or equity purchase) or otherwise transfer all or any part of this Agreement to any third Person, nor shall any Party delegate any of its rights or duties under this Agreement (including by change of control, merger, consolidation, or equity purchase) to any third Person, without the prior written consent of the other Party and any transfer or delegation made without such consent shall be void, except that Purchaser and the Companies may so assign or otherwise transfer or delegate, in whole or in part: (i) to one or more of their respective Affiliates (provided no such assignment shall relieve the assigning party of any of its obligations hereunder); (ii) or in a sale of all or substantially all of the businesses of the Companies, or (iii) in connection with the transfer or sale of all or substantially all of the businesses in the service territory of one or more existing or new Utility Agreements, in the case of clauses (i) or (ii), this Agreement or its or their rights and/or obligations under this Agreement, and in the case of clause (iii), both the rights and the obligations under Section 10.3 with respect to the businesses being transferred or sold (and only if the transferee or purchaser of such businesses expressly assumes such obligations in writing as a condition to such transfer). Subject to the foregoing, this Agreement shall be binding upon, and inure to the benefit of, the Parties and their respective successors and assigns.

11.10 Entire Agreement. The Confidentiality Agreement, this Agreement, the other Ancillary Documents and the documents to be executed under this Agreement and the other Ancillary Documents and the Exhibits and Schedules attached hereto and thereto constitute the entire agreement among the Parties pertaining to the subject matter of this Agreement, and supersede all prior agreements, understandings, negotiations, and discussions, whether oral or written, of the Parties pertaining to the subject matter of this Agreement.

11.11 Amendment. This Agreement may be amended or modified only by an agreement in writing signed by the Sellers and the Purchaser and expressly identified as an amendment or modification to this Agreement.

11.12 No Third-Person Beneficiaries. Nothing in this Agreement shall entitle any Person other than the Purchaser, the Sellers and the Companies (and their respective successors and permitted assigns) to any claim, cause of action, remedy or right of any kind, except the rights expressly provided to certain Persons pursuant to [Section 5.2\(b\)](#), [Section 5.11](#) and [Section 11.18](#).

11.13 Severability. If any provision of this Agreement, or any application thereof, is held invalid, illegal, or unenforceable in any respect under any Law, this Agreement shall be reformed to the extent necessary to conform, in each case consistent with the intention of the Parties, to such Law, and, to the extent such provision cannot be so reformed, then such provision (or the invalid, illegal, or unenforceable application thereof) shall be deemed deleted from (or prohibited under) this Agreement, as the case may be, and the validity, legality, and enforceability of the remaining provisions contained in this Agreement (and any other application of such provision) shall not in any way be affected or impaired thereby.

11.14 Time of the Essence. Time is of the essence in this Agreement. If the date specified in this Agreement for giving any notice or taking any action is not a Business Day (or if the period during which any notice is required to be given or any action taken expires on a date which is not a Business Day), then the date for giving such notice or taking such action (and the expiration of such period during which notice is required to be given or action taken) shall be the next day which is a Business Day.

11.15 References. In this Agreement, unless the context requires otherwise: (a) references to any gender includes a reference to all other genders; (b) references to the singular includes the plural, and vice versa; (c) reference to any Article or Section means an Article or Section of this Agreement; (d) reference to any Exhibit or Schedule means an Exhibit or Schedule to this Agreement, all of which are incorporated into, and made a part of, this Agreement; (e) unless expressly provided to the contrary, “hereunder”, “hereof”, “herein”, and words of similar import are references to this Agreement as a whole and not any particular Section or other provision of this Agreement; (f) references to “\$” or “Dollars” means United States Dollars; (g) “include” and “including” mean include or including without limiting the generality of the description preceding such term; (h) “made available” means that the Purchaser, its Affiliates, or Representatives have had the opportunity, prior to the execution of this Agreement, to review the relevant documents or referenced matters or materials; (i) the word “or” shall not be exclusive; and (j) any reference to any particular Code Section or any other Law will be interpreted to include any revision of or successor to that Section regardless of how it is numbered or classified and any reference herein to a Governmental Authority shall be deemed to include reference to any successor thereto. Inclusion of a matter on a Schedule attached hereto with respect to a representation or warranty that addresses matters being material or having a Material Adverse Effect shall not be deemed an indication that such matter is, or may be, material or does, or may, have a Material Adverse Effect. Schedules may include matters not required by the terms of the Agreement to be listed on the Schedule, which additional matters are disclosed for purposes of information only, and inclusion of any such matter does not mean that all such matters are included. A matter set forth on a Schedule as an exception to any representation shall be deemed to be an exception to all other representations for which its relevance is reasonably apparent from the content of such disclosure. When calculating the period of time before which, within which or following which any act is to be done or step is to be taken pursuant to this Agreement, the date that is the reference date in calculating such period shall be excluded. If the last day of such period is a non-Business Day, the period in question shall end on the next succeeding Business Day. In the case of a covenant or obligation contained in this Agreement that requires a Party to submit a filing with, deliver notice to, or take other similar action with respect to a Governmental Authority within a period of time specified in this Agreement, in the event that, on the last day of such period of performance, (A) the relevant office of the applicable Governmental Authority is closed by Law or order of a Governmental Authority (including pursuant to one or more Laws or orders of a Governmental Authority relating to COVID-19) on a date on which, absent such Law or order of a Governmental Authority, such Governmental Authority would otherwise not be closed, (B) the applicable Party is unable to perform such covenant or obligation prior to the end of the specified period of performance due solely to the closure of such office of such Governmental Authority, (C) such Party has attempted in good faith to perform or comply with such covenant before the last day of such period, and (D) no reasonable alternative means of performing such covenant or obligation (such as submitting such filing or notice to a different office of such Governmental Authority) is available to such Party, then in such case the relevant period of performance shall be automatically extended until the first Business Day following the date on which such office of such Governmental Authority is reopened.

11.16 Construction. The Purchaser is capable of making such investigation, inspection, review and evaluation of the Units, the equity interests of the Subsidiaries, the Companies, the Subsidiaries, and the Business as a prudent purchaser would deem appropriate under the circumstances, including with respect to all matters relating to the Business, its value, operation, and suitability. The Seller and the Purchaser have had the opportunity to exercise business discretion in relation to the negotiation of the details of the transaction contemplated hereby. This Agreement is the result of arm's-length negotiations from equal bargaining positions. It is expressly agreed that this Agreement shall not be construed against any Party, and no consideration shall be given or presumption made, on the basis of who drafted this Agreement or any particular provision of this Agreement.

11.17 Specific Performance. The Parties agree that irreparable damage would occur if any provision of this Agreement or any Ancillary Document were not performed in accordance with its specific terms or is otherwise breached, and that money damages or other legal remedies would not be an adequate remedy for any such damages. Accordingly, the Parties acknowledge and hereby agree that in the event of any breach or threatened breach by the Sellers or the Companies, on the one hand, or the Purchaser, on the other hand, of any of their respective covenants or obligations set forth in this Agreement, the Sellers or the Companies, on the one hand, and the Purchaser, on the other hand, shall be entitled to an injunction or injunctions, specific performance, or other equitable relief to prevent or restrain breaches or threatened breaches of this Agreement by the other (as applicable), without the necessity of proving the inadequacy of monetary damages and without the necessity of posting a bond or other security, and to specifically enforce the terms and provisions of this Agreement or any Ancillary Document to prevent breaches or threatened breaches of, or to enforce compliance with, the covenants and obligations of the other under this Agreement or any Ancillary Document and this right shall include the right of the Sellers to cause the transactions contemplated by this Agreement and the other Ancillary Documents to be consummated. The Parties hereby agree not to raise any objections to the availability of the equitable remedy of specific performance to prevent or restrain breaches or threatened breaches of this Agreement by the other Party and to specifically enforce the terms and provisions of this Agreement to prevent breaches or threatened breaches of, or to enforce compliance with, the covenants and obligations of under this Agreement. The Parties further agree that (i) by seeking the remedies provided for in this Section 11.17, a Party shall not in any respect waive its right to seek any other form of relief that may be available under this Agreement (including monetary damages) if this Agreement has been terminated or if the remedies provided for in this Section 11.17 are not available or otherwise are not granted, and (ii) nothing set forth in this Section 11.17 shall require any Party to institute any proceeding for (or limit any Party's right to institute any proceeding for) specific performance under this Section 11.17 prior or as a condition to exercising any termination right under Article 9 (and pursuing damages after such termination), nor shall the commencement of any Legal Proceeding pursuant to this Section 11.17 or anything set forth in this Section 11.17 restrict or limit any Party's right to terminate this Agreement in accordance with the terms of Article 9 or pursue any other remedies under this Agreement that may be available then or thereafter; provided, that in no event shall the Purchaser's liability under this Agreement exceed the Base Cash Amount. The right of specific enforcement set forth in this Section 11.17 is an integral part of the transactions contemplated by this Agreement and without that right, none of the Parties would have entered into this Agreement. The Parties hereby acknowledge that, other than the Purchaser, the Sellers and the Companies, no other Person or any of its Affiliates shall be entitled to enforce specifically the terms and provisions of this Agreement.

11.18 Legal Representation. In any Legal Proceeding by or against the Purchaser wherein the Purchaser asserts or prosecutes any claim under, or otherwise seeks to enforce, this Agreement, the Purchaser agrees in connection with such Legal Proceeding (a) that neither the Purchaser nor counsel therefor will move to seek disqualification of either SRZ or S&S, (b) to waive any right the Purchaser may have to assert the attorney-client privilege against either SRZ or S&S or the Sellers or any of their Affiliates with respect to any communication or information contained in SRZ's or S&S's possession or files and (c) to consent to the representation of the Sellers and their Affiliates by both SRZ and S&S, notwithstanding that either SRZ or S&S has or may have represented the Sellers or any of their Affiliates (including the Companies and the Subsidiaries) as counsel in connection with any matter, including any transaction (including the transactions contemplated by this Agreement), negotiation, investigation, Legal Proceeding or action, prior to the Closing. This consent and waiver extends to either SRZ or S&S representing the Sellers against the Purchaser, the Companies or the Subsidiaries in litigation, arbitration or mediation in connection with this Agreement or any other Ancillary Document or the transactions contemplated hereby and thereby. In addition, all communications between the Sellers, the Companies and their respective subsidiaries (including the Subsidiaries), on the one hand, and either SRZ or S&S, on the other hand, related to this or any other proposed sale of the Units, the Agreement, any Ancillary Document or the transactions contemplated hereby and thereby shall be deemed to be attorney-client confidences that belong solely to the Seller and their Affiliates (and not the Companies or the Subsidiaries) (the "Seller Pre-Closing Communications"). Accordingly, none of the Purchaser nor, following Closing, the Companies or the Subsidiaries, shall have access to any such Seller Pre-Closing Communications or to the files of either SRZ or S&S relating to such engagement, and all books, records and other materials of the Companies and the Subsidiaries in any medium (including electronic copies) containing or reflecting any of the Seller Pre-Closing Communications or the work product of legal counsel with respect thereto, including any related summaries, drafts or analyses, and all rights with respect to any of the foregoing, are hereby retained by, assigned and transferred to the Sellers effective as of the Closing. Such material and information shall be excluded from the transfer contemplated by this Agreement and may be retained by the Sellers at Closing. From and after the Closing, the Purchaser, the Companies, the Subsidiaries and their respective subsidiaries, Affiliates and Representatives shall maintain the confidentiality of all such material and information. From and after the Closing, none of the Purchaser, the Company, the Subsidiaries and their respective subsidiaries, Affiliates and Representatives shall intentionally access or in any way, directly or indirectly, use or rely upon any such materials or information. Without limiting the generality of the foregoing, from and after the Closing, (a) the Sellers and their Affiliates (and not the Companies or the Subsidiaries) shall be the sole holders of the attorney-client privilege with respect to such engagement and the Seller Pre-Closing Communications, and none of the Companies or the Subsidiaries shall be a holder thereof, (b) to the extent that files of either SRZ or S&S in respect of such engagement and with respect to the Seller Pre-Closing Communications constitute property of the Sellers, only the Sellers and their Affiliates (and not the Companies or the Subsidiaries) shall hold such property rights and (c) neither SRZ nor S&S shall have duty whatsoever to reveal or disclose any such attorney-client communications, files or the Seller Pre-Closing Communications to the Companies or the Subsidiaries by reason of any attorney-client relationship between either SRZ or S&S and the Companies or the Subsidiaries or otherwise. As to the Seller Pre-Closing Communications, the Purchaser and its Affiliates (including, after the Closing, the Companies and the Subsidiaries),

together with any of their respective successors or assigns, agree that no such Person may use or rely on any of the Seller Pre-Closing Communications in any Legal Proceeding against or involving Sellers or any of their Affiliates after the Closing. The Purchaser further agrees that, on its own behalf and on behalf of its subsidiaries (including, after the Closing, the Companies and the Subsidiaries), the retention of either SRZ or S&S by the Companies and the Subsidiaries shall be deemed completed and terminated without any further action by any Person effective as of the Closing. The Purchaser hereby acknowledges and confirms that it has had the opportunity to review and obtain adequate information regarding the significance and risks of the waivers and other terms and conditions of this Section 11.18, including the opportunity to discuss with counsel such matters and reasonable alternatives to such terms. This Section 11.18 is for the benefit of the Sellers and each of SRZ and S&S, and each of SRZ and S&S is an intended third party beneficiary of this Section 11.18. This Section 11.18 shall be irrevocable, and no term of this Section 11.18 may be amended, waived or modified, without the prior written consent of the Sellers and each of SRZ and S&S. The covenants and obligations set forth in this Section 11.18 shall survive for ten (10) years following the Closing Date.

[Signature pages follow.]

IN WITNESS WHEREOF, this Agreement has been signed by each of the Parties as of the date first above written. Page 1598 of 2267

SELLERS:

AMERICAN WATER ENTERPRISES, LLC

By: /s/ Eric Palm

Name: Eric Palm

Title: President

AMERICAN WATER (USA), LLC

By: /s/ Stephen Curtis

Name: Stephen Curtis

Title: President

[Signature Page to Membership Interest Purchase Agreement]

AMERICAN WATER RESOURCES, LLC

By: /s/ Eric Palm

Name: Eric Palm

Title: President

PIVOTAL HOME SOLUTIONS, LLC

By: /s/ Eric Palm

Name: Eric Palm

Title: President

AMERICAN WATER RESOURCES HOLDINGS, LLC

By: /s/ Eric Palm

Name: Eric Palm

Title: President

AMERICAN WATER WORKS COMPANY, INC.

By: /s/ M. Susan Hardwick
Name: Susan Hardwick
Title: Executive Vice President and CFO

PURCHASER:

LAKEHOUSE BUYER INC.

By: /s/ Nedu Ottih

Name: Nedu Ottih

Title: Vice President and Secretary

The following exhibits and schedules to the attached Membership Interest Purchase Agreement have been omitted from Exhibit 2.1 pursuant to Item 601(a) (5) of Regulation S-K. The Company will furnish the omitted exhibits and schedules to the U.S. Securities and Exchange Commission upon request.

EXHIBITS

Exhibit A	Representations and Warranties Insurance Policy
Exhibit B	Form of Utility Agreement
Exhibit C	Form of License Agreement
Exhibit D	Form of Seller Note
Exhibit E	Form of Revenue Share Agreement
Exhibit F	Form of Transition Services Agreement
Exhibit G	Form of Common Interest and Cooperation Agreement

DISCLOSURE SCHEDULES

Schedule 1.1(a)	Accounting Principles
Schedule 1.1(ww)	Material Adverse Effect
Schedule 1.1(ccc)	Permitted Liens
Schedule 1.1(aaaa)	Specified Utility Agreement
Schedule 1.1(kkkk)	Working Capital Example
Schedule 2.7	Delayed Payment
Schedule 3.1	Sellers
Schedule 3.2	Company
Schedule 3.4	Title
Schedule 3.5	Capitalization
Schedule 3.6	Financial Statements; No Undisclosed Liabilities; Absence of Changes
Schedule 3.7	Litigation
Schedule 3.8	Taxes and Assessments
Schedule 3.9	Permits and Approvals; Compliance with Laws
Schedule 3.10	Sufficiency of Assets
Schedule 3.11	Environmental Laws
Schedule 3.12	Properties
Schedule 3.13	Contracts
Schedule 3.14	Intercompany Arrangements
Schedule 3.15	Insurance Policies
Schedule 3.16	Intellectual Property
Schedule 3.17	Labor Matters
Schedule 3.18	Employee Benefits
Schedule 3.19	Service Contracts; Insurance Products
Schedule 3.20	Brokers
Schedule 5.5	Operation of Business
Schedule 5.9	Termination of Affiliate Obligations

Schedule 5.11(c)	Directors' and Officer's Insurance
Schedule 5.13	Release of Support Obligations
Schedule 5.14	Seller's Marks
Schedule 5.16	Transfer of Assets
Schedule 10.3(b)	Seller Indemnity
Exhibit A	Financial Statements
Exhibit B	Balance Sheet
Exhibit C	Schedule of Insurance Policies
Exhibit D	Directors' and Officers' Insurance
Exhibit E	Working Capital Example

Press Release



American Water Announces Agreement to Sell its Homeowner Services Group to Funds Advised by Apax Partners Virtual Investor Day November 3, 2021

- American Water agrees to sell its Homeowner Services Group to funds advised by Apax Partners LLP (“Apax”) in a deal valued at \$1.275 billion
- At closing, American Water will receive \$480 million in cash and a \$720 million secured Seller’s Note bearing a 7% annual interest rate with a five-year term
- Additional purchase price of \$75 million if certain milestones are met
- American Water also enters into revenue sharing agreement on revenue generated from on-bill billing arrangements with American Water customers
- American Water’s core regulated business strengthened as cash proceeds from the transaction will be redeployed into the regulated water and wastewater businesses in near- and long-term
- Proposed sale further narrows market-based business focus to regulated-like Military Services Group

CAMDEN, N.J., October 29, 2021 – American Water Works Company, Inc. (NYSE: AWK), the largest publicly traded U.S. water and wastewater utility company, today announced that it has agreed to sell its Homeowner Services Group to funds advised by Apax in a deal valued at approximately \$1.275 billion.

Upon closing of the transaction, American Water will receive \$480 million in cash and a \$720 million secured Seller’s Note bearing a 7% annual interest rate with a five-year term. In addition, the transaction includes a delayed payment to American Water of \$75 million if certain milestones are met by December 31, 2023. The structure of the transaction enables initial cash proceeds to be redeployed into the regulated water and wastewater business to fund near-term incremental capital investments, while interest on the Seller’s Note will provide a stream of earnings over the term of the note. Upon maturity, the proceeds from the repayment of the Seller’s Note are expected to be used to fund a continually growing capital investment in the regulated business.

“American Water has successfully grown our Homeowner Services Group over the last 20 years, creating great value.” said Walter Lynch, President and CEO of American Water. “This transaction allows us to capitalize on that value creation by utilizing the proceeds to invest in our regulated businesses. As we have continuously communicated, our strategy is to operate where we can best serve customers, drive efficiencies, invest in our systems and grow our regulated water and wastewater businesses,” added Lynch. “We look forward to outlining the transaction further, as we discuss our long-term financial plan at our next virtual investor day on November 3, 2021.”

Press Release



Homeowner Services Group's customer facing brands include American Water Resources and Pivotal Home Solutions, which provide various warranty protection programs and other home services to residential customers across the country. This business currently has nearly 3 million customer contracts across 43 states and Washington, D.C.

"We believe Apax will take the growing Homeowner Services business into its next chapter and employees will transfer as part of the deal and have the opportunity to continue to add value to customers," added Lynch.

Ashish Karandikar, Partner at Apax, said, "Having tracked the home warranty sector, we identified American Water Resources as a stand-out provider in the space. The Apax Funds have deep domain experience across the home services market and insurance and warranty product dynamics, with prior investments in Authority Brands, Assured Partners and Hub for example. We are excited to partner with the team at American Water Resources as we look to build on the Homeowner Services Group's success to date, leveraging the Apax Funds' transformational approach, hands-on operational excellence, and deep digital expertise to support the company going forward."

American Water will also enter into a revenue sharing agreement that provides for American Water to receive a percentage of revenue generated from previous on-bill billing arrangements with American Water customers. This agreement will also provide an ongoing income stream as Apax continues these relationships.

American Water anticipates closing the transaction in the fourth quarter of 2021, subject to the satisfaction or waiver of customary closing conditions, including the expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976.

American Water was exclusively advised by BofA Securities, Schulte Roth & Zabel LLP and Shearman & Sterling LLP.

American Water Investor Day

Further details surrounding the transaction and American Water's long-term financial plan will be discussed at a virtual Investor Day American Water scheduled for Wednesday, November 3, 2021, at 9:00 a.m. Eastern Daylight Time. Also at that event, the Company will discuss its 2021 third quarter results, 2021 and 2022 earnings guidance, and long-term earnings, dividend growth and O&M efficiency ratio targets, and its financing and capital investment plans. The event hosts will be Walter Lynch, President and Chief Executive Officer; Susan Hardwick, Executive Vice President and Chief Financial Officer; and Cheryl Norton, Executive Vice President and Chief Operating Officer. There will be a question-and-answer session as part of the event.

Press Release



Interested parties may access the video webcast through a link on the Company's investor relations website at ir.amwater.com. Presentation slides that will be used in conjunction with the event will also be available on the investor relations website in advance. The Company recognizes its website as a key channel of distribution to reach public investors and as a means of disclosing material non-public information to comply with its obligations under SEC Regulation FD.

About American Water

With a history dating back to 1886, American Water (NYSE:AWK) is the largest and most geographically diverse U.S. publicly traded water and wastewater utility company. The company employs more than 7,000 dedicated professionals who provide regulated and market-based drinking water, wastewater and other related services to an estimated 15 million people in 46 states. American Water provides safe, clean, affordable and reliable water services to our customers to help keep their lives flowing. For more information, visit amwater.com and follow American Water on [Twitter](#), [Facebook](#) and [LinkedIn](#).

About Apax

Apax Partners LLP ("Apax") is a leading global private equity advisory firm. For nearly 50 years, Apax has worked to inspire growth and ideas that transform businesses. The firm has raised and advised funds with aggregate commitments of more than \$60 billion. The Apax Funds invest in companies across four global sectors of Tech, Services, Healthcare and Internet/Consumer. These funds provide long-term equity financing to build and strengthen world-class companies.

Apax is authorized and regulated by the Financial Conduct Authority in the UK.

Cautionary Statement Concerning Forward-Looking Statements

Certain statements in this press release are forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements relate to our business and the proposed transactions described in this press release, including, but not limited to, the ability to complete such transactions on a timely basis or at all; the ability to satisfy closing and other covenants and conditions related to such transactions, including the ability to obtain required regulatory approvals (including under the Hart-Scott-Rodino Act) and other consents and to provide all closing deliveries; the accounting, financial and other impacts of such transactions; and the ability to achieve the Company's regulatory and

Press Release



other strategies, benefits, plans and goals related to such transactions, including with respect to the repayment of the Seller's Note and the redeployment of the net proceeds from such transactions, and involve various risks and uncertainties. These statements are based on the current expectations of management of American Water. There are a number of risks and uncertainties that could cause actual results to differ materially from these forward-looking statements, including without limitation with respect to (1) obtaining required approvals and consents required for the transactions, including expiration or termination of the applicable Hart-Scott-Rodino waiting period; (2) satisfying other conditions to the closing of the transactions; (3) the amount of proceeds to be received from the transactions due to, among other things, closing and post-closing adjustments to the purchase price and other withholdings as provided in the purchase agreement and the ability to receive any contingent consideration and payments under the Seller's Note and the revenue share agreement; (4) the post-closing operating and financial results of the Homeowner Services Group business; (5) unexpected costs, liabilities or delays associated with the transactions; (6) regulatory, legislative, local or municipal actions affecting the Homeowner Services Group and the water and wastewater industries; and (7) other economic, business and other factors.

For further information regarding risks and uncertainties associated with American Water's business, please refer to American Water's annual, quarterly and periodic SEC filings, including American Water's Current Report on Form 8-K filed with the SEC to report this transaction. Forward-looking statements are not guarantees or assurances of future performance or results, and, except as may be required by applicable law, American Water does not undertake any duty to update any forward-looking statement. The foregoing factors should not be construed as exhaustive.

###

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

Form 8-K

**Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): September 16, 2021

American Water Works Company, Inc.
(Exact name of registrant as specified in its charter)

Commission File Number: 001-34028

Delaware
(State or other jurisdiction
of incorporation)

51-0063696
(IRS Employer
Identification No.)

**1 Water Street
Camden, NJ 08102-1658**
(Address of principal executive offices, including zip code)
(856) 955-4001
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Trading Symbol</u>	<u>Name of Each Exchange on Which Registered</u>
Common stock, par value \$0.01 per share	AWK	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 8.01. Other Events.

On September 16, 2021, American Water Works Company, Inc. (the “Company”) issued a press release announcing that Edward D. Vallejo, the Company’s Vice President, Investor Relations, will leave the Company effective September 17, 2021 and has accepted a position with another publicly-traded company. The Company also announced that Aaron Musgrave will join the Company effective September 20, 2021 as its Senior Director of Investor Relations.

A copy of the press release issued by the Company is attached hereto as Exhibit 99.1 and is incorporated by reference herein.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

The following exhibits have been provided herewith, as indicated below:

Exhibit No.	Description of Exhibit
99.1*	Press Release, dated September 16, 2021, issued by American Water Works Company, Inc.
104	Cover Page Interactive Data File (the cover page XBRL tags are included and formatted as Inline XBRL)

*Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

Dated: September 16, 2021

By: /s/ M. SUSAN HARDWICK

M. Susan Hardwick

Executive Vice President and Chief Financial Officer

Press Release



American Water Announces Changes in Investor Relations Organization

Maureen Duffy
Senior Vice President, Communications and External Affairs
856-955-4163
maureen.duffy@amwater.com

CAMDEN, N.J., Sept. 16, 2021— American Water Works Company, Inc. (NYSE: AWK), the largest publicly-traded U.S. water and wastewater utility company, announced that Edward Vallejo, vice president of Investor Relations, has accepted a position with another publicly traded company. His last day with the company is September 17, 2021.

“I want to thank Ed for all of his contributions to our company,” said Walter Lynch, president and CEO of American Water. “Ed has been part of investor relations since our IPO in 2008 and has done a great job communicating the value of our company. We wish him all the best as he starts a new chapter in his career.”

American Water’s executive and investor relations team has been recognized by Institutional Investor Research, ranking first in the utilities sector, as voted by research analysts, for Environmental, Social and Governance (ESG); Communication of Strategy and Risk Management Amid COVID-19, and Best Analyst Day.

“While we wish Ed the best, we are happy to announce that Aaron Musgrave will join American Water, effective September 20, 2021, as senior director of Investor Relations. Aaron has extensive experience in this area, most recently at Vectren Corporation prior to its sale to CenterPoint Energy,” added Lynch. “Working closely with Susan Hardwick, our CFO, and Maureen Duffy, our SVP of Communications and External Affairs, Investor Relations will continue our open and transparent engagement with all stakeholders.”

Musgrave served as director of Investor Relations for Vectren for nine years. He also served as manager of Financial Analysis and Forecasting at Vectren. Prior to that, Musgrave was a lead financial analyst at Cinergy Corporation, now Duke Energy.

Musgrave earned his Master of Business Administration from Butler University and his Bachelor of Science in Accounting, with a Minor in Mathematics, from the University of Evansville in Indiana.

About American Water

With a history dating back to 1886, American Water is the largest and most geographically diverse U.S. publicly-traded water and wastewater utility company. The Company employs approximately 7,000 dedicated professionals who provide regulated and market-based drinking water, wastewater and other related services to over 15 million people in 46 states. More information can be found by visiting amwater.com and follow American Water on Twitter, Facebook and LinkedIn.

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

Form 8-K

**Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): August 2, 2021

American Water Works Company, Inc.
(Exact name of registrant as specified in its charter)

Commission File Number: 001-34028

**Delaware
(State or other jurisdiction
of incorporation)**

**51-0063696
(IRS Employer
Identification No.)**

**1 Water Street
Camden, NJ 08102-1658
(Address of principal executive offices, including zip code)
(856) 955-4001
(Registrant's telephone number, including area code)**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Trading Symbol</u>	<u>Name of Each Exchange on Which Registered</u>
Common stock, par value \$0.01 per share	AWK	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02. Results of Operations and Financial Condition.

On August 2, 2021, the Company issued a press release announcing its financial results for the second quarter ended June 30, 2021. A copy of the press release has been included as Exhibit 99.1 and is incorporated by reference herein.

The information furnished in this Current Report, including Exhibit 99.1, shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), nor shall it be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

The following exhibits to this Current Report have been provided herewith (as noted below):

<u>Exhibit</u>	<u>Description</u>
99.1*	Press Release, dated August 2, 2021, issued by American Water Works Company, Inc.
104	Cover Page Interactive Data File (the cover page XBRL tags are included and formatted as Inline XBRL)

* Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

Dated: August 2, 2021

By: /s/ M. SUSAN HARDWICK

M. Susan Hardwick

Executive Vice President and Chief Financial Officer

Press Release



August 2, 2021

Edward Vallejo
Vice President, Investor Relations
856-955-4445
edward.vallejo@amwater.com

Maureen Duffy
Senior Vice President, Communications and External Affairs
856-955-4163
maureen.duffy@amwater.com

AMERICAN WATER REPORTS SECOND QUARTER 2021 RESULTS

AFFIRMS 2021 GUIDANCE RANGE

- **Second quarter 2021 diluted earnings of \$1.14 per share, compared to \$0.97 per share in 2020, a 17.5% increase; Year-to-date 2021 diluted earnings of \$1.87 per share, compared to \$1.65 per share in 2020, a 13.3% increase**
 - **Quarter and year-to-date results reflect an estimated favorable impact of \$0.03 per share from warmer and drier than normal weather in the second quarter of 2021**
- **2021 earnings guidance range of \$4.18 to \$4.28 per share affirmed; long-term earnings growth target range of 7-10% affirmed**
- **Invested \$782 million in the first half of the year and added approximately 11,200 customer connections year-to-date through closed acquisitions and organic growth; Capital plan remains on track to invest approximately \$1.9 billion in 2021**

CAMDEN, N.J., August 2, 2021 - American Water Works Company, Inc. (NYSE: AWK) today reported results for the quarter ended June 30, 2021, of \$1.14 per share, compared to \$0.97 per share in 2020.

“American Water employees delivered a strong second quarter with 2021 earnings per share up 17.5% compared to 2020. These results demonstrate that we continue to grow our business through the consistent execution of our strategies,” said Walter Lynch, president and CEO of American Water.

“In the first six months in 2021, we invested \$782 million with the majority dedicated to needed infrastructure improvements to better serve our customers. We continued to minimize the customer bill impacts of these investments through operating and capital efficiencies and by leveraging the size and scale of our business. We added approximately 11,200 customer connections to date through closed acquisitions and organic growth. We also look forward to welcoming an additional 86,900 customer connections through pending acquisitions.”

Consolidated Results

For the three and six months ended June 30, 2021, earnings per share were \$1.14 and \$1.87, respectively, which reflect increases of 17.5% and 13.3%, respectively, compared to the same periods in 2020. These increases were primarily driven by continued growth in the Regulated Businesses from infrastructure investment, acquisitions and organic growth, and include an estimated \$0.03 per share benefit from warmer and drier than normal weather, primarily in the Northeast, in the second quarter of 2021. The consolidated results were partially offset by lower results from the Homeowner Services Group (“HOS”) from an increase in claims in 2021, including from extreme cold weather across the country during the first quarter of 2021, primarily in Texas and Illinois.

For the first six months of 2021, the Company made capital investments of approximately \$782 million, including \$735 million primarily for infrastructure improvements in the Regulated Businesses and \$39 million for regulated acquisitions. The Company plans to invest approximately \$1.9 billion across its footprint in 2021.

Regulated Businesses

In the second quarter of 2021, the Regulated Businesses’ net income was \$215 million, compared to \$177 million for the same period in 2020.

Regulated revenue increased approximately \$54 million from additional authorized revenues from infrastructure investments, acquisitions and organic growth, and increases in demand, reflective of warmer and drier than normal weather in the second quarter of 2021, primarily in the Northeast, and lower demand in 2020 as a result of the COVID-19 pandemic. Excluding revenue reductions for the amortization of excess deferred income taxes of \$24 million, which is offset with a like amount as lower tax expense, revenue increased \$78 million. Results also reflect higher O&M expenses of \$26 million to support growth in the Regulated Businesses and increased depreciation of \$7 million, mainly related to infrastructure investment growth.

For the first six months of 2021, the Regulated Businesses net income was \$350 million, compared to \$300 million for the same period in 2020.

Regulated revenue increased approximately \$89 million from additional authorized revenues from infrastructure investments, acquisitions and organic growth, and increases in demand, reflective of the warmer and drier than normal weather in the second quarter of 2021 and lower demand in the second quarter of 2020 as a result of the COVID-19 pandemic. Excluding agreed to revenue reductions for the amortization of excess deferred income taxes of \$44 million, which is offset with a like amount as lower tax expense, revenue increased \$133 million. Results also reflect higher O&M expenses of \$48 million to support growth in the Regulated Businesses and increased depreciation of \$19 million, mainly related to infrastructure investment growth.

To date, the Company has been authorized additional annualized revenues, excluding agreed to reductions for excess accumulated deferred income taxes, of approximately \$120 million from general rate cases, with \$100 million effective in 2021 and \$20 million effective in 2022. In addition, approximately \$46 million of additional annualized revenues from infrastructure surcharges have been authorized and are effective in 2021. The Company has general rate cases in progress in two jurisdictions and filed for infrastructure surcharges in two jurisdictions, reflecting a total annualized revenue request of approximately \$71 million.

For the 12-month period ended June 30, 2021, the Company’s adjusted regulated O&M efficiency ratio (a non-GAAP financial measure) was 33.9%, a decrease from 34.3% for the 12-month period ended June 30, 2020. The improvement in this ratio reflects the continued focus on operating costs, as well as an increase in operating revenues for the Regulated Businesses.

Market-Based Businesses

In the second quarter of 2021, net income for the Market-Based Businesses was \$19 million, compared to \$23 million for the same period in 2020. The lower results are attributable to HOS due primarily to an increase in claims in 2021.

For the first six months of 2021, net income in the Market-Based Businesses was \$36 million, compared to \$45 million for the same period in 2020. The decrease was largely the result of increased claims in 2021 for HOS, including from extreme cold weather across the country during the first quarter of 2021, primarily in Texas and Illinois.

Dividends

On July 28, 2021, the Company’s board of directors declared a quarterly cash dividend payment of \$0.6025 per share of common stock, payable on September 1, 2021, to all shareholders of record as of August 10, 2021.

2021 Earnings Guidance

The Company affirms its 2021 earnings per share guidance range of \$4.18 to \$4.28. The Company's earnings forecasts are subject to numerous risks and uncertainties, including, without limitation, those described under "Forward-Looking Statements" below and under "Risk Factors" in its annual, quarterly and current reports filed with the Securities and Exchange Commission ("SEC").

Non-GAAP Financial Measures

This press release includes a presentation of adjusted regulated O&M efficiency ratio, a "non-GAAP financial measure" under SEC rules, which excludes from its calculation estimated purchased water revenues and purchased water expenses, reductions for the amortization of excess accumulated deferred income taxes, and the allocable portion of non-O&M support services costs, mainly depreciation and general taxes. These items were excluded from the O&M efficiency ratio calculation as they do not reflect management's ability to increase the efficiency of the Regulated Businesses. This item is derived from American Water's consolidated financial information but is not presented in its financial statements prepared in accordance with GAAP. This non-GAAP financial measure supplements and should be read in conjunction with the Company's GAAP disclosures and should be considered as an addition to, and not a substitute for, any GAAP measure.

Management evaluates its operating performance using this ratio and believes that this non-GAAP financial measure is useful to the Company's investors because it directly measures improvement in the operating performance and efficiency of the Company's Regulated Businesses. The Company's adjusted regulated O&M efficiency ratio (i) is not an accounting measure that is based on GAAP; (ii) is not based on a standard, objective industry definition or method of calculation; (iii) may not be comparable to other companies' operating measures; and (iv) should not be used in place of the GAAP information provided elsewhere in this press release.

Set forth in this release is a table that calculates the Company's adjusted regulated O&M efficiency ratio and reconciles each of the components used to calculate this ratio to the most directly comparable GAAP financial measure.

Second Quarter 2021 Earnings Conference Call

The second quarter 2021 earnings conference call will take place on Tuesday, August 3, 2021, at 9 a.m. Eastern Daylight Time. Interested parties may listen to an audio webcast through a link on the Company's Investor Relations website at ir.amwater.com. Presentation slides that will be used in conjunction with the earnings conference call will also be made available online. The Company recognizes its website as a key channel of distribution to reach public investors and as a means of disclosing material non-public information to comply with its obligations under SEC Regulation FD.

Following the earnings conference call, an audio archive of the call will be available for one year on American Water's investor relations website at ir.amwater.com/events.

About American Water

With a history dating back to 1886, American Water is the largest and most geographically diverse U.S. publicly-traded water and wastewater utility company. The Company employs approximately 7,000 dedicated professionals who provide regulated and market-based drinking water, wastewater and other related services to over 15 million people in 46 states. More information can be found by visiting amwater.com and follow American Water on Twitter, Facebook and LinkedIn.

Throughout this press release, unless the context otherwise requires, references to the "Company" and "American Water" mean American Water Works Company, Inc. and all of its subsidiaries, taken together as a whole.

Cautionary Statement Concerning Forward-Looking Statements

Certain statements in this press release including, without limitation, 2021 earnings guidance, the outcome of pending acquisition activity, the amount and allocation of projected capital expenditures; the impacts to the Company of the COVID-19 pandemic health event, and estimated revenues from rate cases and other government agency authorizations, are forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and the Federal securities laws. In some cases, these forward-looking statements can be identified by words with prospective meanings such as "intend," "plan," "estimate," "believe," "anticipate," "expect," "predict," "project," "propose," "assume," "forecast," "outlook," "future," "pending," "goal," "objective," "potential," "continue," "seek to," "may," "can," "will," "should" and "could" and or the negative of such terms or other variations or similar expressions. These forward-looking statements are predictions based on American Water's current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, financial results of levels of activity, performance or achievements, and readers

are cautioned not to place undue reliance upon them. The forward-looking statements are subject to a number of estimates and assumptions, and known and unknown risks, uncertainties and other factors. Actual results may differ materially from those discussed in the forward-looking statements included in this press release as a result of the factors discussed in the Company's Annual Report on Form 10-K for the year ended December 31, 2020, and subsequent filings with the SEC, and because of factors such as: the decisions of governmental and regulatory bodies, including decisions to raise or lower customer rates and regulatory responses to the COVID-19 pandemic; the timeliness and outcome of regulatory commissions' and other authorities' actions concerning rates, capital structure, authorized return on equity, capital investment, system acquisitions and dispositions, taxes, permitting, water supply and management, and other decisions; changes in customer demand for, and patterns of use of, water, such as may result from conservation efforts, impacts of the COVID-19 pandemic, or otherwise; a loss of one or more large industrial or commercial customers due to adverse economic conditions, the COVID-19 pandemic, or other factors; limitations on the availability of the Company's water supplies or sources of water, or restrictions on its use thereof, resulting from allocation rights, governmental or regulatory requirements and restrictions, drought, overuse or other factors; changes in laws, governmental regulations and policies, including with respect to the environment, health and safety, consumer and data privacy, water quality and water quality accountability, contaminants of emerging concern, public utility and tax regulations and policies, and impacts resulting from U.S., state and local elections and changes in federal, state and local executive administrations; weather conditions and events, climate variability patterns, and natural disasters, including drought or abnormally high rainfall, prolonged and abnormal ice or freezing conditions, strong winds, coastal and intercoastal flooding, pandemics (including COVID-19) and epidemics, earthquakes, landslides, hurricanes, tornadoes, wildfires, electrical storms, sinkholes and solar flares; the outcome of litigation and similar governmental and regulatory proceedings, investigations or actions; the risks associated with the Company's aging infrastructure, and its ability to appropriately improve the resiliency of, or maintain and replace, current or future infrastructure and systems, including its technology and other assets, and manage the expansion of its businesses; exposure or infiltration of the Company's technology and critical infrastructure systems, including the disclosure of sensitive, personal or confidential information contained therein, through physical or cyber attacks or other means; the Company's ability to obtain permits and other approvals for projects and construction of various water and wastewater facilities; changes in the Company's capital requirements; the Company's ability to control operating expenses and to achieve operating efficiencies; the intentional or unintentional actions of a third party, including contamination of the Company's water supplies or the water provided to its customers; the Company's ability to obtain adequate and cost-effective supplies of equipment (including personal protective equipment), chemicals, electricity, fuel, water and other raw materials; the Company's ability to successfully meet growth projections for the Regulated Businesses and the Market-Based Businesses, either individually or in the aggregate, and capitalize on growth opportunities, including, among other things, with respect to acquiring, closing and successfully integrating regulated operations and market-based businesses, entering into contracts and other agreements with, or otherwise obtaining, new customers or partnerships in the Market-Based Businesses, and realizing anticipated benefits and synergies from new acquisitions; risks and uncertainties associated with contracting with the U.S. government, including ongoing compliance with applicable government procurement and security regulations; cost overruns relating to improvements in or the expansion of the Company's operations; the Company's ability to successfully develop and implement new technologies and to protect related intellectual property; the Company's ability to maintain safe work sites; the Company's exposure to liabilities related to environmental laws and similar matters resulting from, among other things, water and wastewater service provided to customers; changes in general economic, political, business and financial market conditions, including without limitation conditions and collateral consequences associated with the COVID-19 pandemic health event; access to sufficient debt and/or equity capital on satisfactory terms and when and as needed to support operations and capital expenditures; fluctuations in interest rates; the ability to comply with affirmative or negative covenants in the current or future indebtedness of the Company or any of its subsidiaries, or the issuance of new or modified credit ratings or outlooks or other communications by credit rating agencies with respect to the Company or any of its subsidiaries (or any current or future indebtedness thereof), which could increase financing costs or funding requirements and affect the Company's or its subsidiaries' ability to issue, repay or redeem debt, pay dividends or make distributions; fluctuations in the value of benefit plan assets and liabilities that could increase the Company's cost and funding requirements; changes in federal or state general, income and other tax laws, including (i) future significant tax legislation; (ii) further rules, regulations, interpretations and guidance by the U.S. Department of the Treasury and state or local taxing authorities related to the enactment of the Tax Cuts and Jobs Act of 2017; (iii) the availability of, or the Company's compliance with, the terms of applicable tax credits and tax abatement programs; and (iv) the Company's ability to utilize its U.S. federal and state income tax net operating loss carryforwards; migration of customers into or out of the Company's service territories; the use by municipalities of the power of eminent domain or other authority to condemn the systems of one or more of the Company's utility subsidiaries, or the assertion by private landowners of similar rights against such utility subsidiaries; any difficulty or inability to obtain insurance for the Company, its inability to obtain insurance at acceptable rates and on acceptable terms and conditions, or its inability to obtain reimbursement under existing or future insurance programs and coverages for any losses sustained; the incurrence of impairment charges related to the Company's goodwill or other assets; labor actions, including work stoppages and strikes; the Company's ability to retain and attract qualified employees; civil disturbances or unrest, or terrorist threats or acts, or public apprehension about future disturbances, unrest, or terrorist threats or acts; and the impact of new, and changes to existing, accounting standards.

These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above and the risk factors included in American Water's annual, quarterly and other SEC filings, and readers should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements American Water makes speak only as of the date of this press release. American Water does not have or undertake any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise, except as otherwise required by the federal securities laws. New factors emerge from time to time, and it is not possible for the Company to predict all such factors. Furthermore, it may not be possible to assess the impact of any such factor on the Company's businesses, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.

AWK IR

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2021	2020	2021	2020
Operating revenues	\$ 999	\$ 931	\$ 1,887	\$ 1,775
Operating expenses:				
Operation and maintenance	431	391	850	774
Depreciation and amortization	158	152	315	297
General taxes	80	75	163	152
Total operating expenses, net	669	618	1,328	1,223
Operating income	330	313	559	552
Other income (expense):				
Interest, net	(101)	(101)	(199)	(197)
Non-operating benefit costs, net	19	12	39	25
Other, net	3	8	7	11
Total other income (expense)	(79)	(81)	(153)	(161)
Income before income taxes	251	232	406	391
Provision for income taxes	44	56	66	91
Net income attributable to common shareholders	\$ 207	\$ 176	\$ 340	\$ 300
Basic earnings per share: (a)				
Net income attributable to common shareholders	\$ 1.14	\$ 0.97	\$ 1.87	\$ 1.66
Diluted earnings per share: (a)				
Net income attributable to common shareholders	\$ 1.14	\$ 0.97	\$ 1.87	\$ 1.65
Weighted-average common shares outstanding:				
Basic	182	181	181	181
Diluted	182	181	182	181

(a) Amounts may not calculate due to rounding.

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

	June 30, 2021	December 31, 2020
ASSETS		
Property, plant and equipment	\$ 26,369	\$ 25,614
Accumulated depreciation	(6,155)	(5,904)
Property, plant and equipment, net	<u>20,214</u>	<u>19,710</u>
Current assets:		
Cash and cash equivalents	70	547
Restricted funds	34	29
Accounts receivable, net of allowance for uncollectible accounts of \$70 and \$60, respectively	311	321
Unbilled revenues	254	206
Materials and supplies	52	47
Assets held for sale	666	629
Other	183	127
Total current assets	<u>1,570</u>	<u>1,906</u>
Regulatory and other long-term assets:		
Regulatory assets	1,145	1,127
Operating lease right-of-use assets	94	95
Goodwill	1,511	1,504
Postretirement benefit assets	168	173
Intangible assets	50	55
Other	200	196
Total regulatory and other long-term assets	<u>3,168</u>	<u>3,150</u>
Total assets	<u>\$ 24,952</u>	<u>\$ 24,766</u>

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

	June 30, 2021	December 31, 2020
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock (\$0.01 par value; 500,000,000 shares authorized; 186,754,591 and 186,466,707 shares issued, respectively)	\$ 2	\$ 2
Paid-in-capital	6,765	6,747
Retained earnings	332	102
Accumulated other comprehensive loss	(46)	(49)
Treasury stock, at cost (5,260,064 and 5,168,215 shares, respectively)	(363)	(348)
Total common shareholders' equity	6,690	6,454
Long-term debt	10,343	9,329
Redeemable preferred stock at redemption value	3	4
Total long-term debt	10,346	9,333
Total capitalization	17,036	15,787
Current liabilities:		
Short-term debt	606	1,282
Current portion of long-term debt	49	329
Accounts payable	146	189
Accrued liabilities	506	591
Accrued taxes	65	50
Accrued interest	89	88
Liabilities related to assets held for sale	79	137
Other	170	215
Total current liabilities	1,710	2,881
Regulatory and other long-term liabilities:		
Advances for construction	274	270
Deferred income taxes and investment tax credits	2,255	2,113
Regulatory liabilities	1,699	1,770
Operating lease liabilities	79	81
Accrued pension expense	357	388
Other	122	83
Total regulatory and other long-term liabilities	4,786	4,705
Contributions in aid of construction	1,420	1,393
Commitments and contingencies		
Total capitalization and liabilities	\$ 24,952	\$ 24,766

American Water Works Company, Inc. and Subsidiary Companies
Adjusted Regulated Operation and Maintenance Efficiency Ratio (A Non-GAAP, unaudited measure)
In millions

(Dollars in millions)	For the Twelve Months Ended June 30,	
	2021	2020
Total operation and maintenance expenses	\$ 1,698	\$ 1,581
Less:		
Operation and maintenance expenses—Market-Based Businesses	422	384
Operation and maintenance expenses—Other	(30)	(17)
Total operation and maintenance expenses—Regulated Businesses	1,306	1,214
Less:		
Regulated purchased water expenses	156	142
Allocation of non-operation and maintenance expenses	45	30
Adjusted operation and maintenance expenses—Regulated Businesses (i)	\$ 1,105	\$ 1,042
Total operating revenues	\$ 3,890	\$ 3,690
Less:		
Operating revenues—Market-Based Businesses	562	533
Operating revenues—Other	(16)	(20)
Total operating revenues—Regulated Businesses	3,344	3,177
Less:		
Regulated purchased water revenues (a)	156	142
Revenue reductions for the amortization of excess accumulated deferred income taxes	(69)	—
Adjusted operating revenues—Regulated Businesses (ii)	\$ 3,257	\$ 3,035
Adjusted O&M efficiency ratio—Regulated Businesses (i) / (ii)	33.9 %	34.3 %

(a) The calculation assumes regulated purchased water revenues approximate regulated purchased water expenses.

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

Form 8-K

**Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): June 29, 2021

American Water Works Company, Inc.
(Exact name of registrant as specified in its charter)

Commission File Number: 001-34028

Delaware
(State or other jurisdiction
of incorporation)

51-0063696
(IRS Employer
Identification No.)

1 Water Street
Camden, NJ 08102-1658
(Address of principal executive offices, including zip code)
(856) 955-4001
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class
Common stock, par value \$0.01 per share

Trading Symbol
AWK

Name of Each Exchange on Which Registered
New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 8.01. Other Events.

As previously disclosed, American Water Works Company, Inc. (the "Company"), the Company's New York subsidiary, and Liberty Utilities (Eastern Water Holdings) Corp. ("Liberty"), an indirect, wholly owned subsidiary of Algonquin Power & Utilities Corp., are parties to a Stock Purchase Agreement, dated November 20, 2019 (the "Stock Purchase Agreement"), pursuant to which Liberty has agreed to purchase all of the capital stock of the Company's New York subsidiary (the "Stock Purchase"). The Stock Purchase Agreement provides for certain termination rights, including, among other things, that the Company or Liberty may terminate the Stock Purchase Agreement if the Stock Purchase is not consummated by June 30, 2021 (the "Closing End Date"). The Stock Purchase Agreement provides that the Closing End Date is subject to extension for an additional six months if all of the conditions to closing, other than the conditions related to obtaining regulatory approvals, have been satisfied or are capable of being satisfied.

On June 29, 2021, the parties mutually agreed to extend the Closing End Date for six months in accordance with the terms of the Stock Purchase Agreement, and agreed to extend further the Closing End Date to January 3, 2022 as December 31, 2021 is a federal holiday.

A copy of the letter agreement, dated June 29, 2021, extending the Closing End Date as described above has been filed as Exhibit 2.1 hereto. No other provision of the Stock Purchase Agreement was modified by this letter agreement.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

The following exhibits to this Current Report have been provided herewith (as noted below):

Exhibit No.	Description
2.1*	Letter Agreement, dated June 29, 2021, by and among the Company, the Company's New York subsidiary, and Liberty, with respect to the Stock Purchase Agreement.
104	Cover Page Interactive Data File (the cover page XBRL tags are included and formatted as Inline XBRL).

* Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

Dated: June 29, 2021

By: /s/ CHERYL NORTON
Cheryl Norton
Executive Vice President and Chief Operating Officer

June 29, 2021

Liberty Utilities (Eastern Water Holdings) Corp.
c/o Algonquin Power & Utilities Corp.
14920 W. Camelback Road
Litchfield Park, AZ 85340
Attention: Todd Wiley
E-mail: todd.wiley@libertyutilities.com

Re: Extension of Closing End Date

Ladies and Gentlemen:

Reference is made to that certain Stock Purchase Agreement, dated November 20, 2019 (the "Existing Agreement") between American Water Works Company, Inc., a Delaware corporation (the "Seller"), New York American Water Company, Inc., a New York corporation, and Liberty Utilities Co., a Delaware corporation (the "Purchaser"),¹ and capitalized terms used and not defined herein shall have the respective meanings assigned to them in the Existing Agreement.

Pursuant to Section 9.1(b) of the Existing Agreement, if the Closing has not occurred on or before June 30, 2021, the Existing Agreement may be terminated, unless either the Purchaser or the Seller opt to extend the Closing End Date to December 31, 2021 by providing written notice to the other party. As such, by executing this letter agreement ("Letter"), the Seller and the Purchaser mutually notify each other of their respective intent to extend the Closing End Date from June 30, 2021 to December 31, 2021.

Simultaneous with this election, given that December 31, 2021 is a federal holiday, each of the Purchaser and Seller would like to modify the Existing Agreement pursuant to Section 11.11 to change the definition of the Closing End Date from December 31, 2021 to January 3, 2022.

Pursuant to Section 11.2 of the Existing Agreement, by executing this Letter, each of the Purchaser and Seller provide written confirmation of receipt of this notice and make the following acknowledgements: (i) that, other than the conditions to Closing set forth in Section 6.1(d) and Section 6.2(d) of the Existing Agreement, the conditions to Closing contained in Article 6 have been fulfilled or are capable of being fulfilled, and (ii) that the Closing End Date is hereby extended from June 30, 2021 to January 3, 2022.

The undersigned parties hereby agree to the terms and conditions set forth in this Letter, as memorialized by their respective signatures below.

¹ On February 25, 2020, Liberty Utilities Co. assigned all of its rights in and to the Existing Agreement to Liberty Utilities (Eastern Water Holdings) Corp.

Sincerely,

AMERICAN WATER WORKS COMPANY, INC.

By: Jordan Mersky /s/ _____
Name: Mersky Jordan
Title: President Vice
Date: 29, 2021 June

ACCEPTED AND AGREED TO
AS OF THE DATE FIRST SET FORTH ABOVE:
Liberty Utilities (Eastern Water Holdings) Corp.

By: /s/ Peter Eichler
Name: Peter Eichler
Title: Sec/Tr

ACCEPTED AND AGREED TO
AS OF THE DATE FIRST SET FORTH ABOVE:
New York American Water Company, Inc.

By: /s/ John T. Dillon
Name: John T. Dillon
Title: Vice President & General Counsel

WE KEEP LIFE FLOWING™



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

Form 8-K

**Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): June 28, 2021

American Water Works Company, Inc.
(Exact name of registrant as specified in its charter)

Commission File Number: 001-34028

Delaware
(State or other jurisdiction
of incorporation)

51-0063696
(IRS Employer
Identification No.)

**1 Water Street
Camden, NJ 08102-1658**
(Address of principal executive offices, including zip code)
(856) 955-4001
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Trading Symbol</u>	<u>Name of Each Exchange on Which Registered</u>
Common stock, par value \$0.01 per share	AWK	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 8.01. Other Events.

Iowa Utilities Board Issues Order in General Rate Case

On June 28, 2021, the Iowa Utilities Board (the “IUB”) issued an order unanimously approving a rate adjustment pursuant to a general rate case filed on August 28, 2020 by the Iowa subsidiary of American Water Works Company, Inc. (the “Company”). Under the IUB’s order, the Company’s Iowa subsidiary will be authorized additional annualized water revenues of \$2.3 million. The Company’s Iowa subsidiary intends to file a motion with the IUB seeking clarification of its order with respect to, among other things, the inclusion of a rate base offset in the return of unprotected excess accumulated deferred income taxes to customers. An effective date for final rates will be established after resolution of the motion for clarification, and the filing of final tariffs and rate designs by the Company’s Iowa subsidiary and approval thereof by the IUB.

A copy of the press release issued by the Company’s Iowa subsidiary on July 6, 2021 has been filed as Exhibit 99.1 hereto and is incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

The following exhibits to this Current Report have been provided herewith (as noted below):

Exhibit No.	Description
99.1*	Press Release, dated July 6, 2021, issued by the Company’s Iowa subsidiary.
104	Cover Page Interactive Data File (the cover page XBRL tags are included and formatted as Inline XBRL).

* Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

Dated: July 6, 2021

By: /s/ M. SUSAN HARDWICK
M. Susan Hardwick
Executive Vice President and Chief Financial Officer

Final Order Issued by the Iowa Utilities Board in Iowa American Water's Rate Review

Over \$87 million in water infrastructure investment drives the need for a rate adjustment

Davenport, Iowa. (July 6, 2021) – Following a 10-month review, the Iowa Utilities Board (IUB) issued an order on June 28 approving a rate adjustment for Iowa American Water. The company's investment of almost \$87 million in water system improvements is the primary driver behind the rate adjustment request.

Company officials say the additional revenue will help Iowa American Water continue to invest proactively in its water infrastructure throughout the state. Iowa American Water last received a rate change order from the IUB four years ago in 2017.

"By continually improving our water systems, we help reduce the frequency of service interruptions, prevent property damage from water main breaks and enhance fire protection. We carefully plan and invest in our water systems to provide safe, clean, and reliable service to about 213,000 residents in eight eastern Iowa communities," said Randy Moore, president of Iowa American Water. "These investments are key to our commitment to provide outstanding service and reliability, both now and for future generations."

The need to upgrade water systems is a national issue. The EPA's 2015 Drinking Water Needs Assessment reported to Congress that Iowa drinking water systems have an estimated capital need of more than \$7.8 billion over the next 20 years with the majority needed for the small and medium sized systems that dominate the state.

Investments included in the rate review included the replacement of aging water pipelines and the upgrading of treatment plants, storage tanks, wells, and pumping stations across the state.

Iowa American Water's rates are based on the cost of providing water service as reviewed and approved by the IUB. The next step in the process will be for Iowa American Water to prepare and file a final rate design and rates for approval by the IUB that complies with the terms in the order and the allowed increase between the company's various customer classifications. An effective date for the new rates will be established once the IUB approves the company's rate design.

"The residents and businesses in our service communities rely on us to provide safe, reliable water service for quality of life, economic development and fire protection," Moore added. "With over 900 miles of water pipe serving our customers, we must continue to make these proactive investments to maintain and improve service."

In addition, Iowa American Water is continuing to respond to financial hardships the COVID-19 pandemic has caused some of its customers. The company continues to offer payment arrangements and budget billing to customers who need assistance. Additionally, the company provides financial assistance to low-income, eligible customers through its H2O Help to Others Program™.

Press Release



“As a utility whose services are critical to public health, we take our responsibility to provide quality drinking water seriously, and as such, we are committed to keeping our systems and facilities well maintained,” added Moore. “Even with this increase in rates, water service remains a good value for our customers at about a penny a gallon.”

In its final rate order, the IUB approved an overall increase in additional annual revenue of \$2.3 million. The company filed its original rate review request with the IUB in August 2020 seeking an annual revenue increase totaling approximately \$3.9 million.

Customers can contact the company’s customer service center at 1-866-641-2108 with additional questions they may have. Additional information can also be found on the Iowa Utilities Board’s website at www.state.ia.us/iub/.

About Iowa American Water

Iowa American Water, a subsidiary of American Water (NYSE: AWK), is the largest investor-owned water utility in the state, providing high-quality and reliable water services to approximately 213,000 people. With a history dating back to 1886, American Water is the largest and most geographically diverse U.S. publicly traded water and wastewater utility company. The company employs more than 7,000 dedicated professionals who provide regulated and market-based drinking water, wastewater, and other related services to more than 15 million people in 46 states. American Water provides safe, clean, affordable, and reliable water services to our customers to make sure we keep their lives flowing. For more information, visit amwater.com and follow American Water on Twitter, Facebook and LinkedIn.

Media Contact:

Lisa Reisen, External Affairs Manager
563-343-6127
lisa.reisen@amwater.com

###

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

Form 8-K

**Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): June 1, 2021

American Water Works Company, Inc.
(Exact name of registrant as specified in its charter)

Commission File Number: 001-34028

Delaware
(State or other jurisdiction
of incorporation)

51-0063696
(IRS Employer
Identification No.)

**1 Water Street
Camden, NJ 08102-1658**
(Address of principal executive offices, including zip code)
(856) 955-4001
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Trading Symbol</u>	<u>Name of Each Exchange on Which Registered</u>
Common stock, par value \$0.01 per share	AWK	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 8.01. Other Events.

On June 1, 2021, American Water Works Company, Inc. (the “Company”) issued a press release to announce that William M. Varley retired as the Company’s Chief Growth Officer effective June 1, 2021 for health reasons. While the Company seeks a replacement, the Company’s corporate business development efforts will be led by Robert Stoy, 41, the Company’s Vice President of Business Development. Mr. Stoy has nearly 20 years of experience in corporate finance, project finance, and mergers and acquisitions and has been in his present role since May 3, 2021. Mr. Stoy joined the Company in December 2018 and has served as Director of Business Development until December 2019, and subsequently, as the Company’s Assistant Treasurer.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

The following exhibits to this Current Report have been provided herewith (as noted below):

Exhibit No.	Description
99.1*	Press Release, dated June 1, 2021, issued by American Water Works Company, Inc.
104	Cover Page Interactive Data File (the cover page XBRL tags are included and formatted as Inline XBRL).

* Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN WATER WORKS COMPANY, INC.

Dated: June 1, 2021

By: /s/ M. SUSAN HARDWICK
M. Susan Hardwick
Executive Vice President and Chief Financial Officer

Press Release



American Water Chief Growth Officer Retires *Company continues to execute growth strategy*

Maureen Duffy
Senior Vice President, Communications and External Affairs
856-955-4163
maureen.duffy@amwater.com

CAMDEN, N.J., June 1, 2021 – American Water Works Company, Inc. (NYSE: AWK) the largest publicly-traded U.S. water and wastewater utility company, announced that William Varley, its Chief Growth Officer, retired effective today due to health reasons.

“I want to thank Bill for all of his contributions to our company,” said Walter Lynch, president and CEO of American Water. “Bill came out of retirement last year and worked with our state leadership and business development teams to further enhance our growth strategy, which is successfully being executed across our footprint.”

American Water’s growth strategy will continue to focus on operating in states where it can best serve customers, drive efficiencies, and continue to grow the regulated businesses. As of May 1, 2021, American Water has more than 86,000 customer connections under agreement across 8 different states, with more than 1.2 million customer connection opportunities in its growth pipeline.

Earlier this year, Pennsylvania American Water also announced what would be the largest municipal acquisition in its history, with a signed agreement to acquire the wastewater treatment and collection system for the City of York, Pennsylvania. This acquisition, when closed, would add an equivalent customer connection total of more than 45,000.

“The continued, successful execution of our growth strategy is why our 2021 to 2025 expected earnings growth from regulated acquisitions was raised to one-and-a-half to two-and-a-half percent earlier this year,” added Lynch. “Our state teams, with corporate support, are delivering on the fundamentals like acquisitions in our target range of 5,000 to 50,000 customers and consideration for larger acquisitions; wastewater acquisitions in or near our water footprint; and continued engagement on legislative and regulatory policy to benefit customers.”

“With our deeply experienced state leadership and a proven business development team, we are well positioned to continue our growth strategy by providing water and wastewater solutions for the long-term,” added Lynch.

Corporate business development efforts will be led by Robert Stoy, American Water’s Vice President of Business Development, in the interim, until a replacement for Varley is identified. Stoy has nearly 20 years of experience in corporate finance, project finance, and mergers and acquisitions. He joined American Water in 2018 as Director of Business Development. He also served as Assistant Treasurer at American Water prior to his current role as Vice President of Business Development. Prior to joining American Water, Stoy held various business

development roles including at Wells Fargo Securities. His broad experience includes many multimillion-dollar transactions within the utilities industry and related infrastructure sectors.

About American Water

With a history dating back to 1886, American Water is the largest and most geographically diverse U.S. publicly-traded water and wastewater utility company. The Company employs approximately 7,000 dedicated professionals who provide regulated and market-based drinking water, wastewater and other related services to over 15 million people in 46 states. More information can be found by visiting amwater.com and follow American Water on Twitter, Facebook and LinkedIn.

Cautionary Statement Concerning Forward-Looking Statements

Certain statements in this press release are forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements relate to, among other things, the replacement of the Company's Chief Growth Officer; the completion of the acquisition of the City of York's wastewater collection system and the ability to satisfy closing and other conditions related to such acquisition, including obtaining regulatory approvals; and the execution of the Company's growth strategy and its ability to meet its regulated acquisition growth targets. These forward-looking statements are predictions based on American Water's current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, levels of performance or achievements, and readers are cautioned not to place undue reliance upon them. The forward-looking statements are subject to a number of estimates and assumptions, and known and unknown risks, uncertainties and other factors, and actual results may differ materially from those discussed in these forward-looking statements as a result of the factors discussed in the Company's Annual Report on Form 10-K for the year ended December 31, 2020 and in subsequent filings with the SEC.

These forward-looking statements are qualified by, and should be read together with, the risk factors and other cautionary statements included in American Water's annual, quarterly and other SEC filings, and readers should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements speak only as of the date of this press release. American Water does not have or undertake any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise, except as otherwise required by the federal securities laws. Furthermore, it may not be possible to assess the impact of any such factor on the Company's businesses, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement.

###

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2023

OR

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

For the transition period from _____ to _____

Commission file number: 001-34028

AMERICAN WATER WORKS COMPANY, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

51-0063696

(I.R.S. Employer Identification No.)

1 Water Street, Camden, NJ 08102-1658

(Address of principal executive offices) (Zip Code)

(856) 955-4001

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of each exchange on which registered</u>
Common stock, par value \$0.01 per share	AWK	New York Stock Exchange

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>	Non-accelerated filer	<input type="checkbox"/>
Smaller reporting company	<input type="checkbox"/>	Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

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

<u>Class</u>	<u>Shares Outstanding as of April 20, 2023</u>
Common Stock, par value \$0.01 per share	194,643,611

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* * *

Throughout this Quarterly Report on Form 10-Q (“Form 10-Q”), unless the context otherwise requires, references to the “Company” and “American Water” mean American Water Works Company, Inc. and all of its subsidiaries, taken together as a whole. References to the “parent company” mean American Water Works Company, Inc., without its subsidiaries.

The Company maintains a website at <https://amwater.com>, an Investor Relations website at <https://ir.amwater.com>, and a Diversity and Inclusion website at <https://diversityataw.com>. Information contained on the Company’s websites, including its Sustainability Report, its Inclusion, Diversity and Equity Reports, and other reports or documents, shall not be deemed incorporated into, or to be a part of, this report, and any website references included herein are not intended to be made through active hyperlinks.

FORWARD-LOOKING STATEMENTS

Statements included in Part I, Item 2—Management’s Discussion and Analysis of Financial Condition and Results of Operations and in other sections of this Form 10-Q are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and the Private Securities Litigation Reform Act of 1995. In some cases, these forward-looking statements can be identified by words with prospective meanings such as “intend,” “plan,” “estimate,” “believe,” “anticipate,” “expect,” “predict,” “project,” “propose,” “assume,” “forecast,” “likely,” “uncertain,” “outlook,” “future,” “pending,” “goal,” “objective,” “potential,” “continue,” “seek to,” “may,” “can,” “should,” “will” and “could” or the negative of such terms or other variations or similar expressions. Forward-looking statements may relate to, among other things: the Company’s future financial performance, liquidity and cash flows; the timing and amount of rate and revenue adjustments, including through general rate case filings, filings for infrastructure surcharges and other governmental agency authorizations and proceedings, and filings to address regulatory lag; the Company’s growth and portfolio optimization strategies, including the timing and outcome of pending or future acquisition activity; the ability of the Company’s California subsidiary to obtain adequate alternative water supplies in lieu of diversions from the Carmel River; the amount and allocation of projected capital expenditures and related funding requirements; the Company’s ability to repay or refinance debt; the future impacts of increased or increasing financing costs, inflation and interest rates; the Company’s ability to execute its current and long-term business, operational and capital expenditures strategies; the Company’s ability to finance current operations, capital expenditures and growth initiatives by accessing the debt and equity capital markets, including the timing and amount of the Company’s future public equity issuances; the outcome and impact on the Company of governmental and regulatory proceedings and related potential fines, penalties and other sanctions; the ability to meet or exceed the Company’s stated environmental and sustainability goals, including its greenhouse gas (“GHG”) emission reduction, water delivery efficiency and water system resiliency goals; the ability to complete, and the timing and efficacy of, the design, development, implementation and improvement of technology and other strategic initiatives; the ability to capitalize on existing or future utility privatization opportunities; trends in the water and wastewater industries in which the Company operates, including macro trends with respect to the Company’s efforts related to customer, technology and work execution; regulatory, legislative, tax policy or legal developments; and impacts that future significant tax legislation may have on the Company and on its business, results of operations, cash flows and liquidity.

Forward-looking statements are predictions based on the Company’s current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, financial results, levels of activity, performance or achievements, and readers are cautioned not to place undue reliance upon them. These forward-looking statements are subject to a number of estimates, assumptions, known and unknown risks, uncertainties and other factors. The Company’s actual results may vary materially from those discussed in the forward-looking statements included herein as a result of the following important factors:

- the decisions of governmental and regulatory bodies, including decisions to raise or lower customer rates;
- the timeliness and outcome of regulatory commissions’ and other authorities’ actions concerning rates, capital structure, authorized return on equity, capital investment, system acquisitions and dispositions, taxes, permitting, water supply and management, and other decisions;
- changes in customer demand for, and patterns of use of, water and energy, such as may result from conservation efforts, or otherwise;
- limitations on the availability of the Company’s water supplies or sources of water, or restrictions on its use thereof, resulting from allocation rights, governmental or regulatory requirements and restrictions, drought, overuse or other factors;
- a loss of one or more large industrial or commercial customers due to adverse economic conditions or other factors;
- changes in laws, governmental regulations and policies, including with respect to the environment, health and safety, data and consumer privacy, security and protection, water quality and water quality accountability, contaminants of emerging concern, public utility and tax regulations and policies, and impacts resulting from U.S., state and local elections and changes in federal, state and local executive administrations;
- the Company’s ability to collect, distribute, use, secure and store consumer data in compliance with current or future governmental laws, regulations and policies with respect to data and consumer privacy, security and protection;
- weather conditions and events, climate variability patterns, and natural disasters, including drought or abnormally high rainfall, prolonged and abnormal ice or freezing conditions, strong winds, coastal and intercoastal flooding, pandemics (including COVID-19) and epidemics, earthquakes, landslides, hurricanes, tornadoes, wildfires, electrical storms, sinkholes and solar flares;
- the outcome of litigation and similar governmental and regulatory proceedings, investigations or actions;
- the risks associated with the Company’s aging infrastructure, and its ability to appropriately improve the resiliency of or maintain and replace, current or future infrastructure and systems, including its technology and other assets, and manage the expansion of its businesses;

- exposure or infiltration of the Company’s technology and critical infrastructure systems, including the disclosure of sensitive, personal or confidential information contained therein, through physical or cyber attacks or other means;
- the Company’s ability to obtain permits and other approvals for projects and construction of various water and wastewater facilities;
- changes in the Company’s capital requirements;
- the Company’s ability to control operating expenses and to achieve operating efficiencies;
- the intentional or unintentional actions of a third party, including contamination of the Company’s water supplies or the water provided to its customers;
- the Company’s ability to obtain and have delivered adequate and cost-effective supplies of pipe, equipment (including personal protective equipment), chemicals, power and other fuel, water and other raw materials, and to address or mitigate supply chain constraints that may result in delays or shortages in, as well as increased costs of, supplies, products and materials that are critical to or used in the Company’s business operations;
- the Company’s ability to successfully meet its operational growth projections, either individually or in the aggregate, and capitalize on growth opportunities, including, among other things, with respect to:
 - acquiring, closing and successfully integrating regulated operations;
 - the Company’s Military Services Group (“MSG”) entering into new military installation contracts, price redeterminations, and other agreements and contracts with the U.S. government; and
 - realizing anticipated benefits and synergies from new acquisitions;
- risks and uncertainties following the completion of the sale of the Company’s Homeowner Services Group (“HOS”), including:
 - the Company’s ability to receive any contingent consideration provided for in the HOS sale, as well as amounts due, payable and owing to the Company under the seller note when due; and
 - the ability of the Company to redeploy successfully and timely the net proceeds of this transaction into the Company’s Regulated Businesses;
- risks and uncertainties associated with contracting with the U.S. government, including ongoing compliance with applicable government procurement and security regulations;
- cost overruns relating to improvements in or the expansion of the Company’s operations;
- the Company’s ability to successfully develop and implement new technologies and to protect related intellectual property;
- the Company’s ability to maintain safe work sites;
- the Company’s exposure to liabilities related to environmental laws and similar matters resulting from, among other things, water and wastewater service provided to customers;
- the ability of energy providers, state governments and other third parties to achieve or fulfill their GHG emission reduction goals, including without limitation through stated renewable portfolio standards and carbon transition plans;
- changes in general economic, political, business and financial market conditions;
- access to sufficient debt and/or equity capital on satisfactory terms and as needed to support operations and capital expenditures;
- fluctuations in inflation or interest rates, and the Company’s ability to address or mitigate the impacts thereof;
- the ability to comply with affirmative or negative covenants in the current or future indebtedness of the Company or any of its subsidiaries, or the issuance of new or modified credit ratings or outlooks by credit rating agencies with respect to the Company or any of its subsidiaries (or any current or future indebtedness thereof), which could increase financing costs or funding requirements and affect the Company’s or its subsidiaries’ ability to issue, repay or redeem debt, pay dividends or make distributions;
- fluctuations in the value of, or assumptions and estimates related to, its benefit plan assets and liabilities, including with respect to its pension and other post-retirement benefit plans, that could increase expenses and plan funding requirements;
- changes in federal or state general, income and other tax laws, including (i) future significant tax legislation or regulations, and (ii) the availability of, or the Company’s compliance with, the terms of applicable tax credits and tax abatement programs;
- migration of customers into or out of the Company’s service territories and changes in water and energy consumption resulting therefrom;

- the use by municipalities of the power of eminent domain or other authority to condemn the systems of one or more of the Company's utility subsidiaries, or the assertion by private landowners of similar rights against such utility subsidiaries;
- any difficulty or inability to obtain insurance for the Company, its inability to obtain insurance at acceptable rates and on acceptable terms and conditions, or its inability to obtain reimbursement under existing or future insurance programs and coverages for any losses sustained;
- the incurrence of impairment charges, changes in fair value and other adjustments related to the Company's goodwill or the value of its other assets;
- labor actions, including work stoppages and strikes;
- the Company's ability to retain and attract highly qualified and skilled employees and/or diverse talent;
- civil disturbances or unrest, or terrorist threats or acts, or public apprehension about future disturbances, unrest, or terrorist threats or acts; and
- the impact of new, and changes to existing, accounting standards.

These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above, and the risk factors and other statements contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2022 (the "Form 10-K") and in this Form 10-Q, and readers should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements the Company makes shall speak only as of the date this Form 10-Q was filed with the U.S. Securities and Exchange Commission ("SEC"). Except as required by the federal securities laws, the Company does not have any obligation, and it specifically disclaims any undertaking or intention, to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or otherwise. New factors emerge from time to time, and it is not possible for the Company to predict all such factors. Furthermore, it may not be possible to assess the impact of any such factor on the Company's businesses, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.

PART I. FINANCIAL INFORMATION**ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS****American Water Works Company, Inc. and Subsidiary Companies****Consolidated Balance Sheets (Unaudited)**

(In millions, except share and per share data)

	March 31, 2023	December 31, 2022
ASSETS		
Property, plant and equipment	\$ 30,214	\$ 29,736
Accumulated depreciation	(6,582)	(6,513)
Property, plant and equipment, net	23,632	23,223
Current assets:		
Cash and cash equivalents	213	85
Restricted funds	29	32
Accounts receivable, net of allowance for uncollectible accounts of \$55 and \$60, respectively	318	334
Income tax receivable	96	114
Unbilled revenues	289	275
Materials and supplies	103	98
Other	290	312
Total current assets	1,338	1,250
Regulatory and other long-term assets:		
Regulatory assets	1,004	990
Seller promissory note from the sale of the Homeowner Services Group	720	720
Operating lease right-of-use assets	83	82
Goodwill	1,143	1,143
Other	366	379
Total regulatory and other long-term assets	3,316	3,314
Total assets	\$ 28,286	\$ 27,787

The accompanying notes are an integral part of these Consolidated Financial Statements.

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

	March 31, 2023	December 31, 2022
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock (\$0.01 par value; 500,000,000 shares authorized; 200,058,247 and 187,200,539 shares issued, respectively)	\$ 2	\$ 2
Paid-in-capital	8,519	6,824
Retained earnings	1,437	1,267
Accumulated other comprehensive loss	(23)	(23)
Treasury stock, at cost (5,414,795 and 5,342,477 shares, respectively)	(388)	(377)
Total common shareholders' equity	9,547	7,693
Long-term debt	10,485	10,926
Redeemable preferred stock at redemption value	2	3
Total long-term debt	10,487	10,929
Total capitalization	20,034	18,622
Current liabilities:		
Short-term debt	—	1,175
Current portion of long-term debt	727	281
Accounts payable	193	254
Accrued liabilities	561	706
Accrued taxes	74	49
Accrued interest	114	91
Other	223	255
Total current liabilities	1,892	2,811
Regulatory and other long-term liabilities:		
Advances for construction	321	316
Deferred income taxes and investment tax credits	2,483	2,437
Regulatory liabilities	1,568	1,590
Operating lease liabilities	70	70
Accrued pension expense	215	235
Other	192	202
Total regulatory and other long-term liabilities	4,849	4,850
Contributions in aid of construction	1,511	1,504
Commitments and contingencies (See Note 11)		
Total capitalization and liabilities	\$ 28,286	\$ 27,787

The accompanying notes are an integral part of these Consolidated Financial Statements.

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

	For the Three Months Ended March 31,	
	2023	2022
Operating revenues	\$ 938	\$ 842
Operating expenses:		
Operation and maintenance	393	364
Depreciation and amortization	172	158
General taxes	78	74
Total operating expenses, net	643	596
Operating income	295	246
Other income (expense):		
Interest expense	(115)	(100)
Interest income	14	13
Non-operating benefit costs, net	9	19
Other, net	11	15
Total other (expense) income	(81)	(53)
Income before income taxes	214	193
Provision for income taxes	44	35
Net income attributable to common shareholders	\$ 170	\$ 158
Basic earnings per share:		
Net income attributable to common shareholders	\$ 0.91	\$ 0.87
Diluted earnings per share:		
Net income attributable to common shareholders	\$ 0.91	\$ 0.87
Weighted-average common shares outstanding:		
Basic	186	182
Diluted	186	182

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Comprehensive Income (Unaudited)
(In millions)

	For the Three Months Ended March 31,	
	2023	2022
Net income attributable to common shareholders	\$ 170	\$ 158
Other comprehensive income, net of tax:		
Defined benefit pension plan actuarial loss, net of tax of \$0 for the three months ended March 31, 2023 and 2022	—	1
Unrealized loss on cash flow hedges, net of tax of \$0 for the three months ended March 31, 2023 and 2022	(2)	—
Unrealized gain on available-for-sale fixed-income securities, net of tax of \$0 for the three months ended March 31, 2023 and 2022, respectively	2	—
Net other comprehensive income	—	1
Comprehensive income attributable to common shareholders	\$ 170	\$ 159

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Cash Flows (Unaudited)
(In millions)

	For the Three Months Ended March 31,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 170	\$ 158
Adjustments to reconcile to net cash flows provided by operating activities:		
Depreciation and amortization	172	158
Deferred income taxes and amortization of investment tax credits	26	(61)
Provision for losses on accounts receivable	3	4
Pension and non-pension postretirement benefits	1	(12)
Other non-cash, net	(36)	(3)
Changes in assets and liabilities:		
Receivables and unbilled revenues	(1)	(6)
Pension and non-pension postretirement benefit contributions	(10)	(19)
Accounts payable and accrued liabilities	(60)	(110)
Accrued taxes	44	113
Other assets and liabilities, net	(24)	(68)
Net cash provided by operating activities	<u>285</u>	<u>154</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(526)	(424)
Acquisitions, net of cash acquired	(4)	(5)
Net proceeds from sale of assets	—	608
Removal costs from property, plant and equipment retirements, net	(31)	(20)
Net cash (used in) provided by investing activities	<u>(561)</u>	<u>159</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	8	11
Repayments of long-term debt	(4)	(5)
Net proceeds from common stock financing	1,688	—
Net short-term borrowings (repayments) with maturities less than three months	(1,175)	(263)
Advances and contributions in aid of construction, net of refunds of \$7 and \$3 for the three months ended March 31, 2023 and 2022, respectively	10	21
Dividends paid	(119)	(109)
Other, net	(7)	(8)
Net cash provided by (used in) financing activities	<u>401</u>	<u>(353)</u>
Net increase (decrease) in cash, cash equivalents and restricted funds	125	(40)
Cash, cash equivalents and restricted funds at beginning of period	117	136
Cash, cash equivalents and restricted funds at end of period	<u>\$ 242</u>	<u>\$ 96</u>
Non-cash investing activity:		
Capital expenditures acquired on account but unpaid as of the end of period	\$ 338	\$ 315

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Changes in Shareholders' Equity (Unaudited)
(In millions)

	Common Stock			Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock		Total Shareholders' Equity
	Shares	Par Value	Paid-in-Capital			Shares	At Cost	
Balance as of December 31, 2022	187.4	\$ 2	\$ 6,824	\$ 1,267	\$ (23)	(5.4)	\$ (377)	\$ 7,693
Net income attributable to common shareholders	—	—	—	170	—	—	—	170
Common stock issuances (a)	12.7	—	1,695	—	—	—	(11)	1,684
Net other comprehensive income	—	—	—	—	—	—	—	—
Balance as of March 31, 2023	<u>200.1</u>	<u>\$ 2</u>	<u>\$ 8,519</u>	<u>\$ 1,437</u>	<u>\$ (23)</u>	<u>(5.4)</u>	<u>\$ (388)</u>	<u>\$ 9,547</u>

(a) Includes stock-based compensation, employee stock purchase plan and dividend reinvestment and direct stock purchase plan activity.

	Common Stock			Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock		Total Shareholders' Equity
	Shares	Par Value	Paid-in-Capital			Shares	At Cost	
Balance as of December 31, 2021	186.9	\$ 2	\$ 6,781	\$ 925	\$ (45)	(5.3)	\$ (365)	\$ 7,298
Net income attributable to common shareholders	—	—	—	158	—	—	—	158
Common stock issuances (a)	0.2	—	15	—	—	—	(12)	3
Net other comprehensive income	—	—	—	—	1	—	—	1
Balance as of March 31, 2022	<u>187.1</u>	<u>\$ 2</u>	<u>\$ 6,796</u>	<u>\$ 1,083</u>	<u>\$ (44)</u>	<u>(5.3)</u>	<u>\$ (377)</u>	<u>\$ 7,460</u>

(a) Includes stock-based compensation, employee stock purchase plan and dividend reinvestment and direct stock purchase plan activity.

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Notes to Consolidated Financial Statements (Unaudited)
(Unless otherwise noted, in millions, except per share data)

Note 1: Basis of Presentation

The unaudited Consolidated Financial Statements included in this report include the accounts of American Water Works Company, Inc. and all of its subsidiaries (the “Company” or “American Water”), in which a controlling interest is maintained after the elimination of intercompany balances and transactions. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) for interim financial reporting, and the rules and regulations for reporting on Quarterly Reports on Form 10-Q (“Form 10-Q”). Accordingly, they do not contain certain information and disclosures required by GAAP for comprehensive financial statements. In the opinion of management, all adjustments necessary for a fair statement of the financial position as of March 31, 2023, and the results of operations and cash flows for all periods presented, have been made. All adjustments are of a normal, recurring nature, except as otherwise disclosed.

The unaudited Consolidated Financial Statements and Notes included in this report should be read in conjunction with the Company’s Annual Report on Form 10-K for the year ended December 31, 2022 (“Form 10-K”), which provides a more complete discussion of the Company’s accounting policies, financial position, operating results and other matters. The results of operations for interim periods are not necessarily indicative of the results that may be expected for the year, primarily due to the seasonality of the Company’s operations.

Note 2: Significant Accounting Policies

New Accounting Standards

Presented in the table below are new accounting standards that were adopted by the Company in 2023:

Standard	Description	Date of Adoption	Application	Effect on the Consolidated Financial Statements
Accounting for Contract Assets and Contract Liabilities from Contracts with Customers	The guidance requires an acquirer recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Accounting Standards Codification Topic 606, as if it had originated the contracts. The amendments in this update also provide certain practical expedients for acquirers when recognizing and measuring acquired contract assets and contract liabilities from revenue contracts in a business combination.	January 1, 2023	Prospective	This standard did not have a material impact on the Consolidated Financial Statements
Troubled Debt Restructurings and Vintage Disclosures	The main provisions of this standard eliminate the receivables accounting guidance for troubled debt restructurings (“TDRs”) by creditors while enhancing disclosure requirements when a borrower is experiencing financial difficulty. Entities must apply the loan refinancing and restructuring guidance for receivables to determine whether a modification results in a new loan or a continuation of an existing loan. Additionally, the amendments in this update require that an entity disclose current-period gross write-offs by year of origination for financing receivables and net investment in leases.	January 1, 2023	Prospective, with a modified retrospective option for amendments related to the recognition and measurement of TDRs.	This standard did not have a material impact on the Consolidated Financial Statements

Property, Plant and Equipment

The New Jersey Economic Development Authority (“NJEDA”) determined that the Company was qualified to receive \$161 million in tax credits in connection with its capital investment in its corporate headquarters in Camden, New Jersey. The Company was qualified to receive the tax credits over a 10-year period commencing in 2019.

In March 2023, the NJEDA issued the utilization certificate for the 2020 tax credits to the Company in the amount of \$16 million. The Company sold these tax credits to external parties in March 2023 for \$15 million. As a result, the Company had assets of \$32 million and \$97 million in Other current assets and Other long-term assets, respectively, on the Consolidated Balance Sheets as of March 31, 2023. The Company has made the necessary annual filing for the years ended December 31, 2021 and 2022.

Allowance for Uncollectible Accounts

Allowances for uncollectible accounts are maintained for estimated probable losses resulting from the Company’s inability to collect receivables from customers. Accounts that are outstanding longer than the payment terms are considered past due. A number of factors are considered in determining the allowance for uncollectible accounts, including the length of time receivables are past due, previous loss history, current economic and societal conditions and reasonable and supportable forecasts that affect the collectability of receivables from customers. The Company generally writes off accounts when they become uncollectible or are over a certain number of days outstanding.

Presented in the table below are the changes in the allowance for uncollectible accounts for the three months ended March 31:

	2023	2022
Balance as of January 1	\$ (60)	\$ (75)
Amounts charged to expense	(3)	(4)
Amounts written off	5	8
Other, net (a)	3	(1)
Balance as of March 31	<u>\$ (55)</u>	<u>\$ (72)</u>

(a) This portion of the allowance for uncollectible accounts is primarily related to COVID-19 related regulatory asset activity.

Reclassifications

Certain reclassifications have been made to prior periods in the Consolidated Financial Statements and Notes to conform to the current presentation.

Note 3: Regulatory Matters

General Rate Cases

Presented in the table below are annualized incremental revenues, including reductions for the amortization of the excess accumulated deferred income taxes (“EADIT”) that are generally offset in income tax expense, assuming a constant water sales volume and customer count, resulting from general rate case authorizations that became effective during 2023:

(In millions)	Effective Date	Amount
General rate cases by state:		
Virginia	April 24, 2023 (a)	\$ 11
Pennsylvania	January 28, 2023	138
Illinois	January 1, 2023	67
California, Step Increase	January 1, 2023	13
Total general rate case authorizations		<u>\$ 229</u>

(a) Interim rates were effective May 1, 2022, and the difference between interim and final approved rates is subject to refund. The Virginia State Corporation Commission issued its final Order on April 24, 2023.

On April 24, 2023, the Virginia State Corporation Commission issued an order approving the settlement of the rate case filed on September 26, 2022, by the Company’s Virginia subsidiary. The general rate case order approved an \$11 million annualized increase in water and wastewater revenues. Interim rates in this proceeding were effective on May 1, 2022, and the order requires that the difference between interim and the final approved rates is subject to refund within 90 days of the order issuance. The order approves the settlement terms with a return on equity of 9.7% and a common equity ratio of 40.7%. The annualized revenue increase is driven primarily by significant incremental capital investments since the Virginia subsidiary’s 2020 rate case order that have been completed or are planned through April 30, 2023, increases in pension and other postretirement benefits expense and increases in production costs, including chemicals, fuel and power costs. The general rate case order includes recovery of the Company’s Virginia subsidiary’s COVID-19 deferral balance. It also includes approval of the accounting deferral of deviations in pension and other postretirement benefits expense from those established in base rates, until the Company’s Virginia subsidiary’s next base rate case.

On December 8, 2022, the Pennsylvania Public Utility Commission issued an order approving the joint settlement of the rate case filed on April 29, 2022, by the Company’s Pennsylvania subsidiary. The general rate case order approved a \$138 million annualized increase in water and wastewater revenues, excluding \$24 million for previously approved infrastructure filings, and authorizes implementation of the new water and wastewater rates effective January 28, 2023. The rate case proceeding was resolved through a “black box” settlement agreement and did not specify an approved return on equity. The annualized revenue increase is driven primarily by significant incremental capital investments since the Pennsylvania subsidiary’s 2021 rate case order that will be completed through December 31, 2023, increases in pension and other postretirement benefits expense and increases in production costs, including chemicals, fuel and power costs. The general rate case order also includes recovery of the Company’s Pennsylvania subsidiary’s COVID-19 deferral balance.

On December 15, 2022, the Illinois Commerce Commission issued an order approving the adjustment of base rates requested in a rate case filed on February 10, 2022, by the Company’s Illinois subsidiary. As updated in the Illinois subsidiary’s June 29, 2022 rebuttal filing, the request sought \$83 million in additional annualized revenues, excluding previously recovered infrastructure surcharges. The general rate case order approved a \$67 million annualized increase in water and wastewater system revenues, excluding previously recovered infrastructure surcharges of \$18 million, effective January 1, 2023, based on an authorized return on equity of 9.8%, authorized rate base of \$1.64 billion, a common equity ratio of 49.0% and a debt ratio of 51.0%. The annualized revenue increase is being driven primarily by significant water and wastewater system capital investments since the Illinois subsidiary’s 2017 rate case order that have been completed or are planned through December 31, 2023, expected higher pension and other postretirement benefit costs, and increases in production costs, including chemicals, fuel and power costs.

Pending General Rate Case Filings

On March 31, 2023, the Company’s Indiana subsidiary filed a general rate case requesting \$87 million in additional annualized revenues, excluding \$41 million of revenue from infrastructure filings already approved, which includes three step increases, with \$43 million of the increase to be included in rates in January 2024, \$18 million in May 2024, and \$26 million in May 2025. The general rate case is expected to be completed by the end of January 2024.

On July 1, 2022, the Company’s Missouri subsidiary filed a general rate case requesting an increase of \$105 million in additional annualized revenues, excluding infrastructure surcharges at the time of filing of approximately \$40 million. Subsequent to the filing of the general rate case, the Company’s Missouri subsidiary filed its semi-annual request for recovery of defined infrastructure investments within its Water and Sewer Infrastructure Rate Adjustment, which adjusted the amount of revenue recovered in the infrastructure surcharges to \$51 million and a net annualized revenue increase request of \$95 million in the general rate case. On March 3, 2023, a settlement agreement was filed with the Missouri Public Service Commission, reflecting a proposed increase of \$44 million in additional annualized revenues, excluding \$51 million for infrastructure surcharges. A final decision on this matter is expected in the second quarter of 2023.

On July 1, 2022, the Company’s California subsidiary filed a general rate case requesting an increase in 2024 revenue of \$56 million and a total increase in revenue over the 2024 to 2026 period of \$95 million, all as compared to 2022 revenues. The Company updated its filing in January 2023 to capture the authorized step increase effective January 1, 2023. The filing was also updated to incorporate a decoupling proposal and a revision to the Company’s sales and associated variable expense forecast. The revised filing requested additional annualized revenues for the test year 2024 of \$37 million, compared to 2023 revenues. This excludes the proposed step rate and attrition rate increase for 2025 and 2026 of \$20 million and \$19 million, respectively. The total revenue requirement request for the three-year rate case cycle, incorporating updates to present rate revenues and forecasted demand, is \$76 million.

The Company’s California subsidiary submitted its application on May 3, 2021, to set its cost of capital for 2022 through 2024. On March 21, 2023, the California Public Utilities Commission (“CPUC”) issued a decision extending the deadline to August 10, 2023, for the cost of capital proceeding.

Infrastructure Surcharges

A number of states have authorized the use of regulatory mechanisms that permit rates to be adjusted outside of a general rate case for certain costs and investments, such as infrastructure surcharge mechanisms that permit recovery of capital investments to replace aging infrastructure. Presented in the table below are annualized incremental revenues, assuming a constant water sales volume and customer count, resulting from infrastructure surcharge authorizations that became effective during 2023:

(In millions)	Effective Date	Amount
Infrastructure surcharges by state:		
Indiana	(a)	\$ 26
Missouri	January 16, 2023	14
Pennsylvania	January 1, 2023	3
West Virginia	January 1, 2023	7
Total infrastructure surcharge authorizations		<u>\$ 50</u>

(a) In 2023, \$20 million was effective March 23 and \$6 million was effective March 8.

Pending Infrastructure Surcharge Filings

On March 15, 2023, the Company's New Jersey subsidiary filed an infrastructure surcharge proceeding requesting \$16 million in additional annualized revenues.

On March 1, 2023, the Company's Kentucky subsidiary filed an infrastructure surcharge proceeding requesting \$4 million in additional annualized revenues.

Other Regulatory Matters

In September 2020, the CPUC released a decision under its Low-Income Rate Payer Assistance program rulemaking that required the Company's California subsidiary to file a proposal to alter its water revenue adjustment mechanism in its next general rate case filing in 2022, which would become effective in January 2024. On October 5, 2020, the Company's California subsidiary filed an application for rehearing of the decision and following the CPUC's denial of its rehearing application in September 2021, the Company's California subsidiary filed a petition for writ of review with the California Supreme Court on October 27, 2021. On May 18, 2022, the California Supreme Court issued a writ of review for the Company's California subsidiary's petition and the petitions filed by other entities challenging the decision. Independent of the judicial challenge, California passed Senate Bill 1469, which allows the CPUC to consider and authorize the implementation of a mechanism that separates the water corporation's revenue and its water sales. Legislation was signed by the Governor on September 30, 2022, and became effective on January 1, 2023. In response to the legislation, on January 27, 2023, the Company's California subsidiary filed an updated application requesting the CPUC to consider a Water Resources Sustainability Plan decoupling mechanism in its pending 2022 general rate case, which would be effective 2024 through 2026.

On March 2, 2021, an administrative law judge ("ALJ") in the Office of Administrative Law of New Jersey filed an initial decision with the New Jersey Board of Public Utilities ("NJBPU") that recommended denial of a petition filed by the Company's New Jersey subsidiary, which sought approval of acquisition adjustments in rate base of \$29 million associated with the acquisitions of Shorelands Water Company, Inc. in 2017 and the Borough of Haddonfield's water and wastewater systems in 2015. On July 29, 2021, the NJBPU issued an order adopting the ALJ's initial decision without modification. The Company's New Jersey subsidiary filed a Notice of Appeal with the New Jersey Appellate Division on September 10, 2021. The Company's New Jersey subsidiary filed its brief in support of the appeal on March 4, 2022. Response and Reply briefs were filed on June 22, 2022, and August 4, 2022, respectively. Oral argument was held on March 22, 2023, and the Company expects a decision by the end of 2023. There is no financial impact to the Company as a result of the NJBPU's order, since the acquisition adjustments are currently recorded as goodwill on the Consolidated Balance Sheets.

Note 4: Revenue Recognition***Disaggregated Revenues***

The Company's primary business involves the ownership of utilities that provide water and wastewater services to residential, commercial, industrial, public authority, fire service and sale for resale customers, collectively presented as the "Regulated Businesses." The Company also operates other businesses that provide water and wastewater services to the U.S. government on military installations, as well as municipalities, collectively presented throughout this Form 10-Q within "Other."

Presented in the table below are operating revenues disaggregated for the three months ended March 31, 2023:

	Revenues from Contracts with Customers	Other Revenues Not from Contracts with Customers (a)	Total Operating Revenues
Regulated Businesses:			
Water services:			
Residential	\$ 460	\$ 1	\$ 461
Commercial	170	1	171
Fire service	39	—	39
Industrial	38	—	38
Public and other	56	—	56
Total water services	<u>763</u>	<u>2</u>	<u>765</u>
Wastewater services:			
Residential	54	—	54
Commercial	14	—	14
Industrial	2	—	2
Public and other	6	—	6
Total wastewater services	<u>76</u>	<u>—</u>	<u>76</u>
Miscellaneous utility charges	8	—	8
Alternative revenue programs	—	9	9
Lease contract revenue	—	2	2
Total Regulated Businesses	<u>847</u>	<u>13</u>	<u>860</u>
Other	78	—	78
Total operating revenues	<u>\$ 925</u>	<u>\$ 13</u>	<u>\$ 938</u>

(a) Includes revenues associated with provisional rates, alternative revenue programs, lease contracts and intercompany rent, which are outside the scope of Accounting Standards Codification Topic 606, *Revenue From Contracts With Customers* (“ASC 606”), and accounted for under other existing GAAP.

Presented in the table below are operating revenues disaggregated for the three months ended March 31, 2022:

	Revenues from Contracts with Customers	Other Revenues Not from Contracts with Customers (a)	Total Operating Revenues
Regulated Businesses:			
Water services:			
Residential	\$ 428	\$ —	\$ 428
Commercial	153	—	153
Fire service	36	—	36
Industrial	36	—	36
Public and other	57	—	57
Total water services	710	—	710
Wastewater services:			
Residential	41	—	41
Commercial	10	—	10
Industrial	1	—	1
Public and other	3	—	3
Total wastewater services	55	—	55
Miscellaneous utility charges	9	—	9
Alternative revenue programs	—	2	2
Lease contract revenue	—	2	2
Total Regulated Businesses	774	4	778
Other	64	—	64
Total operating revenues	\$ 838	\$ 4	\$ 842

(a) Includes revenues associated with provisional rates, alternative revenue programs, lease contracts and intercompany rent, which are outside the scope of ASC 606, and accounted for under other existing GAAP.

Contract Balances

Contract assets and contract liabilities are the result of timing differences between revenue recognition, billings and cash collections. In the Company's Military Services Group ("MSG"), certain contracts are billed as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals or upon achievement of contractual milestones. Contract assets are recorded when billing occurs subsequent to revenue recognition and are reclassified to accounts receivable when billed and the right to consideration becomes unconditional. Contract liabilities are recorded when the Company receives advances from customers prior to satisfying contractual performance obligations, particularly for construction contracts, and are recognized as revenue when the associated performance obligations are satisfied.

Contract assets of \$100 million and \$86 million are included in unbilled revenues on the Consolidated Balance Sheets as of March 31, 2023 and December 31, 2022, respectively. There were \$23 million of contract assets added during the three months ended March 31, 2023, and \$9 million of contract assets were transferred to accounts receivable during the same period. There were \$18 million of contract assets added during the three months ended March 31, 2022, and \$11 million of contract assets were transferred to accounts receivable during the same period.

Contract liabilities of \$85 million and \$91 million are included in other current liabilities on the Consolidated Balance Sheets as of March 31, 2023 and December 31, 2022, respectively. There were \$27 million of contract liabilities added during the three months ended March 31, 2023, and \$33 million of contract liabilities were recognized as revenue during the same period. There were \$36 million of contract liabilities added during the three months ended March 31, 2022, and \$35 million of contract liabilities were recognized as revenue during the same period.

Remaining Performance Obligations

Remaining performance obligations (“RPOs”) represent revenues the Company expects to recognize in the future from contracts that are in progress. The Company enters into agreements for the provision of services to water and wastewater facilities for the U.S. military, municipalities and other customers. As of March 31, 2023, the Company’s operation and maintenance (“O&M”) and capital improvement contracts in the MSG and the Contract Services Group have RPOs. Contracts with the U.S. government for work on various military installations expire between 2051 and 2073 and have RPOs of \$7.1 billion as of March 31, 2023, as measured by estimated remaining contract revenue. Such contracts are subject to customary termination provisions held by the U.S. government, prior to the agreed-upon contract expiration. Contracts with municipalities and commercial customers expire between 2026 and 2038 and have RPOs of \$576 million as of March 31, 2023, as measured by estimated remaining contract revenue. Some of the Company’s long-term contracts to operate and maintain the federal government’s, a municipality’s or other party’s water or wastewater treatment and delivery facilities include responsibility for certain maintenance for some of those facilities, in exchange for an annual fee. Unless specifically required to perform certain maintenance activities, the maintenance costs are recognized when the maintenance is performed.

Note 5: Acquisitions and Divestitures***Regulated Businesses******Closed Acquisitions***

During the three months ended March 31, 2023, the Company closed on five acquisitions of various regulated water and wastewater systems for a total aggregate purchase price of \$3 million, which added approximately 1,400 water and wastewater customers. These transactions were accounted for as asset acquisitions, principally consisting of utility plant.

Pending Acquisitions

On April 6, 2023, the Company’s Illinois subsidiary entered into an agreement to acquire the assets of the wastewater treatment plant from the City of Granite City for \$83 million, subject to adjustment as provided for in the asset purchase agreement. This system provides wastewater service for approximately 26,000 customer connections. The Company expects to close this acquisition by the end of 2023 or early 2024, pending regulatory approval.

Effective March 24, 2023, the Company’s Pennsylvania subsidiary acquired the rights to buy the wastewater system assets of the Township of Towamencin, for an aggregate purchase price of \$104 million, subject to adjustment as provided in the asset purchase agreement. This system provides wastewater services to approximately 6,300 customer connections in seven townships in Montgomery County, Pennsylvania. The Company expects to close this acquisition by mid-year 2024, pending regulatory approval.

On October 11, 2022, the Company’s Pennsylvania subsidiary entered into an agreement to acquire the wastewater assets of the Butler Area Sewer Authority for a total purchase price of \$232 million in cash, subject to adjustment as provided for in the asset purchase agreement. This system provides wastewater service for approximately 14,700 customer connections. The Company expects to close this acquisition by the end of 2023, pending regulatory approval.

On March 29, 2021, the Company’s New Jersey subsidiary entered into an agreement to acquire the water and wastewater assets of Egg Harbor City for \$22 million. The water and wastewater systems currently serve approximately 1,500 customers each, or 3,000 combined, and are being sold through the New Jersey Water Infrastructure Protection Act process. The Company expects to close this acquisition in 2023.

Note 6: Shareholders' Equity**Common Stock Offering**

On March 3, 2023, the Company completed an underwritten public offering of an aggregate of 12,650,000 shares of its common stock. Upon closing of this offering, the Company received, after deduction of the underwriting discount and before deduction of offering expenses, net proceeds of approximately \$1,688 million. The Company used the net proceeds of the offering to repay short-term commercial paper obligations of American Water Capital Corp. ("AWCC"), the wholly owned finance subsidiary of American Water, and for general corporate purposes.

Accumulated Other Comprehensive Loss

Presented in the table below are the changes in accumulated other comprehensive loss by component, net of tax, for the three months ended March 31, 2023 and 2022, respectively:

	Defined Benefit Pension Plans					Accumulated Other Comprehensive Loss
	Employee Benefit Plan Funded Status	Amortization of Prior Service Cost	Amortization of Actuarial Loss	Loss on Cash Flow Hedges	Gain on Fixed-Income Securities	
Balance as of December 31, 2022	\$ (93)	\$ 1	\$ 70	\$ (1)	\$ —	\$ (23)
Other comprehensive income (loss) before reclassifications	—	—	—	(2)	2	—
Amounts reclassified from accumulated other comprehensive loss	—	—	—	—	—	—
Net other comprehensive income (loss)	—	—	—	(2)	2	—
Balance as of March 31, 2023	\$ (93)	\$ 1	\$ 70	\$ (3)	\$ 2	\$ (23)
Balance as of December 31, 2021	\$ (107)	\$ 1	\$ 67	\$ (6)	\$ —	\$ (45)
Other comprehensive income (loss) before reclassifications	—	—	—	—	—	—
Amounts reclassified from accumulated other comprehensive loss	—	—	1	—	—	1
Net other comprehensive income (loss)	—	—	1	—	—	1
Balance as of March 31, 2022	\$ (107)	\$ 1	\$ 68	\$ (6)	\$ —	\$ (44)

The Company does not reclassify the amortization of defined benefit pension cost components from accumulated other comprehensive loss directly to net income in its entirety, as a portion of these costs have been deferred as a regulatory asset. These accumulated other comprehensive loss components are included in the computation of net periodic pension cost.

The amortization of the gain (loss) on cash flow hedges is reclassified to net income during the period incurred and is included in interest, net in the accompanying Consolidated Statements of Operations.

An unrealized gain (loss) on available-for-sale fixed-income securities is reclassified to net income upon sale of the securities as a realized gain or loss and is included in Other, net in the accompanying Consolidated Statements of Operations.

Dividends

On March 1, 2023, the Company paid a quarterly cash dividend of \$0.6550 per share to shareholders of record as of February 7, 2023.

On April 26, 2023, the Company's Board of Directors declared a quarterly cash dividend payment of \$0.7075 per share, payable on June 1, 2023, to shareholders of record as of May 9, 2023. Future dividends, when and as declared at the discretion of the Board of Directors, will be dependent upon future earnings and cash flows, compliance with various regulatory, financial and legal requirements, and other factors. See Note 9—Shareholders' Equity in the Notes to Consolidated Financial Statements in the Company's Form 10-K for additional information regarding the payment of dividends on the Company's common stock.

Note 7: Long-Term Debt

During the three months ended March 31, 2023, the Company's regulated subsidiaries issued in the aggregate \$8 million of private activity bonds and government funded debt in multiple transactions with annual interest rates ranging from 0.00% to 0.74%, with a weighted average interest rate of 0.01%, maturing in 2025 through 2041. During the three months ended March 31, 2023, AWCC and the Company's regulated subsidiaries made sinking fund payments for, or repaid at maturity, \$4 million in aggregate principal amount of outstanding long-term debt, with annual interest rates ranging from 0.00% to 3.12%, a weighted average interest rate of 1.12%, and maturity dates ranging from 2024 to 2051.

The Company has entered into eleven 10-year treasury lock agreements, with notional amounts totaling \$300 million, to reduce interest rate exposure on debt expected to be issued in 2023. These treasury lock agreements terminate in January 2024, and have an average fixed rate of 3.47%. The Company designated these treasury lock agreements as cash flow hedges, with their fair value recorded in accumulated other comprehensive gain or loss. Upon termination, the cumulative gain or loss recorded in accumulated other comprehensive gain or loss will be amortized through interest, net over the term of the new debt.

No ineffectiveness was recognized on hedging instruments for the three months ended March 31, 2023 or 2022.

Note 8: Short-Term Debt

Liquidity needs for capital investment, working capital and other financial commitments are generally funded through cash flows from operations, public and private debt offerings, commercial paper markets and, if and to the extent necessary, borrowings under the AWCC revolving credit facility and issuances of equity. The revolving credit facility provides \$2.75 billion in aggregate total commitments from a diversified group of financial institutions. The termination date of the credit agreement with respect to AWCC's revolving credit facility is October 2027. The revolving credit facility is used principally to support AWCC's commercial paper program, to provide additional liquidity support and to provide a sub-limit of up to \$150 million for letters of credit. As of March 31, 2023 and December 31, 2022, there were no borrowings and \$78 million of outstanding letters of credit under the revolving credit facility.

At March 31, 2023, there was no outstanding short-term debt as the proceeds of the common stock offering were used to repay the short-term commercial paper obligations, see Note 6—Shareholders' Equity for additional information relating to the common stock offering.

At December 31, 2022, short-term debt consisting of commercial paper borrowings totaled \$1,177 million, or net of discount \$1,175 million. The weighted-average interest rate on AWCC's outstanding short-term borrowings was approximately 4.41% and there were no commercial paper borrowings outstanding with maturities greater than three months.

Presented in the tables below is the aggregate credit facility commitments, commercial paper limit and letter of credit availability under the revolving credit facility, as well as the available capacity for each:

	As of March 31, 2023		
	Commercial Paper Limit	Letters of Credit	Total (a)
(In millions)			
Total availability	\$ 2,600	\$ 150	\$ 2,750
Outstanding debt	—	(78)	(78)
Remaining availability as of March 31, 2023	\$ 2,600	\$ 72	\$ 2,672

(a) Total remaining availability of \$2.67 billion as of March 31, 2023, may be accessed through revolver draws.

	As of December 31, 2022		
	Commercial Paper Limit	Letters of Credit	Total (a)
(In millions)			
Total availability	\$ 2,600	\$ 150	\$ 2,750
Outstanding debt	(1,177)	(78)	(1,255)
Remaining availability as of December 31, 2022	\$ 1,423	\$ 72	\$ 1,495

(a) Total remaining availability of \$1.50 billion as of December 31, 2022, may be accessed through revolver draws.

Presented in the table below is the Company's total available liquidity as of March 31, 2023 and December 31, 2022, respectively:

	Cash and Cash Equivalents	Availability on Revolving Credit Facility	Total Available Liquidity
(In millions)			
Available liquidity as of March 31, 2023	\$ 213	\$ 2,672	\$ 2,885
Available liquidity as of December 31, 2022	\$ 85	\$ 1,495	\$ 1,580

Note 9: Income Taxes

The Company's effective income tax rate was 20.6% and 18.1% for the three months ended March 31, 2023 and 2022, respectively. The increase in the Company's effective income tax rate for the three months ended March 31, 2023, was primarily due to the decrease in the amortization of EADIT pursuant to regulatory orders. The amortization of EADIT is generally offset with reduction in revenue.

On August 16, 2022, the Inflation Reduction Act of 2022 (the "IRA") was signed into law. The IRA contains a Corporate Alternative Minimum Tax ("CAMT") provision, effective January 1, 2023. To determine if a company is considered an applicable corporation subject to CAMT, the company's average adjusted financial statement income ("AFSI") for the three consecutive years preceding the tax year must exceed \$1 billion. An applicable corporation must make several adjustments to net income when determining AFSI. During the first quarter of 2023, the Company evaluated the potential impacts of the CAMT provision within the IRA and believes it does not exceed the \$1 billion AFSI threshold, and therefore, is not currently subject to CAMT in 2023. The Company is continuing to assess the impact of the initial guidance regarding the application of the CAMT and will continue to monitor as additional guidance is released.

Note 10: Pension and Other Postretirement Benefits

Presented in the table below are the components of net periodic benefit credit:

	For the Three Months Ended March 31,	
	2023	2022
Components of net periodic pension benefit cost (credit):		
Service cost	\$ 4	\$ 8
Interest cost	22	16
Expected return on plan assets	(23)	(31)
Amortization of prior service credit	(1)	(1)
Amortization of actuarial loss	4	5
Net periodic pension benefit cost (credit)	\$ 6	\$ (3)
Components of net periodic other postretirement benefit credit:		
Service cost	\$ 1	\$ 1
Interest cost	4	3
Expected return on plan assets	(3)	(5)
Amortization of prior service credit	(8)	(8)
Amortization of actuarial loss	1	—
Net periodic other postretirement benefit credit	\$ (5)	\$ (9)

The Company contributed \$10 million and \$9 million for the funding of its defined benefit pension plans for the three months ended March 31, 2023 and 2022, respectively. The Company expects to make pension contributions to the plan trusts of \$29 million during the remainder of 2023.

There were no contributions for the three months ended March 31, 2023 and \$10 million of contributions for the three months ended March 31, 2022 for the funding of the Company’s other postretirement benefit plans.

Note 11: Commitments and Contingencies

Contingencies

The Company is routinely involved in legal actions incident to the normal conduct of its business. As of March 31, 2023, the Company has accrued approximately \$6 million of probable loss contingencies and has estimated that the maximum amount of losses associated with reasonably possible loss contingencies that can be reasonably estimated is \$5 million. For certain matters, claims and actions, the Company is unable to estimate possible losses. The Company believes that damages or settlements, if any, recovered by plaintiffs in such matters, claims or actions, other than as described in this Note 11—Commitments and Contingencies, will not have a material adverse effect on the Company.

Dunbar, West Virginia Water Main Break Class Action Litigation

On the evening of June 23, 2015, a 36-inch pre-stressed concrete transmission water main, installed in the early 1970s, failed. The water main is part of the West Relay pumping station located in the City of Dunbar, West Virginia and owned by the Company’s West Virginia subsidiary (“WVAWC”). The failure of the main caused water outages and low pressure for up to approximately 25,000 WVAWC customers. In the early morning hours of June 25, 2015, crews completed a repair, but that same day, the repair developed a leak. On June 26, 2015, a second repair was completed and service was restored that day to approximately 80% of the impacted customers, and to the remaining approximately 20% by the next morning. The second repair showed signs of leaking, but the water main was usable until June 29, 2015, to allow tanks to refill. The system was reconfigured to maintain service to all but approximately 3,000 customers while a final repair was being completed safely on June 30, 2015. Water service was fully restored by July 1, 2015, to all customers affected by this event.

On June 2, 2017, a complaint captioned *Jeffries, et al. v. West Virginia-American Water Company* was filed in West Virginia Circuit Court in Kanawha County on behalf of an alleged class of residents and business owners who lost water service or pressure as a result of the Dunbar main break. The complaint alleges breach of contract by WVAWC for failure to supply water, violation of West Virginia law regarding the sufficiency of WVAWC's facilities and negligence by WVAWC in the design, maintenance and operation of the water system. The *Jeffries* plaintiffs seek unspecified alleged damages on behalf of the class for lost profits, annoyance and inconvenience, and loss of use, as well as punitive damages for willful, reckless and wanton behavior in not addressing the risk of pipe failure and a large outage.

In February 2020, the *Jeffries* plaintiffs filed a motion seeking class certification on the issues of breach of contract and negligence, and to determine the applicability of punitive damages and a multiplier for those damages if imposed. In July 2020, the Circuit Court entered an order granting the *Jeffries* plaintiffs' motion for certification of a class regarding certain liability issues but denying certification of a class to determine a punitive damages multiplier. In August 2020, WVAWC filed a Petition for Writ of Prohibition in the Supreme Court of Appeals of West Virginia seeking to vacate or remand the Circuit Court's order certifying the issues class. In January 2021, the Supreme Court of Appeals remanded the case back to the Circuit Court for further consideration in light of a decision issued in another case relating to the class certification issues raised on appeal. On July 5, 2022, the Circuit Court entered an order again certifying a class to address at trial certain liability issues but not to consider damages. On August 26, 2022, WVAWC filed another Petition for Writ of Prohibition in the Supreme Court of Appeals of West Virginia challenging the West Virginia Circuit Court's July 5, 2022 order. The Writ Petition has been supported by an amicus brief filed by certain water and utility industry trade groups. On February 9, 2023, the Supreme Court of Appeals accepted the Writ Petition by issuing a Rule to Show Cause and scheduling oral argument for April 26, 2023.

The Company and WVAWC believe that WVAWC has valid, meritorious defenses to the claims raised in this class action complaint. WVAWC is vigorously defending itself against these allegations. The Company cannot currently determine the likelihood of a loss, if any, or estimate the amount of any loss or a range of such losses related to this proceeding.

Chattanooga, Tennessee Water Main Break Class Action Litigation

On September 12, 2019, the Company's Tennessee subsidiary ("TAWC"), experienced a leak in a 36-inch water transmission main, which caused service fluctuations or interruptions to TAWC customers and the issuance of a boil water notice. TAWC repaired the main by early morning on September 14, 2019, and restored full water service by the afternoon of September 15, 2019, with the boil water notice lifted for all customers on September 16, 2019.

On September 17, 2019, a complaint captioned *Bruce, et al. v. American Water Works Company, Inc., et al.* was filed in the Circuit Court of Hamilton County, Tennessee against TAWC, the Company and American Water Works Service Company, Inc. ("Service Company" and, together with TAWC and the Company, collectively, the "Tennessee-American Water Defendants"), on behalf of a proposed class of individuals or entities who lost water service or suffered monetary losses as a result of the Chattanooga incident (the "Tennessee Plaintiffs"). The complaint alleged breach of contract and negligence against the Tennessee-American Water Defendants, as well as an equitable remedy of piercing the corporate veil. In the complaint as originally filed, the Tennessee Plaintiffs were seeking an award of unspecified alleged damages for wage losses, business and economic losses, out-of-pocket expenses, loss of use and enjoyment of property and annoyance and inconvenience, as well as punitive damages, attorneys' fees and pre- and post-judgment interest. In September 2020, the court dismissed all of the Tennessee Plaintiffs' claims in their complaint, except for the breach of contract claims against TAWC, which remain pending. In October 2020, TAWC answered the complaint, and the parties have been engaging in discovery. On January 12, 2023, after hearing oral argument, the court issued an oral ruling denying the Tennessee Plaintiffs' motion for class certification. On February 9, 2023, the Tennessee Plaintiffs sought reconsideration of the ruling by the court, and any final ruling is appealable to the Tennessee Court of Appeals, as allowed under Tennessee law.

TAWC and the Company believe that TAWC has meritorious defenses to the claims raised in this class action complaint, and TAWC is vigorously defending itself against these allegations. The Company cannot currently determine the likelihood of a loss, if any, or estimate the amount of any loss or a range of such losses related to this proceeding.

Alternative Water Supply in Lieu of Carmel River Diversions

Compliance with Orders to Reduce Carmel River Diversions—Monterey Peninsula Water Supply Project

Under a 2009 order (the "2009 Order") of the State Water Resources Control Board (the "SWRCB"), the Company's California subsidiary ("Cal Am") is required to decrease significantly its yearly diversions of water from the Carmel River according to a set reduction schedule. In 2016, the SWRCB issued an order (the "2016 Order," and, together with the 2009 Order, the "Orders") approving a deadline of December 31, 2021, for Cal Am's compliance with these prior orders.

Cal Am is currently involved in developing the Monterey Peninsula Water Supply Project (the “Water Supply Project”), which includes the construction of a desalination plant, to be owned by Cal Am, and the construction of wells that would supply water to the desalination plant. In addition, the Water Supply Project also includes Cal Am’s purchase of water from a groundwater replenishment project (the “GWR Project”) between Monterey One Water and the Monterey Peninsula Water Management District (the “MPWMD”). The Water Supply Project is intended, among other things, to fulfill Cal Am’s obligations under the Orders.

Cal Am’s ability to move forward on the Water Supply Project is subject to administrative review by the CPUC and other government agencies, obtaining necessary permits, and intervention from other parties. In September 2016, the CPUC unanimously approved a final decision to authorize Cal Am to enter into a water purchase agreement for the GWR Project and to construct a pipeline and pump station facilities and recover up to \$50 million in associated incurred costs, plus an allowance for funds used during construction (“AFUDC”), subject to meeting certain criteria.

In September 2018, the CPUC unanimously approved another final decision finding that the Water Supply Project meets the CPUC’s requirements for a certificate of public convenience and necessity and an additional procedural phase was not necessary to consider alternative projects. The CPUC’s 2018 decision concludes that the Water Supply Project is the best project to address estimated future water demands in Monterey, and, in addition to the cost recovery approved in its 2016 decision, adopts Cal Am’s cost estimates for the Water Supply Project, which amounted to an aggregate of \$279 million plus AFUDC at a rate representative of Cal Am’s actual financing costs. The 2018 final decision specifies the procedures for recovery of all of Cal Am’s prudently incurred costs associated with the Water Supply Project upon its completion, subject to the frameworks included in the final decision related to cost caps, operation and maintenance costs, financing, ratemaking and contingency matters. The reasonableness of the Water Supply Project costs will be reviewed by the CPUC when Cal Am seeks cost recovery for the Water Supply Project. Cal Am is also required to implement mitigation measures to avoid, minimize or offset significant environmental impacts from the construction and operation of the Water Supply Project and comply with a mitigation monitoring and reporting program, a reimbursement agreement for CPUC costs associated with that program, and reporting requirements on plant operations following placement of the Water Supply Project in service. Cal Am has incurred \$218 million in aggregate costs as of March 31, 2023 related to the Water Supply Project, which includes \$60 million in AFUDC.

In September 2021, Cal Am, Monterey One Water and the MPWMD reached an agreement on Cal Am’s purchase of additional water from an expansion to the GWR Project, which is not expected to produce additional water until 2024 at the earliest. The amended and restated water purchase agreement for the GWR Project expansion is subject to review and approval of the CPUC, and in November 2021, Cal Am filed an application with the CPUC that sought review and approval of the amended and restated water purchase agreement. Cal Am also requested rate base treatment of the additional capital investment for certain Cal Am facilities required to maximize the water supply from the expansion to the GWR Project and a related Aquifer Storage and Recovery Project, totaling approximately \$81 million. This requested amount is in addition to, and consistent in regulatory treatment with, the prior \$50 million of cost recovery for facilities associated with the original water purchase agreement, which was approved by the CPUC in its 2016 final decision.

On December 5, 2022, the CPUC issued a final decision that authorizes Cal Am to enter into the amended water purchase agreement, and specifically to increase pumping capacity and reliability of groundwater extraction from the Seaside Groundwater Basin. The final decision sets the cost cap for the proposed facilities at approximately \$62 million. Cal Am may seek recovery of amounts above the cost cap in a subsequent rate filing or general rate case. Additionally, the final decision authorizes AFUDC at Cal Am’s actual weighted average cost of debt for most of the facilities.

On December 30, 2022, Cal Am filed with the CPUC an application for rehearing of the CPUC’s December 5, 2022 final decision. On March 30, 2023, the CPUC issued a decision denying Cal Am’s application for rehearing, but adopting its proposed AFUDC for already incurred and future costs. The decision also provides Cal Am the opportunity to serve supplemental testimony to increase its cost cap for certain of the Water Supply Project’s extraction wells. The amended water purchase agreement and a memorandum of understanding to negotiate certain milestones related to the expansion of the GWR Project have been signed by the relevant parties.

While Cal Am believes that its expenditures to date have been prudent and necessary to comply with the Orders, as well as relevant final decisions of the CPUC related thereto, Cal Am cannot currently predict its ability to recover all of its costs and expenses associated with the Water Supply Project and there can be no assurance that Cal Am will be able to recover all of such costs and expenses in excess of the \$112 million in aggregate construction costs, plus applicable AFUDC, previously approved by the CPUC in its 2016 final decision and its December 2022 final decision, as amended by its March 30, 2023 rehearing decision.

Coastal Development Permit Application

In 2018, Cal Am submitted a coastal development permit application (the “Marina Application”) to the City of Marina (the “City”) for those project components of the Water Supply Project located within the City’s coastal zone. Members of the City’s Planning Commission, as well as City councilpersons, have publicly expressed opposition to the Water Supply Project. In May 2019, the City issued a notice of final local action based upon the denial by the Planning Commission of the Marina Application. Thereafter, Cal Am appealed this decision to the Coastal Commission, as permitted under the City’s code and the California Coastal Act. At the same time, Cal Am submitted an application (the “Original Jurisdiction Application”) to the Coastal Commission for a coastal development permit for those project components located within the Coastal Commission’s original jurisdiction. After Coastal Commission staff issued reports recommending denial of the Original Jurisdiction Application, noting potential impacts on environmentally sensitive habitat areas and wetlands and possible disproportionate impacts to communities of concern, in September 2020, Cal Am withdrew the Original Jurisdiction Application in order to address the staff’s environmental justice concerns. The withdrawal of the Original Jurisdiction Application did not impact Cal Am’s appeal of the City’s denial of the Marina Application, which remains pending before the Coastal Commission. In November 2020, Cal Am refiled the Original Jurisdiction Application.

On October 5, 2022, Cal Am announced a phasing plan for the proposed desalination plant component of the Water Supply Project. The desalination plant and slant wells originally approved by the CPUC would produce up to 6.4 million gallons of desalinated water per day. Under the phased approach, the facilities would initially be constructed to produce up to 4.8 million gallons per day of desalinated water, enough to meet anticipated demand through about 2030, and would limit the number of slant wells initially constructed. As demand increases in the future, desalination facilities would be expanded to meet the additional demand. The phased approach seeks to meet near-term demand by allowing for additional supply as it becomes needed, while also providing an opportunity for regional future public participation and was developed by Cal Am based on feedback received from the community.

On November 18, 2022, the Coastal Commission approved the Marina Application and the Original Jurisdiction Application with respect to the phased development of the proposed desalination plant, subject to compliance with a number of conditions, all of which Cal Am expects to satisfy. On December 29, 2022, the City, Marina Coast Water District (“MCWD”), MCWD’s groundwater sustainability agency, and the MPWMD jointly filed a petition for writ of mandate in Monterey County Superior Court against the Coastal Commission, alleging that the Coastal Commission violated the California Coastal Act and the California Environmental Quality Act in issuing a coastal development permit to Cal Am for construction of the slant wells. Cal Am is named as a real party in interest. This matter remains pending.

Following the issuance of the coastal development permit, Cal Am continues to work constructively with all appropriate agencies to provide necessary information in connection with obtaining the remaining required permits for the Water Supply Project. However, there can be no assurance that the Water Supply Project in its current configuration will be completed on a timely basis, if ever. For the year ended December 31, 2022, Cal Am has complied with the diversion limitations contained in the 2016 Order. Continued compliance with the diversion limitations in 2023 and future years may be impacted by a number of factors, including, without limitation, continued drought conditions in California and the exhaustion of water supply reserves, and will require successful development of alternate water supply sources sufficient to meet customer demand. The Orders remain in effect until Cal Am certifies to the SWRCB, and the SWRCB concurs, that Cal Am has obtained a permanent supply of water to substitute for past unauthorized Carmel River diversions. While the Company cannot currently predict the likelihood or result of any adverse outcome associated with these matters, further attempts to comply with the Orders may result in material additional costs and obligations to Cal Am, including fines and penalties against Cal Am in the event of noncompliance with the Orders.

West Virginia Elk River Freedom Industries Chemical Spill

On June 8, 2018, the U.S. District Court for the Southern District of West Virginia granted final approval of a settlement class and global class action settlement (the “Settlement”) for all claims and potential claims by all class members (collectively, the “West Virginia Plaintiffs”) arising out of the January 2014 Freedom Industries, Inc. chemical spill in West Virginia. The effective date of the Settlement was July 16, 2018. Under the terms and conditions of the Settlement, WVAWC and certain other Company affiliated entities did not admit, and will not admit, any fault or liability for any of the allegations made by the West Virginia Plaintiffs in any of the actions that were resolved.

As of March 31, 2023, \$0.5 million of the aggregate Settlement amount of \$126 million remains reflected in accrued liabilities, and \$0.5 million in an offsetting insurance receivable remains reflected in other current assets on the Consolidated Balance Sheets pending resolution of all asserted actual or potential claims associated with this matter. The amount reflected in accrued liabilities reflects the status of the liability and the offsetting insurance receivable reflected in other current assets, each as of as of March 31, 2023.

Note 12: Earnings per Common Share

Presented in the table below is a reconciliation of the numerator and denominator for the basic and diluted earnings per share (“EPS”) calculations:

	For the Three Months Ended March 31,	
	2023	2022
Numerator:		
Net income attributable to common shareholders	\$ 170	\$ 158
Denominator:		
Weighted-average common shares outstanding—Basic	186	182
Effect of dilutive common stock equivalents	—	—
Weighted-average common shares outstanding—Diluted	186	182

The effect of dilutive common stock equivalents is related to outstanding restricted stock units (“RSUs”) and performance stock units (“PSUs”) granted under the Company’s 2007 Omnibus Equity Compensation Plan and outstanding RSUs and PSUs granted under the Company’s 2017 Omnibus Equity Compensation Plan, as well as estimated shares to be purchased under the Company’s 2017 Nonqualified Employee Stock Purchase Plan. Less than one million share-based awards were excluded from the computation of diluted EPS for the three months ended March 31, 2023 and 2022, because their effect would have been anti-dilutive under the treasury stock method.

Note 13: Fair Value of Financial Information
Fair Value of Financial Instruments

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

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

Seller promissory note from the sale of the Homeowner Services Group (“HOS”) — The carrying amount reported on the Consolidated Balance Sheets for the seller promissory note, included as part of the consideration from the sale of HOS, is \$720 million as of March 31, 2023 and December 31, 2022. This amount represents the principal amount owed under the seller note, for which the Company expects to receive full payment. The accounting fair value measurement of the seller note approximated \$696 million and \$686 million as of March 31, 2023 and December 31, 2022, respectively. The accounting fair value measurement is an estimate that is reflective of changes in benchmark interest rates. The seller note is classified as Level 3 within the fair value hierarchy.

Preferred stock with mandatory redemption requirements and long-term debt—The fair values of preferred stock with mandatory redemption requirements and long-term debt are categorized within the fair value hierarchy based on the inputs that are used to value each instrument. The fair value of long-term debt classified as Level 1 is calculated using quoted prices in active markets. Level 2 instruments are valued using observable inputs and Level 3 instruments are valued using observable and unobservable inputs.

Presented in the tables below are the carrying amounts, including fair value adjustments previously recognized in acquisition purchase accounting, and the fair values of the Company's financial instruments:

	As of March 31, 2023				
	Carrying Amount	At Fair Value			Total
		Level 1	Level 2	Level 3	
Preferred stock with mandatory redemption requirements	\$ 3	\$ —	\$ —	\$ 3	\$ 3
Long-term debt (excluding finance lease obligations)	11,211	8,814	50	1,440	10,304
	As of December 31, 2022				
	Carrying Amount	At Fair Value			Total
		Level 1	Level 2	Level 3	
Preferred stock with mandatory redemption requirements	\$ 3	\$ —	\$ —	\$ 3	\$ 3
Long-term debt (excluding finance lease obligations)	11,207	8,599	49	1,427	10,075

Recurring Fair Value Measurements

Presented in the tables below are assets and liabilities measured and recorded at fair value on a recurring basis and their level within the fair value hierarchy:

	As of March 31, 2023			
	Level 1	Level 2	Level 3	Total
Assets:				
Restricted funds	\$ 29	\$ —	\$ —	\$ 29
Rabbi trust investments	20	—	—	20
Deposits	8	—	—	8
Other investments				
Money market and other	54	—	—	54
Fixed-Income Securities	148	7	—	155
Contingent cash payment from the sale of HOS	—	—	72	72
Total assets	259	7	72	338
Liabilities:				
Deferred compensation obligations	24	—	—	24
Mark-to-market derivative liability	—	2	—	2
Total liabilities	24	2	—	26
Total assets	\$ 235	\$ 5	\$ 72	\$ 312

	As of December 31, 2022			
	Level 1	Level 2	Level 3	Total
Assets:				
Restricted funds	\$ 32	\$ —	\$ —	\$ 32
Rabbi trust investments	21	—	—	21
Deposits	7	—	—	7
Other investments				
Money market and other	61	—	—	61
Fixed-Income Securities	147	6	—	153
Contingent cash payment from the sale of HOS	—	—	72	72
Mark-to-market derivative asset	—	1	—	1
Total assets	268	7	72	347
Liabilities:				
Deferred compensation obligations	24	—	—	24
Total liabilities	24	—	—	24
Total assets	\$ 244	\$ 7	\$ 72	\$ 323

Restricted funds—The Company’s restricted funds primarily represent proceeds received from financings for the construction and capital improvement of facilities and from customers for future services under operation, maintenance and repair projects.

Rabbi trust investments—The Company’s rabbi trust investments consist of equity and index funds from which supplemental executive retirement plan benefits and deferred compensation obligations can be paid. The Company includes these assets in other long-term assets on the Consolidated Balance Sheets.

Deposits—Deposits include escrow funds and certain other deposits held in trust. The Company includes cash deposits in other current assets on the Consolidated Balance Sheets.

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

Mark-to-market derivative assets and liabilities—The Company employs derivative financial instruments in the form of treasury lock agreements, classified as cash flow hedges, in order to fix the interest cost on existing or forecasted debt. The Company uses a calculation of future cash inflows and estimated future outflows, which are discounted, to determine the current fair value. Additional inputs to the present value calculation include the contract terms, counterparty credit risk, interest rates and market volatility.

Other investments—The Company maintains a Voluntary Employees’ Beneficiary Association trust for purposes of paying active union employee medical benefits (“Active VEBA”). The investments in the Active VEBA trust primarily consist of money market funds and available-for-sale fixed income securities.

The money market and other investments have original maturities of three months or less when purchased. The fair value measurement of the money market and other investments is based on observable market prices and therefore included in the recurring fair value measurements hierarchy as Level 1.

The available-for-sale fixed income securities are primarily investments in U.S. Treasury securities and government bonds. The majority of U.S. Treasury securities and government bonds have been categorized as Level 1 because they trade in highly-liquid and transparent markets. Certain U.S. Treasury securities are based on prices that reflect observable market information, such as actual trade information of similar securities, and are therefore categorized as Level 2, because the valuations are calculated using models which utilize actively traded market data that the Company can corroborate.

The Company includes other investments measured and recorded at fair value on the Consolidated Balance Sheets of \$64 million and \$67 million in Other current assets, as of March 31, 2023 and December 31, 2022, respectively, and \$146 million and \$147 million in Other long-term assets, as of March 31, 2023 and December 31, 2022, respectively. Unrealized holding gains and losses on available-for-sale securities are excluded from earnings and reported in other comprehensive income until realized.

The following tables summarize the unrealized positions for available-for-sale fixed income securities as of March 31, 2023 and December 31, 2022:

	As of March 31, 2023			
	Amortized Cost Basis	Gross unrealized gains	Gross unrealized losses	Fair Value
Available-for-sale fixed-income securities	\$ 153	\$ 6	\$ 4	\$ 155

	As of December 31, 2022			
	Amortized Cost Basis	Gross unrealized gains	Gross unrealized losses	Fair Value
Available-for-sale fixed-income securities	\$ 153	\$ —	\$ —	\$ 153

The fair value of the Company’s available-for-sale fixed income securities, summarized by contractual maturities, as of March 31, 2023, is as follows:

	Amount
Other investments - Available-for-sale fixed-income securities	
Less than one year	\$ 61
1 year - 5 years	80
5 years - 10 years	3
Greater than 10 years	11
Total	\$ 155

Contingent cash payment from the sale of HOS—The Company’s contingent cash payment derivative included as part of the consideration from the sale of HOS, payable upon satisfaction of certain conditions on or before December 31, 2023, is included in other current assets on the Consolidated Balance Sheets. The accounting fair value measurement of the contingent cash payment approximated \$72 million, which is reflective of changes in the benchmark interest rate and estimated using the probability of the outcome of receipt of the \$75 million, a Level 3 input.

Note 14: Leases

The Company has operating and finance leases involving real property, including facilities, utility assets, vehicles, and equipment. Certain operating leases have renewal options ranging from one to 60 years. The exercise of lease renewal options is at the Company’s sole discretion. Renewal options that the Company was reasonably certain to exercise are included in the Company’s right-of-use (“ROU”) assets. Certain operating leases contain the option to purchase the leased property. The operating leases for real property, vehicles and equipment will expire over the next 37 years, five years, and four years, respectively.

The Company participates in a number of arrangements with various public entities (“Partners”) in West Virginia. Under these arrangements, the Company transferred a portion of its utility plant to the Partners in exchange for an equal principal amount of Industrial Development Bonds (“IDBs”) issued by the Partners under the Industrial Development and Commercial Development Bond Act. The Company leased back the utility plant under agreements for a period of 30 to 40 years. The Company has recorded these agreements as finance leases in property, plant and equipment, as ownership of the assets will revert back to the Company at the end of the lease term. The carrying value of the finance lease assets was \$144 million and \$145 million as of March 31, 2023 and December 31, 2022, respectively. The Company determined that the finance lease obligations and the investments in IDBs meet the conditions for offsetting, and as such, are reported net on the Consolidated Balance Sheets and are excluded from the lease disclosure presented below.

The Company also enters into O&M agreements with the Partners. The Company pays an annual fee for use of the Partners’ assets in performing under the O&M agreements. The O&M agreements are recorded as operating leases, and future annual use fees of \$3 million in 2023, \$4 million in 2024 through 2027, and \$45 million thereafter, are included in operating lease ROU assets and operating lease liabilities on the Consolidated Balance Sheets.

Rental expenses under operating leases were \$3 million and \$3 million for each of the three months ended March 31, 2023 and March 31, 2022, respectively.

For the three months ended March 31, 2023, cash paid for amounts in lease liabilities, which includes operating cash flows from operating leases, were \$3 million. For the three months ended March 31, 2023, there were ROU assets obtained in exchange for new operating lease liabilities of \$2 million.

As of March 31, 2023, the weighted-average remaining lease term of the operating leases was 17 years, and the weighted-average discount rate of the operating leases was 4%.

The future maturities of lease liabilities as of March 31, 2023 were \$8 million in 2023, \$9 million in 2024, \$9 million in 2025, \$8 million in 2026, \$6 million in 2027, and \$76 million thereafter. As of March 31, 2023, imputed interest was \$38 million.

Note 15: Segment Information

The Company's operating segments are comprised of its businesses which generate revenue, incur expense and have separate financial information which is regularly used by management to make operating decisions, assess performance and allocate resources. The Company operates its businesses primarily through one reportable segment, the Regulated Businesses segment. The Regulated Businesses segment also includes inter-segment revenues, costs and interest which are eliminated to reconcile to the Consolidated Statements of Operations.

The Company also operates other businesses, primarily MSG, that do not meet the criteria of a reportable segment in accordance with GAAP, and are collectively presented throughout this Form 10-Q within "Other," which is consistent with how management assesses the results of these businesses. Other also includes corporate costs that are not allocated to the Company's Regulated Businesses, interest income related to the seller promissory note and income from the revenue share agreement from the sale of HOS, eliminations of inter-segment transactions and fair value adjustments related to acquisitions that have not been allocated to the Regulated Businesses segment. The adjustments related to the acquisitions are reported in Other as they are excluded from segment performance measures evaluated by management.

The seller promissory note from the sale of HOS has a five-year term, is payable in cash, and bears interest at a rate of 7.00% per year during the term. The Company recognized \$13 million of interest income from the seller note for each of the three months ended March 31, 2023 and 2022.

The Company recognized \$3 million and \$2 million of income during the three months ended March 31, 2023 and 2022, respectively, from the revenue share agreements from the sale of HOS, which is included in Other, net on the Consolidated Statements of Operations.

Presented in the tables below is summarized segment information:

	As of or for the Three Months Ended March 31, 2023		
	Regulated Businesses	Other	Consolidated
Operating revenues	\$ 860	\$ 78	\$ 938
Depreciation and amortization	169	3	172
Total operating expenses, net	572	71	643
Interest expense	(87)	(28)	(115)
Interest income	1	13	14
Provision (benefit) for income taxes	46	(2)	44
Net income (loss) attributable to common shareholders	174	(4)	170
Total assets	25,626	2,660	28,286
Cash paid for capital expenditures	524	2	526

	As of or for the Three Months Ended March 31, 2022		
	Regulated Businesses	Other	Consolidated
Operating revenues	\$ 778	\$ 64	\$ 842
Depreciation and amortization	155	3	158
Total operating expenses, net	538	58	596
Interest expense	(70)	(30)	(100)
Interest income	—	13	13
Provision (benefit) for income taxes	36	(1)	35
Net income (loss) attributable to common shareholders	160	(2)	158
Total assets	22,973	2,721	25,694
Cash paid for capital expenditures	422	2	424

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

The following discussion should be read together with the unaudited Consolidated Financial Statements and the Notes thereto included elsewhere in this Form 10-Q, and in the Company’s Form 10-K for the year ended December 31, 2022. This discussion contains forward-looking statements that are based on management’s current expectations, estimates and projections about the Company’s business, operations and financial performance. The cautionary statements made in this Form 10-Q should be read as applying to all related forward-looking statements whenever they appear in this Form 10-Q. The Company’s actual results may differ materially from those currently anticipated and expressed in such forward-looking statements as a result of a number of factors, including those that are discussed under “Forward-Looking Statements” and elsewhere in this Form 10-Q. The Company has a disclosure committee consisting of members of senior management and other key employees involved in the preparation of the Company’s SEC reports. The disclosure committee is actively involved in the review and discussion of the Company’s SEC filings.

Overview

American Water is the largest and most geographically diverse, publicly traded water and wastewater utility company in the United States, as measured by both operating revenues and population served. The Company’s primary business involves the ownership of utilities that provide water and wastewater services to residential, commercial, industrial, public authority, fire service and sale for resale customers, collectively presented as the “Regulated Businesses.” Services provided by the Company’s utilities are subject to regulation by multiple state utility commissions or other entities engaged in utility regulation, collectively referred to as public utility commissions (“PUCs”). The Company also operates other businesses not subject to economic regulation by state PUCs that provide water and wastewater services to the U.S. government on military installations, as well as municipalities, collectively presented throughout this Form 10-Q within “Other.” See Part I, Item 1—Business in the Company’s Form 10-K for additional information.

Financial Results

For the three months ended March 31, 2023, diluted earnings per share, prepared in accordance with accounting principles generally accepted in the United States (“GAAP”), were \$0.91, an increase of \$0.04, as compared to the same period in the prior year. This increase was primarily driven by the implementation of new rates in the Regulated Businesses for the recovery of capital and acquisition investments, offset somewhat by impacts from inflationary pressures on production costs and higher interest costs.

Growth Through Capital Investment in Infrastructure and Regulated Acquisitions

The Company continues to grow its businesses, with the majority of its growth to be achieved in the Regulated Businesses through (i) continued capital investment in the Company’s infrastructure to provide safe, clean, reliable and affordable water and wastewater services to its customers, and (ii) regulated acquisitions to expand the Company’s services to new customers. The Company plans to invest approximately \$2.9 billion across its footprint in 2023. During the first three months of 2023, the Company invested \$538 million, primarily in the Regulated Businesses, as discussed below:

Regulated Businesses - Growth and Optimization

- \$532 million capital investment in the Regulated Businesses, the substantial majority for infrastructure improvements and replacements; and
- \$3 million to fund acquisitions in the Regulated Businesses, which added approximately 1,400 customers, in addition to approximately 4,000 customers added through organic growth.

Effective March 24, 2023, the Company’s Pennsylvania subsidiary acquired the rights to buy the wastewater system assets of the Township of Towamencin, for an aggregate purchase price of \$104 million, subject to adjustment as provided in the asset purchase agreement. This system provides wastewater services to approximately 6,300 customer connections in seven townships in Montgomery County, Pennsylvania. The Company expects to close this acquisition by mid-year 2024, pending regulatory approval.

On October 11, 2022, the Company’s Pennsylvania subsidiary entered into an agreement to acquire the wastewater assets of the Butler Area Sewer Authority for a total purchase price of \$232 million in cash, subject to adjustment as provided for in the asset purchase agreement. This system provides wastewater service for approximately 14,700 customer connections. The Company expects to close this acquisition by the end of 2023, pending regulatory approval.

On March 29, 2021, the Company’s New Jersey subsidiary entered into an agreement to acquire the water and wastewater assets of Egg Harbor City for \$22 million. The water and wastewater systems currently serve approximately 1,500 customers each, or 3,000 combined, and are being sold through the New Jersey Water Infrastructure Protection Act process. The Company expects to close this acquisition in 2023.

As of March 31, 2023, the Company has entered into 27 agreements for pending acquisitions in the Regulated Businesses, including the agreements discussed above, to add approximately 48,200 additional customers.

On April 6, 2023, the Company's Illinois subsidiary entered into an agreement to acquire the assets of the wastewater treatment plant from the City of Granite City for \$83 million, subject to adjustment as provided for in the asset purchase agreement. This system provides wastewater service for approximately 26,000 customer connections. The Company expects to close this acquisition by the end of 2023 or early 2024, pending regulatory approval.

Other Matters

Environmental, Health and Safety, and Water Quality Regulation

On March 14, 2023, the United States Environmental Protection Agency ("EPA") announced the proposed National Primary Drinking Water Regulation ("NPDWR") for six per- and polyfluoroalkyl substances ("PFAS") including perfluorooctanoic acid ("PFOA"), perfluorooctane sulfonic acid ("PFOS"), perfluorononanoic acid ("PFNA"), hexafluoropropylene oxide dimer acid ("HFPO-DA", commonly known as "GenX Chemicals"), perfluorohexane sulfonic acid ("PFHxS"), and perfluorobutane sulfonic acid ("PFBS"). The proposed regulations would establish legally enforceable levels for PFAS in drinking water. While the Company has been anticipating the rulemaking, the Company is carefully reviewing the NPDWR to assess the four parts per trillion requirements for PFAS and the application of the Hazard Index approach for PFNA, PFBS, PFHxS, and GenX Chemicals. The Company's review will inform the comments on the proposed rulemaking it plans to submit to the EPA by May 30, 2023.

The Company is evaluating the estimated capital expenditures for additional treatment over the next three to five years, including additional estimated operating expenses. The Company supports sound policies that will ensure compliance by all water utilities while protecting customers and communities from the costly burden of monitoring and mitigating PFAS. The Company continues to strongly advocate for policies that hold polluters accountable and is currently part of Multi-District Litigation against multiple PFAS manufacturers to ensure that the ultimate responsibility for the cleanup of these contaminants is attributed to the polluters.

Operational Excellence

The Company's adjusted regulated operation and maintenance ("O&M") efficiency ratio was 33.6% for the twelve months ended March 31, 2023, as compared to 33.9% for the twelve months ended March 31, 2022. The ratio reflects an increase in operating revenues for the Regulated Businesses, after considering the adjustment for the amortization of the excess accumulated deferred income taxes ("EADIT") shown in the table below, as well as the continued focus on operating costs.

The Company's adjusted regulated O&M efficiency ratio is a non-GAAP measure and is defined by the Company as its operation and maintenance expenses from the Regulated Businesses, divided by the operating revenues from the Regulated Businesses, where both operation and maintenance expenses and operating revenues were adjusted to eliminate purchased water expense. Operating revenues were further adjusted to exclude reductions for the amortization of the EADIT. Also excluded from operation and maintenance expenses is the allocable portion of non-O&M support services costs, mainly depreciation and general taxes, which is reflected in the Regulated Businesses segment as operation and maintenance expenses, but for consolidated financial reporting purposes, is categorized within other line items in the accompanying Consolidated Statements of Operations. The items discussed above were excluded from the O&M efficiency ratio calculation as they are not reflective of management's ability to increase the efficiency of the Regulated Businesses.

The Company evaluates its operating performance using this ratio, and believes it is useful to investors because it directly measures improvement in the operating performance and efficiency of the Regulated Businesses. This information is derived from the Company's consolidated financial information but is not presented in its financial statements prepared in accordance with GAAP. This information supplements and should be read in conjunction with the Company's GAAP disclosures, and should be considered as an addition to, and not a substitute for, any GAAP measure. The Company's adjusted regulated O&M efficiency ratio (i) is not an accounting measure that is based on GAAP; (ii) is not based on a standard, objective industry definition or method of calculation; (iii) may not be comparable to other companies' operating measures; and (iv) should not be used in place of the GAAP information provided elsewhere in this Form 10-Q.

Presented in the table below is the calculation of the Company's adjusted regulated O&M efficiency ratio and a reconciliation that compares operation and maintenance expenses and operating revenues, each as determined in accordance with GAAP, to those amounts utilized in the calculation of its adjusted O&M efficiency ratio:

(Dollars in millions)	For the Twelve Months Ended March 31,	
	2023	2022
Total operation and maintenance expenses	\$ 1,619	\$ 1,723
Less:		
Operation and maintenance expenses—Other	258	403
Total operation and maintenance expenses—Regulated Businesses	1,361	1,320
Less:		
Regulated purchased water expenses	153	155
Allocation of non-operation and maintenance expenses	26	29
Adjusted operation and maintenance expenses—Regulated Businesses (i)	\$ 1,182	\$ 1,136
Total operating revenues	\$ 3,889	\$ 3,881
Less:		
Operating revenues—Other	302	474
Total operating revenues—Regulated Businesses	3,587	3,407
Less:		
Regulated purchased water revenues (a)	153	155
Revenue reductions from the amortization of EADIT	(85)	(102)
Adjusted operating revenues—Regulated Businesses (ii)	\$ 3,519	\$ 3,354
Adjusted O&M efficiency ratio—Regulated Businesses (i) / (ii)	33.6 %	33.9 %

(a) The calculation assumes regulated purchased water revenues approximate regulated purchased water expenses.

Regulatory Matters

General Rate Cases

Presented in the table below are annualized incremental revenues, including reductions for the amortization of the EADIT that are generally offset in income tax expense, assuming a constant water sales volume and customer count, resulting from general rate case authorizations that became effective during 2023:

(In millions)	Effective Date	Amount
General rate cases by state:		
Virginia	April 24, 2023 (a)	\$ 11
Pennsylvania	January 28, 2023	138
Illinois	January 1, 2023	67
California, Step Increase	January 1, 2023	13
Total general rate case authorizations		<u>\$ 229</u>

(a) Interim rates were effective May 1, 2022, and the difference between interim and final approved rates is subject to refund. The Virginia State Corporation Commission issued its final Order on April 24, 2023.

On April 24, 2023, the Virginia State Corporation Commission issued an order approving the settlement of the rate case filed on September 26, 2022, by the Company’s Virginia subsidiary. The general rate case order approved an \$11 million annualized increase in water and wastewater revenues. Interim rates in this proceeding were effective on May 1, 2022, and the order requires that the difference between interim and the final approved rates is subject to refund within 90 days of the order issuance. The order approves the settlement terms with a return on equity of 9.7% and a common equity ratio of 40.7%. The annualized revenue increase is driven primarily by significant incremental capital investments since the Virginia subsidiary’s 2020 rate case order that have been completed or are planned through April 30, 2023, increases in pension and other postretirement benefits expense and increases in production costs, including chemicals, fuel and power costs. The general rate case order includes recovery of the Company’s Virginia subsidiary’s COVID-19 deferral balance. It also includes approval of the accounting deferral of deviations in pension and other postretirement benefits expense from those established in base rates, until the Company’s Virginia subsidiary’s next base rate case.

On December 8, 2022, the Pennsylvania Public Utility Commission issued an order approving the joint settlement of the rate case filed on April 29, 2022, by the Company’s Pennsylvania subsidiary. The general rate case order approved a \$138 million annualized increase in water and wastewater revenues, excluding \$24 million for previously approved infrastructure filings, and authorizes implementation of the new water and wastewater rates effective January 28, 2023. The rate case proceeding was resolved through a “black box” settlement agreement and did not specify an approved return on equity. The annualized revenue increase is driven primarily by significant incremental capital investments since the Pennsylvania subsidiary’s 2021 rate case order that will be completed through December 31, 2023, increases in pension and other postretirement benefits expense and increases in production costs, including chemicals, fuel and power costs. The general rate case order also includes recovery of the Company’s Pennsylvania subsidiary’s COVID-19 deferral balance.

On December 15, 2022, the Illinois Commerce Commission issued an order approving the adjustment of base rates requested in a rate case filed on February 10, 2022, by the Company’s Illinois subsidiary. As updated in the Illinois subsidiary’s June 29, 2022 rebuttal filing, the request sought \$83 million in additional annualized revenues, excluding previously recovered infrastructure surcharges. The general rate case order approved a \$67 million annualized increase in water and wastewater system revenues, excluding previously recovered infrastructure surcharges of \$18 million, effective January 1, 2023, based on an authorized return on equity of 9.8%, authorized rate base of \$1.64 billion, a common equity ratio of 49.0% and a debt ratio of 51.0%. The annualized revenue increase is being driven primarily by significant water and wastewater system capital investments since the Illinois subsidiary’s 2017 rate case order that have been completed or are planned through December 31, 2023, expected higher pension and other postretirement benefit costs, and increases in production costs, including chemicals, fuel and power costs.

Pending General Rate Case Filings

On March 31, 2023, the Company’s Indiana subsidiary filed a general rate case requesting \$87 million in additional annualized revenues, excluding \$41 million of revenue from infrastructure filings already approved, which includes three step increases, with \$43 million of the increase to be included in rates in January 2024, \$18 million in May 2024, and \$26 million in May 2025. The general rate case is expected to be completed by the end of January 2024.

On July 1, 2022, the Company’s Missouri subsidiary filed a general rate case requesting an increase of \$105 million in additional annualized revenues, excluding infrastructure surcharges at the time of filing of approximately \$40 million. Subsequent to the filing of the general rate case, the Company’s Missouri subsidiary filed its semi-annual request for recovery of defined infrastructure investments within its Water and Sewer Infrastructure Rate Adjustment, which adjusted the amount of revenue recovered in the infrastructure surcharges to \$51 million and a net annualized revenue increase request of \$95 million in the general rate case. On March 3, 2023, a settlement agreement was filed with the Missouri Public Service Commission, reflecting a proposed increase of \$44 million in additional annualized revenues, excluding \$51 million for infrastructure surcharges. A final decision on this matter is expected in the second quarter of 2023.

On July 1, 2022, the Company’s California subsidiary filed a general rate case requesting an increase in 2024 revenue of \$56 million and a total increase in revenue over the 2024 to 2026 period of \$95 million, all as compared to 2022 revenues. The Company updated its filing in January 2023 to capture the authorized step increase effective January 1, 2023. The filing was also updated to incorporate a decoupling proposal and a revision to the Company’s sales and associated variable expense forecast. The revised filing requested additional annualized revenues for the test year 2024 of \$37 million, compared to 2023 revenues. This excludes the proposed step rate and attrition rate increase for 2025 and 2026 of \$20 million and \$19 million, respectively. The total revenue requirement request for the three-year rate case cycle, incorporating updates to present rate revenues and forecasted demand, is \$76 million.

The Company’s California subsidiary submitted its application on May 3, 2021, to set its cost of capital for 2022 through 2024. On March 21, 2023, the California Public Utilities Commission (“CPUC”) issued a decision extending the deadline to August 10, 2023, for the cost of capital proceeding.

Infrastructure Surcharges

A number of states have authorized the use of regulatory mechanisms that permit rates to be adjusted outside of a general rate case for certain costs and investments, such as infrastructure surcharge mechanisms that permit recovery of capital investments to replace aging infrastructure. Presented in the table below are annualized incremental revenues, assuming a constant water sales volume and customer count, resulting from infrastructure surcharge authorizations that became effective during 2023:

(In millions)	Effective Date	Amount
Infrastructure surcharges by state:		
Indiana	(a)	\$ 26
Missouri	January 16, 2023	14
Pennsylvania	January 1, 2023	3
West Virginia	January 1, 2023	7
Total infrastructure surcharge authorizations		<u>\$ 50</u>

(a) In 2023, \$20 million was effective March 23 and \$6 million was effective March 8.

Pending Infrastructure Surcharge Filings

On March 15, 2023, the Company’s New Jersey subsidiary filed an infrastructure surcharge proceeding requesting \$16 million in additional annualized revenues.

On March 1, 2023, the Company’s Kentucky subsidiary filed an infrastructure surcharge proceeding requesting \$4 million in additional annualized revenues.

Other Regulatory Matters

In September 2020, the CPUC released a decision under its Low-Income Rate Payer Assistance program rulemaking that required the Company’s California subsidiary to file a proposal to alter its water revenue adjustment mechanism in its next general rate case filing in 2022, which would become effective in January 2024. On October 5, 2020, the Company’s California subsidiary filed an application for rehearing of the decision and following the CPUC’s denial of its rehearing application in September 2021, the Company’s California subsidiary filed a petition for writ of review with the California Supreme Court on October 27, 2021. On May 18, 2022, the California Supreme Court issued a writ of review for the Company’s California subsidiary’s petition and the petitions filed by other entities challenging the decision. Independent of the judicial challenge, California passed Senate Bill 1469, which allows the CPUC to consider and authorize the implementation of a mechanism that separates the water corporation’s revenue and its water sales. Legislation was signed by the Governor on September 30, 2022, and became effective on January 1, 2023. In response to the legislation, on January 27, 2023, the Company’s California subsidiary filed an updated application requesting the CPUC to consider a Water Resources Sustainability Plan decoupling mechanism in its pending 2022 general rate case, which would be effective 2024 through 2026.

On March 2, 2021, an administrative law judge (“ALJ”) in the Office of Administrative Law of New Jersey filed an initial decision with the New Jersey Board of Public Utilities (“NJBP”) that recommended denial of a petition filed by the Company’s New Jersey subsidiary, which sought approval of acquisition adjustments in rate base of \$29 million associated with the acquisitions of Shorelands Water Company, Inc. in 2017 and the Borough of Haddonfield’s water and wastewater systems in 2015. On July 29, 2021, the NJBP issued an order adopting the ALJ’s initial decision without modification. The Company’s New Jersey subsidiary filed a Notice of Appeal with the New Jersey Appellate Division on September 10, 2021. The Company’s New Jersey subsidiary filed its brief in support of the appeal on March 4, 2022. Response and Reply briefs were filed on June 22, 2022, and August 4, 2022, respectively. Oral argument was held on March 22, 2023, and the Company expects a decision by the end of 2023. There is no financial impact to the Company as a result of the NJBP’s order, since the acquisition adjustments are currently recorded as goodwill on the Consolidated Balance Sheets.

Consolidated Results of Operations

Presented in the table below are the Company’s consolidated results of operations:

	For the Three Months Ended March 31,	
	2023	2022
(In millions)		
Operating revenues	\$ 938	\$ 842
Operating expenses:		
Operation and maintenance	393	364
Depreciation and amortization	172	158
General taxes	78	74
Total operating expenses, net	643	596
Operating income	295	246
Other income (expense):		
Interest expense	(115)	(100)
Interest income	14	13
Non-operating benefit costs, net	9	19
Other, net	11	15
Total other (expense) income	(81)	(53)
Income before income taxes	214	193
Provision for income taxes	44	35
Net income attributable to common shareholders	\$ 170	\$ 158

Segment Results of Operations

The Company’s operating segments are comprised of its businesses which generate revenue, incur expense and have separate financial information which is regularly used by management to make operating decisions, assess performance and allocate resources. The Company operates its businesses primarily through one reportable segment, the Regulated Businesses segment. The Company also operates other businesses, primarily MSG, that do not meet the criteria of a reportable segment in accordance with GAAP, and are collectively presented throughout this Form 10-Q within “Other.” Other also includes corporate costs that are not allocated to the Company’s Regulated Businesses, interest income related to the seller promissory note and income from the revenue share agreement from the sale of HOS, eliminations of inter-segment transactions and fair value adjustments related to acquisitions that have not been allocated to the Regulated Businesses segment. This presentation is consistent with how management assesses the results of these businesses.

Regulated Businesses Segment

Presented in the table below is financial information for the Regulated Businesses:

	For the Three Months Ended March 31,	
	2023	2022
(In millions)		
Operating revenues	\$ 860	\$ 778
Operation and maintenance	330	315
Depreciation and amortization	169	155
General taxes	73	68
Other income (expenses)	(68)	(44)
Provision for income taxes	46	36
Net income attributable to common shareholders	174	160

Operating Revenues

Presented in the tables below is information regarding the main components of the Regulated Businesses’ operating revenues:

	For the Three Months Ended March 31,	
	2023	2022
(In millions)		
Water services:		
Residential	\$ 461	\$ 428
Commercial	171	153
Fire service	39	36
Industrial	38	36
Public and other	65	59
Total water services	774	712
Wastewater services:		
Residential	54	41
Commercial	14	10
Industrial	2	1
Public and other	6	3
Total wastewater services	76	55
Other (a)	10	11
Total operating revenues	\$ 860	\$ 778

(a) Includes other operating revenues consisting primarily of miscellaneous utility charges, fees and rents.

	For the Three Months Ended March 31,	
	2023	2022
(Gallons in millions)		
Billed water services volumes:		
Residential	33,808	34,160
Commercial	16,836	16,339
Industrial	8,840	8,619
Fire service, public and other	11,688	11,756
Total billed water services volumes	71,172	70,874

For the three months ended March 31, 2023, operating revenues increased \$82 million, primarily due to a \$71 million increase from authorized rate increases, including infrastructure surcharges, principally to fund infrastructure investment in various states and an \$11 million increase from water and wastewater acquisitions, as well as organic growth in existing systems.

Operation and Maintenance

Presented in the table below is information regarding the main components of the Regulated Businesses' operation and maintenance expense:

	For the Three Months Ended March 31,	
	2023	2022
(In millions)		
Employee-related costs	\$ 129	\$ 126
Production costs	93	84
Operating supplies and services	57	57
Maintenance materials and supplies	22	22
Customer billing and accounting	13	13
Other	16	13
Total	\$ 330	\$ 315

For the three months ended March 31, 2023, operation and maintenance expense increased \$15 million, primarily due to inflationary pressures which resulted in increased fuel, power, and chemicals costs.

Depreciation and Amortization

For the three months ended March 31, 2023, depreciation and amortization increased \$14 million, primarily due to additional utility plant placed in service from capital infrastructure investments and acquisitions.

General Taxes

For the three months ended March 31, 2023, general taxes increased \$5 million, primarily due to an increase in the New Jersey Gross Receipts Tax and incremental property taxes.

Other Income (Expenses)

For the three months ended March 31, 2023, other (expenses) increased \$24 million, primarily due to higher interest expense as a result of an \$800 million long-term debt issuance in May 2022 and higher interest rates on short-term debt. The increase was also due to higher net periodic pension and other postretirement benefit costs in the current period.

Provision for Income Taxes

For the three months ended March 31, 2023, the Regulated Businesses' provision for income taxes increased \$10 million. The Regulated Businesses' effective income tax rate was 20.9% and 18.4% for the three months ended March 31, 2023 and 2022, respectively. The increase was primarily due to the decrease in the amortization of EADIT pursuant to regulatory orders. The amortization of EADIT is generally offset with a reduction in revenue.

Other

Presented in the table below is information for Other:

(In millions)	For the Three Months Ended March 31,	
	2023	2022
Operating revenues	\$ 78	\$ 64
Operation and maintenance	63	50
Depreciation and amortization	3	3
Interest expense	(28)	(30)
Interest income	13	13
Provision (benefit) for income taxes	(2)	(1)
Net loss attributable to common shareholders	(4)	(2)

Operating Revenues

For the three months ended March 31, 2023, operating revenues increased \$14 million, due primarily to the increase in capital projects in MSG, primarily at the United States Military Academy at West Point, New York and revenue for Naval Station Mayport in Jacksonville, Florida, awarded on June 30, 2022, with the performance start date for operation on March 1, 2023.

Operation and Maintenance

For the three months ended March 31, 2023, operation and maintenance expense increased \$13 million, primarily due to cost associated with increased capital projects in MSG and expenses for Naval Station Mayport, as discussed above.

Legislative Updates

During 2023, the Company’s regulatory jurisdictions enacted the following legislation that has been approved and is effective as of April 26, 2023:

- California passed Senate Bill 1469, which allows the CPUC to consider and authorize the implementation of a mechanism that separates the water corporation’s revenue and its water sales. Legislation was signed by the Governor on September 30, 2022 and was effective on January 1, 2023.
- Indiana passed House Bill 1417, which allows for deferred accounting and subsequent recovery through rates of regulatory assets, with or without Indiana Utility Regulatory Commission (the “IURC”) approval. There are several requirements: (i) the costs must be deferred as a regulatory asset, (ii) only incremental costs may be deferred, and (iii) the IURC must find the costs to be reasonable and prudent. Legislation was signed by the Governor and became effective on April 20, 2023.

During 2023, the Company’s regulatory jurisdictions passed the following legislation, which is not yet effective as of April 26, 2023:

- Indiana passed Senate Bill 180, which allows for consolidated revenue to support post-acquisition capital improvements in wastewater systems via a service enhancement improvement recovery mechanism.

Condemnation and Eminent Domain

All or portions of the Regulated Businesses’ utility assets could be acquired by state, municipal or other government entities through one or more of the following methods: (i) eminent domain (also known as condemnation); (ii) the right of purchase given or reserved by a municipality or political subdivision when the original certificate of public convenience and necessity (“CPCN”) was granted; and (iii) the right of purchase given or reserved under the law of the state in which the utility subsidiary was incorporated or from which it received its CPCN. The acquisition consideration related to such a proceeding initiated by a local government may be determined consistent with applicable eminent domain law, or may be negotiated or fixed by appraisers as prescribed by the law of the state or the jurisdiction of the particular CPCN.

As such, the Regulated Businesses are periodically subject to condemnation proceedings in the ordinary course of business. For example, the Monterey water service system assets (the “Monterey system assets”) of the Company’s California subsidiary (“Cal Am”) are the subject of a potential condemnation action by the Monterey Peninsula Water Management District (the “MPWMD”) stemming from a November 2018 public ballot initiative. In 2019, the MPWMD issued a preliminary valuation and cost of service analysis report, finding in part that (1) an estimate of the Monterey system assets’ total value plus adjustments would be approximately \$513 million, (2) the cost of service modeling results indicate significant annual reductions in revenue requirements and projected monthly water bills, and (3) the acquisition of the Monterey system assets by the MPWMD would be economically feasible. In 2020, the MPWMD certified a final environmental impact report, analyzing the environmental impacts of the MPWMD’s project to (1) acquire the Monterey system assets through the power of eminent domain, if necessary, and (2) expand its geographic boundaries to include all parts of this system.

In February 2021, the MPWMD filed an application with the Local Agency Formation Commission of Monterey County (“LAFCO”) seeking approval to become a retail water provider and annex approximately 58 parcels of land into the MPWMD’s boundaries. In June 2021, LAFCO’s commissioners voted to require a third-party independent financial study as to the feasibility of an acquisition by the MPWMD of the Monterey system assets. In December 2021, LAFCO’s commissioners denied the MPWMD’s application to become a retail water provider, determining that the MPWMD does not have the authority to proceed with a condemnation of the Monterey system assets. On April 1, 2022, the MPWMD filed a lawsuit against LAFCO challenging its decision to deny the MPWMD’s application seeking approval to become a retail water provider.

By letter dated October 3, 2022, the MPWMD notified Cal Am of a decision to appraise the Monterey system assets and requesting access to a number of Cal Am’s properties and documents to assist the MPWMD with such an appraisal. Cal Am responded by letter on October 24, 2022, denying the request for access, stating that the MPWMD does not have the right to appraise Cal Am’s system without LAFCO approval to become a retail water provider. Notwithstanding the denial by LAFCO of the MPWMD’s application seeking to be a retail water provider, the MPWMD notified Cal Am by letter dated April 3, 2023, of its offer to purchase the Monterey system assets for \$448.8 million. Cal Am’s response is due by April 30, 2023, and it currently plans to reject the offer. The MPWMD has reserved its right to determine whether to acquire the Monterey system assets through the exercise of eminent domain. For more information on the lawsuit against LAFCO, see Item 3—Legal Proceedings in the Form 10-K and Part II, Item 1—Legal Proceedings—Proposed Acquisition of Monterey System Assets—Local Area Formation Commission Litigation in this Form 10-Q.

Also, five municipalities in the Chicago, Illinois area (approximately 30,300 customers in total) formed a water agency and filed an eminent domain lawsuit against the Company in January 2013, seeking to condemn the water pipeline that serves those five municipalities. During a valuation trial held in January 2023, the parties settled the lawsuit and the water agency dismissed the eminent domain case, and as a result the Company will retain the pipeline. As part of the dismissal, the Company’s Illinois subsidiary and another subsidiary entered into a settlement agreement with the water agency agreeing to, among other things, maintain through December 31, 2027, the utility-specific wholesale water rate passed through to customers of the pipeline, such that the rate, exclusive of other pass-through charges, remains no higher than the current rate.

Furthermore, the law in certain jurisdictions in which the Regulated Businesses operate provides for eminent domain rights allowing private property owners to file a lawsuit to seek just compensation against a public utility, if a public utility’s infrastructure has been determined to be a substantial cause of damage to that property. In these actions, the plaintiff would not have to prove that the public utility acted negligently. In California, for example, lawsuits have been filed in connection with large-scale natural events such as wildfires. Some of these lawsuits have included allegations that infrastructure of certain utilities triggered the natural event that resulted in damage to the property. In some cases, the PUC has allowed certain costs or losses incurred by the utility to be recovered from customers in rates, but in other cases such recovery in rates has been disallowed. Also, the utility may have obtained insurance that could respond to some or all of such losses, although the utility would be at risk for any losses not ultimately subject to rate or insurance recovery or losses that exceed the limits of such insurance.

Tax Matters

On August 16, 2022, the Inflation Reduction Act of 2022 (the “IRA”) was signed into law. The IRA contains a Corporate Alternative Minimum Tax (“CAMT”) provision, effective January 1, 2023. To determine if a company is considered an applicable corporation subject to CAMT, the company’s average adjusted financial statement income (“AFSI”) for the three consecutive years preceding the tax year must exceed \$1 billion. An applicable corporation must make several adjustments to net income when determining AFSI. During the first quarter of 2023, the Company evaluated the potential impacts of the CAMT provision within the IRA and believes it does not exceed the \$1 billion AFSI threshold, and therefore, is not currently subject to CAMT in 2023. The Company is continuing to assess the impact of the initial guidance regarding the application of the CAMT and will continue to monitor as additional guidance is released.

Liquidity and Capital Resources

For a general overview of the sources and uses of capital resources, see the introductory discussion in Part II, Item 7—Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources in the Company’s Form 10-K.

Liquidity needs for capital investment, working capital and other financial commitments are generally funded through cash flows from operations, public and private debt offerings, commercial paper markets, and, if and to the extent necessary, borrowings under American Water Capital Corp.’s (“AWCC”) revolving credit facility, and issuances of equity.

The Company expects to fund future maturities of long-term debt through a combination of external debt and, to the extent available, cash flows from operations. Since the Company expects its capital investments over the next few years to be greater than its cash flows from operating activities, the Company currently plans to fund the excess of its capital investments over its cash flows from operating activities for the next five years through a combination of long-term debt and equity issuances, in addition to the remaining proceeds from the sale of HOS. The remaining proceeds from the sale of HOS include receipt of a seller promissory note, plus interest, and a contingent cash payment payable upon satisfaction of certain conditions on or before December 31, 2023. If necessary, the Company may delay certain capital investments or other funding requirements or pursue financing from other sources to preserve liquidity. In this event, the Company believes it can rely upon cash flows from operations to meet its obligations and fund its minimum required capital investments for an extended period of time.

On March 3, 2023, the Company completed an underwritten public offering of an aggregate of 12,650,000 shares of its common stock. Upon closing of this offering, the Company received, after deduction of the underwriting discount and before deduction of offering expenses, net proceeds of approximately \$1,688 million. The Company used the net proceeds of the offering to repay short-term commercial paper obligations of AWCC, the wholly owned finance subsidiary of American Water, and for general corporate purposes.

The Company’s revolving credit facility provides \$2.75 billion in aggregate total commitments from a diversified group of financial institutions. The revolving credit facility is used principally to support AWCC’s commercial paper program, to provide additional liquidity support, and to provide for the issuance of up to \$150 million in letters of credit. The maximum aggregate principal amount of short-term borrowings authorized for issuance under AWCC’s commercial paper program is \$2.60 billion. Subject to satisfying certain conditions, the credit agreement also permits AWCC to increase the maximum commitment under the facility by up to an aggregate of \$500 million. As of March 31, 2023 and December 31, 2022, there were no borrowings and \$78 million of outstanding letters of credit under the revolving credit facility. At March 31, 2023, there was no outstanding short-term debt as the proceeds of the equity securities offering were used to repay the short-term commercial paper obligations. At December 31, 2022, the weighted-average interest rate on AWCC’s outstanding short-term borrowings was approximately 4.41%.

Presented in the tables below is the aggregate credit facility commitments, commercial paper limit and letter of credit availability under the revolving credit facility as of March 31, 2023 and December 31, 2022, as well as the available capacity for each:

	As of March 31, 2023		
	Commercial Paper Limit	Letters of Credit	Total (a)
(In millions)			
Total availability	\$ 2,600	\$ 150	\$ 2,750
Outstanding debt	—	(78)	(78)
Remaining availability as of March 31, 2023	\$ 2,600	\$ 72	\$ 2,672

(a) Total remaining availability of \$2.67 billion as of March 31, 2023, may be accessed through revolver draws.

	As of December 31, 2022		
	Commercial Paper Limit	Letters of Credit	Total (a)
(In millions)			
Total availability	\$ 2,600	\$ 150	\$ 2,750
Outstanding debt	(1,177)	(78)	(1,255)
Remaining availability as of December 31, 2022	\$ 1,423	\$ 72	\$ 1,495

(a) Total remaining availability of \$1.50 billion as of December 31, 2022, may be accessed through revolver draws.

Presented in the table below is the Company's total available liquidity as of March 31, 2023 and December 31, 2022, respectively:

(In millions)	Cash and Cash Equivalents	Availability on Revolving Credit Facility	Total Available Liquidity
Available liquidity as of March 31, 2023	\$ 213	\$ 2,672	\$ 2,885
Available liquidity as of December 31, 2022	\$ 85	\$ 1,495	\$ 1,580

The Company believes that its ability to access the debt and equity capital markets, the revolving credit facility and cash flows from operations will generate sufficient cash to fund the Company's short-term requirements. The Company believes it has sufficient liquidity and the ability to manage its expenditures, should there be a disruption of the capital and credit markets. However, there can be no assurance that the lenders will be able to meet existing commitments to AWCC under the revolving credit facility, or that AWCC will be able to access the commercial paper or loan markets in the future on acceptable terms or at all. See Note 8—Short-Term Debt in the Notes to Consolidated Financial Statements for additional information.

The Company has entered into eleven 10-year treasury lock agreements, with notional amounts totaling \$300 million, to reduce interest rate exposure on debt expected to be issued in 2023. These treasury lock agreements terminate in January 2024, and have an average fixed rate of 3.47%. The Company designated these treasury lock agreements as cash flow hedges, with their fair value recorded in accumulated other comprehensive gain or loss. Upon termination, the cumulative gain or loss recorded in accumulated other comprehensive gain or loss will be amortized through interest, net over the term of the new debt.

No ineffectiveness was recognized on hedging instruments for the three months ended March 31, 2023 or 2022.

Cash Flows from Operating Activities

Cash flows from operating activities primarily result from the sale of water and wastewater services and, due to the seasonality of demand, are generally greater during the warmer months. Presented in the table below is a summary of the major items affecting the Company's cash flows from operating activities:

(In millions)	For the Three Months Ended March 31,	
	2023	2022
Net income	\$ 170	\$ 158
Add (less):		
Depreciation and amortization	172	158
Deferred income taxes and amortization of investment tax credits	26	(61)
Other non-cash activities (a)	(32)	(11)
Changes in working capital (b)	(41)	(71)
Pension and non-pension postretirement benefit contributions	(10)	(19)
Net cash provided by operating activities	<u>\$ 285</u>	<u>\$ 154</u>

(a) Includes provision for losses on accounts receivable, pension and non-pension postretirement benefits and other non-cash, net. Details of each component can be found on the Consolidated Statements of Cash Flows.

(b) Changes in working capital include changes to receivables and unbilled revenues, accounts payable, accrued liabilities, accrued taxes, and other current assets and liabilities, net.

For the three months ended March 31, 2023, cash provided by operating activities increased \$131 million, primarily due to changes in deferred taxes and working capital. The change in deferred taxes was driven by the settlement of the deferred tax liability related to the Company's New York regulated operations that was sold in the first quarter of 2022. Partially offset by the change in other non-cash activities including activity in regulatory accounts and pension and non-pension postretirement benefits.

Cash Flows from Investing Activities

Presented in the table below is a summary of the major items affecting the Company's cash flows from investing activities:

(In millions)	For the Three Months Ended March 31,	
	2023	2022
Net capital expenditures	\$ (526)	\$ (424)
Acquisitions, net of cash acquired	(4)	(5)
Net proceeds from sale of assets	—	608
Other investing activities, net (a)	(31)	(20)
Net cash (used in) provided by investing activities	\$ (561)	\$ 159

(a) Includes removal costs from property, plant and equipment retirements.

For the three months ended March 31, 2023, cash used in investing activities increased \$720 million, primarily due to proceeds received from the sale of the Company's New York operations in the first quarter of 2022 and increased payments for capital expenditures and acquisitions. The Company plans to invest approximately \$2.9 billion across its footprint in 2023.

Cash Flows from Financing Activities

Presented in the table below is a summary of the major items affecting the Company's cash flows from financing activities:

(In millions)	For the Three Months Ended March 31,	
	2023	2022
Proceeds from long-term debt	\$ 8	\$ 11
Repayments of long-term debt	(4)	(5)
Net proceeds from common stock financing	1,688	—
Net short-term borrowings (repayments) with maturities less than three months	(1,175)	(263)
Dividends paid	(119)	(109)
Other financing activities, net (a)	3	13
Net cash provided by (used in) financing activities	\$ 401	\$ (353)

(a) Includes proceeds from issuances of common stock under various employee stock plans and the Company's dividend reinvestment and direct stock purchase plan, net of taxes paid, and advances and contributions in aid of construction, net of refunds.

For the three months ended March 31, 2023, cash provided by financing activities increased \$754 million, primarily due to the common stock offering. This was partially offset by repayment in full of the short-term commercial paper obligations during the first quarter of 2023.

Debt Covenants

The Company's debt agreements contain financial and non-financial covenants. To the extent that the Company is not in compliance with these covenants, an event of default may occur under one or more debt agreements and the Company, or its subsidiaries, may be restricted in its ability to pay dividends, issue new debt or access the revolving credit facility. The long-term debt indentures contain a number of covenants that, among other things, prohibit or restrict the Company from issuing debt secured by the Company's assets, subject to certain exceptions. Failure to comply with any of these covenants could accelerate repayment obligations.

Covenants in certain long-term notes and the revolving credit facility require the Company to maintain a ratio of consolidated debt to consolidated capitalization (as defined in the relevant documents) of not more than 0.70 to 1.00. On March 31, 2023, the Company's ratio was 0.54 to 1.00 and therefore the Company was in compliance with the covenants.

Security Ratings

Presented in the table below are long-term and short-term credit ratings and rating outlooks as of April 26, 2023, as issued by Moody’s Investors Service on December 19, 2022, and S&P Global Ratings on February 6, 2023:

Securities	Moody’s Investors Service	Standard & Poor’s Ratings Service
Rating outlook	Stable	Stable
Senior unsecured debt	Baa1	A
Commercial paper	P-2	A-1

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

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

Access to the capital markets, including the commercial paper market, and respective financing costs in those markets, may be directly affected by the Company’s securities ratings. The Company primarily accesses the debt capital markets, including the commercial paper market, through AWCC. However, the Company has also issued debt through its regulated subsidiaries, primarily in the form of mortgage bonds and tax-exempt securities or borrowings under state revolving funds, to lower the overall cost of debt.

Dividends

For discussion of the Company’s dividends, see Note 6—Shareholders’ Equity in the Notes to Consolidated Financial Statements for additional information.

Application of Critical Accounting Policies and Estimates

Financial condition of the Company, results of operations and cash flows, as reflected in the Company’s Consolidated Financial statements, are impacted by the methods, assumptions and estimates used in the application of critical accounting policies. See Part II, Item 7—Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates in the Company’s Form 10-K for a discussion of its critical accounting policies. Additionally, see Note 2—Significant Accounting Policies in the Notes to Consolidated Financial Statements for updates, if any, to the significant accounting policies previously disclosed in the Company’s Form 10-K.

Recent Accounting Standards

See Note 2—Significant Accounting Policies in the Notes to Consolidated Financial Statements for a description of new accounting standards recently adopted or pending adoption.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risk in the normal course of business, including changes in commodity prices, equity prices and interest rates. For further discussion of its exposure to market risk, see Part II, Item 7A—Quantitative and Qualitative Disclosures about Market Risk in the Company’s Form 10-K. There have been no significant changes to the Company’s exposure to market risk since December 31, 2022.

ITEM 4. CONTROLS AND PROCEDURES**Evaluation of Disclosure Controls and Procedures**

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

The Company's management, including the Chief Executive Officer and the Chief Financial Officer, conducted an evaluation of the effectiveness of its disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of March 31, 2023.

Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that, as of March 31, 2023, the Company's disclosure controls and procedures were effective at a reasonable level of assurance.

Changes in Internal Control over Financial Reporting

The Company concluded that there have been no changes in internal control over financial reporting that occurred during the three months ended March 31, 2023, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The following information updates and amends the information provided in the Company's Form 10-K in Item 3—Legal Proceedings. Capitalized terms used but not otherwise defined herein have the meanings set forth in the Company's Form 10-K. In accordance with the SEC's disclosure rules, the Company has elected to disclose environmental proceedings involving the Company and a governmental authority if the amount of potential monetary sanctions, exclusive of interest and costs, that the Company reasonably believes will result from such proceeding is \$1 million or more.

Alternative Water Supply in Lieu of Carmel River Diversions

Monterey Peninsula Water Supply Project

CPUC Final Approval of Water Supply Project

On March 30, 2023, the CPUC issued a decision denying Cal Am's application for rehearing, but adopting its proposed AFUDC for already incurred and future costs. The decision also provides Cal Am the opportunity to serve supplemental testimony to increase its cost cap for certain of the Water Supply Project's extraction wells. The amended water purchase agreement and a memorandum of understanding to negotiate certain milestones related to the expansion of the GWR Project have been signed by the relevant parties.

While Cal Am believes that its expenditures to date have been prudent and necessary to comply with the 2009 Order and the 2016 Order, as well as relevant final decisions of the CPUC related thereto, Cal Am cannot currently predict its ability to recover all of its costs and expenses associated with the Water Supply Project and there can be no assurance that Cal Am will be able to recover all of such costs and expenses in excess of the \$112 million in aggregate construction costs, plus applicable AFUDC, previously approved by the CPUC in its 2016 final decision and its December 2022 final decision, as amended by its March 30, 2023 rehearing decision.

Test Slant Well Permitting

The application for extension of the State Lands Commission lease was approved, and the lease will now expire on December 16, 2027.

Proposed Acquisition of Monterey System Assets — Local Area Formation Commission Litigation

Notwithstanding the denial by LAFCO of the MPWMD's application seeking to be a retail water provider, which is currently being challenged by the MPWMD, the MPWMD notified Cal Am by letter dated April 3, 2023, of its offer to purchase the Monterey system assets for \$448.8 million. Cal Am's response is due by April 30, 2023, and it currently plans to reject the offer. The MPWMD has reserved its right to determine whether to acquire the Monterey system assets through the exercise of eminent domain.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report, readers should carefully consider the factors discussed in Item 1A—Risk Factors in the Form 10-K, and in the Company's other filings with the SEC, which could materially affect the Company's business, financial condition, cash flows or future results. There have been no material changes from the risk factors previously disclosed in Item 1A—Risk Factors in the Form 10-K.

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

In February 2015, the Board of Directors authorized an anti-dilutive stock repurchase program to mitigate the dilutive effect of shares issued through the Company's dividend reinvestment and direct stock purchase plan and employee stock purchase and executive compensation activities. The program allows the Company to purchase up to 10 million shares of its outstanding common stock over an unrestricted period of time in the open market or through privately negotiated transactions. The program is conducted in accordance with Rule 10b-18 of the Exchange Act, and, to facilitate these repurchases, the Company enters into Rule 10b5-1 stock repurchase plans with a third-party broker, which allow the Company to repurchase shares of its common stock at times when it otherwise might be prevented from doing so under insider trading laws or because of self-imposed trading blackout periods. Subject to applicable regulations, the Company may elect to amend or cancel the program or the stock repurchase parameters at its discretion to manage dilution.

The Company did not repurchase shares of common stock during the three months ended March 31, 2023. From April 1, 2015, the date repurchases under the anti-dilutive stock repurchase program commenced, through March 31, 2023, the Company repurchased an aggregate of 4,860,000 shares of common stock under the program, leaving an aggregate of 5,140,000 shares available for repurchase under this program.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit Number	Exhibit Description
3.1	Restated Certificate of Incorporation of American Water Works Company, Inc. (incorporated by reference to Exhibit 3.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed November 6, 2008).
3.2	Amended and Restated Bylaws of American Water Works Company, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, File No. 001-34028, filed December 8, 2022).
*10.1	Form of American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2023 Restricted Stock Unit Grant.
*10.2	Form of American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2023 Restricted Stock Unit Grant (for CEO, CFO and COO).
*10.3	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2023 Performance Stock Unit Grant Form A-1.
*10.4	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2023 Performance Stock Unit Grant Form A-2 (for CEO, CFO and COO).
*10.5	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2023 Performance Stock Unit Grant Form B-1.
*10.6	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2023 Performance Stock Unit Grant Form B-2 (for CEO, CFO and COO).
*31.1	Certification of M. Susan Hardwick, President and Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act.
*31.2	Certification of John C. Griffith, Executive Vice President and Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act.
**32.1	Certification of M. Susan Hardwick, President and Chief Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act.
**32.2	Certification of John C. Griffith, Executive Vice President and Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act.
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101).

* Filed herewith.

** Furnished herewith.

AMERICAN WATER WORKS COMPANY, INC.
2017 OMNIBUS EQUITY COMPENSATION PLAN
RESTRICTED STOCK UNIT GRANT

This RESTRICTED STOCK UNIT GRANT, dated as of February 14, 2023 (the “Date of Grant”), is delivered by American Water Works Company, Inc. (the “Company”) to _____ (the “Participant”).

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the “Plan”)) has adopted a 2023 Long Term Performance Plan (“2023 LTPP”) pursuant to which designated employees will be granted equity awards (collectively, the “Equity Award”) for shares of Common Stock of the Company, par value \$0.01 per share, (the “Company Stock”);

WHEREAS, the Equity Award is comprised of three separate grants: a restricted stock unit and two performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2023 LTPP and to grant the Participant an Equity Award under the 2023 LTPP; and

WHEREAS, the Committee has determined that the restricted stock unit portion of the Equity Award granted pursuant to the 2023 LTPP to the Participant shall be issued under the Plan and the terms and conditions of such restricted stock unit shall be memorialized in this grant (the “Grant”).

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

1. Grant of Restricted Stock Units. Subject to the terms and conditions set forth in this Grant and the Plan, the Company hereby grants to the Participant _____ units (the “Restricted Stock Units”). Each unit (a “Unit”) shall be a phantom right and shall be equivalent to one share of Company Stock on the applicable Redemption Date (as defined below).
2. Restricted Stock Unit Account. The Company shall establish and maintain a Restricted Stock Unit account as a bookkeeping account on its records (the “Restricted Stock Unit Account”) for the Participant and shall record in such Restricted Stock Unit Account the number of Restricted Stock Units granted to the Participant. The Participant shall not have any interest in any fund or specific assets of the Company by reason of this grant or the Restricted Stock Unit Account established for the Participant.
3. Vesting.
 - (a) Except as provided in subparagraph (c) below, the Restricted Stock Units shall vest on the following dates (each a “Service Date”), provided the Participant continues to be

employed by, or providing service to, the Employer (as defined in the Plan) from the Date of Grant through the applicable Service Date:

<u>Service Date</u>	<u>Units Vesting</u>
January 31, 2024	1/3
January 31, 2025	1/3
January 31, 2026	1/3

The vesting of the Restricted Stock Units is cumulative, but shall not exceed 100% of the Units subject to the Restricted Stock Units. If the foregoing schedule would produce fractional Units, the number of Units for which the Restricted Stock Units becomes vested on a Service Date shall be rounded down to the nearest whole Unit. The Restricted Stock Units shall become vested with respect to 100% of the Units subject to the Restricted Stock Units on January 31, 2026, if the Participant is employed by, or providing service to, the Employer on such date.

(b) Subject to subparagraph (c) below, if at any time prior to January 31, 2026, the Participant's employment or service with the Employer terminates for any reason, including death or disability, then all of the unvested Restricted Stock Units shall be immediately forfeited and the Participant shall not have any rights with respect to the vesting or the redemption of any portion of the Restricted Stock Unit.

(c) If at any time prior to January 31, 2026, but while the Participant is employed by or providing service to the Employer, a Change of Control (as defined below) occurs, the Company is not the surviving corporation (or survives only as a subsidiary of another corporation or entity (the "surviving corporation")) and the Restricted Stock Units are not converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation), then the portion of the Restricted Stock Units that have not yet vested as provided in subparagraph 3(a) above shall become fully vested on the date of the Change of Control (the "Change of Control Date"). In the event the Participant's Restricted Stock Units are assumed by the surviving corporation but the Participant ceases to be employed by, or providing service to, the surviving corporation (or a parent or subsidiary of the surviving corporation) within twelve (12) months after the date of the Change of Control on account of (i) a termination of such Participant's employment by the surviving corporation (or a parent or subsidiary of the surviving corporation) for any reason other than on account of Cause (as defined below), or on account of death or Disability (each as defined in the Plan), or (ii) a termination of employment or service by the Participant for Good Reason (as defined in the Plan), then the portion of the Restricted Stock Units that have not yet vested as provided in subparagraph 3(a) above shall become fully vested on the date of such termination of employment or service (the "Termination Date"). For purposes of this Grant, "Change of Control" shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Agreement unless the event constituting the Change of Control constitutes a change in the ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and its corresponding regulations. For the avoidance of doubt, if the Change of Control does not constitute a permitted change in control event under section 409A of the Code, then the Restricted Stock Unit shall not vest on the occurrence of the Change

of Control. For purposes of this Grant, “Cause” shall mean a finding by the Committee that the Participant (i) has breached his or her employment or service contract with the Employer, if any; (ii) has engaged in disloyalty to the Employer including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty; (iii) has disclosed trade secrets or confidential information of the Employer to persons not entitled to receive such information; (iv) has breached any written noncompetition or nonsolicitation agreement between the Participant and the Employer; or (v) has engaged in such other behavior detrimental to the interests of the Employer as the Committee determines.

4. Redemption. Unless an election is made pursuant to Paragraph 5 below, the Restricted Stock Units that have become vested pursuant to Paragraph 3 shall be redeemed by the Company on the earliest of the (i) applicable Service Date, (ii) the Change of Control Date or (iii) the Termination Date, (the date of redemption is hereinafter referred to as the “Redemption Date”). As soon as administratively practicable following the applicable Redemption Date, but not later than forty-five (45) days following the Redemption Date, (or, if applicable, the Deferred Date, as defined in Paragraph 5 below), all Restricted Stock Units that become vested pursuant to Paragraph 3 above shall be redeemed and converted to an equivalent number of shares of Company Stock, and the Participant shall receive a single distribution of such shares of Company Stock, which shall be issued under the Plan.

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

6. Dividend Equivalents. Until the Redemption Date (or the Deferred Date, if elected), if any dividends are paid with respect to the shares of Company Stock, the Company shall credit to a dividend equivalent account (the “Dividend Equivalent Account”) the value of the dividends that would have been distributed if the Restricted Stock Units credited to the Participant’s Restricted Stock Unit Account as of the date of payment of any such dividend were shares of Company Stock. On the Redemption Date (or the Deferred Date, if applicable), the Company shall pay to the Participant in a lump sum cash equal to the value of the dividends credited to the Participant’s Dividend Equivalent Account; provided, however, that any dividends that were

credited to the Participant's Dividend Equivalent Account that are attributable to Units that have been forfeited as provided in Paragraph 3 above shall be immediately forfeited and not payable to the Participant. No interest shall accrue on any dividend equivalents credited to the Participant's Dividend Equivalent Account.

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

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

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

(a) To the extent permitted by Code section 409A, the obligation of the Company to deliver shares of Company Stock upon the redemption of the Restricted Stock Units shall be subject to the condition that shares of Company Stock be qualified for listing on the New York Stock Exchange or another securities exchange and be registered under the Securities Act of 1933, as amended, and that any consent or approval of any governmental regulatory body that is necessary to issue shares of Company Stock has been so obtained, and that shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

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

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

(i) to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time) regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Insider Trading and Prohibited Transactions Policy and the Personal Securities Trading and Preclearance Practice; and

(ii) that the shares of Company Stock obtained by the Participant upon the redemption of the Restricted Stock Units shall be subject to the guidelines and restrictions set forth in the Company's Executive Stock Ownership Guidelines and Executive Stock Retention Requirements, effective as of July 26, 2022 (and as they may be amended, restated, supplemented and interpreted), and any applicable clawback or recoupment

policies and other policies that may be implemented by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

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

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

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

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

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

15. Withholding. The Participant shall be required to pay to the Employer, or make other arrangements satisfactory to the Employer to provide for the payment of, any federal, state, local or other taxes that the Employer is required to withhold with respect to the grant, vesting and redemption of the Restricted Stock Units and payment of dividend equivalents. Any tax withholding obligation of the Employer with respect to the redemption of the Restricted Stock

Units may, at the Committee's discretion, be satisfied by having shares of Company Stock withheld, up to an amount that does not exceed the minimum applicable withholding tax rate for federal (including FICA), state, local and other tax liabilities.

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

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

18. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be (i) delivered by hand, (ii) delivered by a national overnight courier or delivery service, (iii) enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service, or (iv) in the case of notices by the Company to the Participant, delivered by e-mail or other electronic means (with confirmation of receipt to be made by any oral, electronic or written means).

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

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

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

AMERICAN WATER WORKS COMPANY, INC.

By: M. Susan Hardwick

A handwritten signature in black ink, appearing to read "M. Susan Hardwick". The signature is written in a cursive style with a large initial "M".

Its: President and CEO

AMERICAN WATER WORKS COMPANY, INC.
2017 OMNIBUS EQUITY COMPENSATION PLAN
RESTRICTED STOCK UNIT GRANT

This RESTRICTED STOCK UNIT GRANT, dated as of February 14, 2023 (the “Date of Grant”), is delivered by American Water Works Company, Inc. (the “Company”) to _____ (the “Participant”).

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the “Plan”)) has adopted a 2023 Long Term Performance Plan (“2023 LTTP”) pursuant to which designated employees will be granted equity awards (collectively, the “Equity Award”) for shares of Common Stock of the Company, par value \$0.01 per share, (the “Company Stock”);

WHEREAS, the Equity Award is comprised of three separate grants: a restricted stock unit and two performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2023 LTTP and to grant the Participant an Equity Award under the 2023 LTTP; and

WHEREAS, the Committee has determined that the restricted stock unit portion of the Equity Award granted pursuant to the 2023 LTTP to the Participant shall be issued under the Plan and the terms and conditions of such restricted stock unit shall be memorialized in this grant (the “Grant”).

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

1. Grant of Restricted Stock Units. Subject to the terms and conditions set forth in this Grant and the Plan, the Company hereby grants to the Participant _____ units (the “Restricted Stock Units”). Each unit (a “Unit”) shall be a phantom right and shall be equivalent to one share of Company Stock on the applicable Redemption Date (as defined below).
2. Restricted Stock Unit Account. The Company shall establish and maintain a Restricted Stock Unit account as a bookkeeping account on its records (the “Restricted Stock Unit Account”) for the Participant and shall record in such Restricted Stock Unit Account the number of Restricted Stock Units granted to the Participant. The Participant shall not have any interest in any fund or specific assets of the Company by reason of this grant or the Restricted Stock Unit Account established for the Participant.
3. Vesting.
 - (a) Except as provided in subparagraphs (c), (d), and (e) below, the Restricted Stock Units shall vest on the following dates (each a “Service Date”), provided the Participant

continues to be employed by, or providing service to, the Employer (as defined in the Plan) from the Date of Grant through the applicable Service Date:

<u>Service Date</u>	<u>Units Vesting</u>
January 31, 2024	1/3
January 31, 2025	1/3
January 31, 2026	1/3

The vesting of the Restricted Stock Units is cumulative, but shall not exceed 100% of the Units subject to the Restricted Stock Units. If the foregoing schedule would produce fractional Units, the number of Units for which the Restricted Stock Units becomes vested on a Service Date shall be rounded down to the nearest whole Unit. The Restricted Stock Units shall become vested with respect to 100% of the Units subject to the Restricted Stock Units on January 31, 2026, if the Participant is employed by, or providing service to, the Employer on such date.

(b) Subject to subparagraphs (c), (d), and (e) below, if at any time prior to January 31, 2026, the Participant's employment or service with the Employer terminates for any reason, including death or disability, then all of the unvested Restricted Stock Units shall be immediately forfeited and the Participant shall not have any rights with respect to the vesting or the redemption of any portion of the Restricted Stock Unit.

(c) If prior to January 31, 2026, the Participant's employment or service with the Employer terminates on account of Normal Retirement (as defined below), then the portion of the Restricted Stock Units that have not yet vested as provided in subparagraph 3(a) above shall continue to become vested following the Participant's termination of employment or service on account of Normal Retirement in accordance with the schedule set forth in subparagraph 3(a). For purposes of this Grant, (i) "Normal Retirement" shall mean termination of employment or service with the Employer (other than for Cause (as defined below)) after the Participant has attained age sixty (60) and has five (5) total years of employment or service with the Employer which includes at least three (3) consecutive full calendar years of service in the position of Chief Executive Officer, Chief Operating Officer or Chief Financial Officer, or any combination thereof and (ii) "Cause" shall mean a finding by the Committee that the Participant (A) has breached his or her employment or service contract with the Employer, if any; (B) has engaged in disloyalty to the Employer including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty; (C) has disclosed trade secrets or confidential information of the Employer to persons not entitled to receive such information; (D) has breached any written noncompetition or nonsolicitation agreement between the Participant and the Employer; or (E) has engaged in such other behavior detrimental to the interests of the Employer as the Committee determines.

(d) If prior to January 31, 2026, the Participant's employment or service with the Employer terminates on account of Early Retirement (as defined below), then 75% of the portion of the Restricted Stock Units that have not yet vested as provided in subparagraph 3(a) above shall continue to become vested following the Participant's termination of employment or service on account of Early Retirement in accordance with the schedule set forth in subparagraph 3(a) and the remaining 25% of the portion of the Restricted Stock Units that have not vested as of the Participant's Early Retirement shall be immediately forfeited. For purposes of this Grant, "Early Retirement" shall mean termination of employment or service with the Employer (other than for Cause) after the Participant has attained age fifty-five (55) and has five (5) total years of employment or service with the Employer which includes at least three (3) consecutive full

calendar years of service in the position of Chief Executive Officer, Chief Operating Officer or Chief Financial Officer, or any combination thereof.

(e) If at any time prior to January 31, 2026, but while the Participant is employed by or providing service to the Employer, a Change of Control (as defined below) occurs, the Company is not the surviving corporation (or survives only as a subsidiary of another corporation or entity (the “surviving corporation”)) and the Restricted Stock Units are not converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation), then the portion of the Restricted Stock Units that have not yet vested as provided in subparagraph 3(a) above shall become fully vested on the date of the Change of Control (the “Change of Control Date”). In the event the Participant’s Restricted Stock Units are assumed by the surviving corporation but the Participant ceases to be employed by, or providing service to, the surviving corporation (or a parent or subsidiary of the surviving corporation) within twelve (12) months after the date of the Change of Control on account of (i) a termination of such Participant’s employment by the surviving corporation (or a parent or subsidiary of the surviving corporation) for any reason other than on account of Cause (as defined in 3(c)), or on account of death or Disability (each as defined in the Plan), or (ii) a termination of employment or service by the Participant for Good Reason (as defined in the Plan), then the portion of the Restricted Stock Units that have not yet vested as provided in subparagraph 3(a) above shall become fully vested on the date of such termination of employment or service (the “Termination Date”). For purposes of this Grant, “Change of Control” shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Agreement unless the event constituting the Change of Control constitutes a change in the ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the “Code”) and its corresponding regulations. For the avoidance of doubt, if the Change of Control does not constitute a permitted change in control event under section 409A of the Code, then the Restricted Stock Unit shall not vest on the occurrence of the Change of Control.

4. Redemption. Unless an election is made pursuant to Paragraph 5 below, the Restricted Stock Units that have become vested pursuant to Paragraph 3 shall be redeemed by the Company on the earliest of the (i) applicable Service Date, (ii) the Change of Control Date or (iii) the Termination Date, (the date of redemption is hereinafter referred to as the “Redemption Date”). As soon as administratively practicable following the applicable Redemption Date, but not later than forty-five (45) days following the Redemption Date, (or, if applicable, the Deferred Date, as defined in Paragraph 5 below), all Restricted Stock Units that become vested pursuant to Paragraph 3 above shall be redeemed and converted to an equivalent number of shares of Company Stock, and the Participant shall receive a single distribution of such shares of Company Stock, which shall be issued under the Plan. For purposes of clarity, if any Restricted Stock Units become vested pursuant to subparagraphs 3(c) or 3(d) above as a result of termination of employment or service with the Employer on account of Normal Retirement or Early Retirement, the Redemption Date for such vested Restricted Stock Units shall be the applicable Service Date or Change of Control Date to which such Restricted Stock Units would have been redeemed if the Participant had remained in the employment or service of the Employer (*i.e.*, the Redemption Date continues to be the originally scheduled Service Date as provided in subparagraph 3(a) above or the Change of Control Date, if earlier, and is not accelerated to an earlier Service Date or to the date on which the termination of employment or service occurs).

5. Deferrals. The Participant may make an irrevocable election to defer the Redemption Date (or further defer the Deferred Date (as defined below), if applicable) of any of the Restricted Stock Units that vest, plus dividend equivalents earned on such Restricted Stock Units

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

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

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

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

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

(a) To the extent permitted by Code section 409A, the obligation of the Company to deliver shares of Company Stock upon the redemption of the Restricted Stock Units shall be subject to the condition that shares of Company Stock be qualified for listing on the New York Stock Exchange or another securities exchange and be registered under the Securities Act of 1933, as amended, and that any consent or approval of any governmental regulatory body that is necessary to issue shares of Company Stock has been so obtained, and that shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

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

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

(i) to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time) regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Insider Trading and Prohibited Transactions Policy and the Personal Securities Trading and Preclearance Practice; and

(ii) that the shares of Company Stock obtained by the Participant upon the redemption of the Restricted Stock Units shall be subject to the guidelines and restrictions set forth in the Company's Executive Stock Ownership Guidelines and Executive Stock Retention Requirements, effective as of July 26, 2022 (and as they may be amended, restated, supplemented and interpreted), and any applicable clawback or recoupment policies and other policies that may be implemented by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

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

11. Grant Subject to Plan Provisions. This Grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. In the event of any contradiction, distinction or difference between this Grant and the terms of the Plan, the terms of the Plan will control. Except as otherwise defined in this Grant, capitalized terms used in this Grant shall have the meanings set forth in the Plan. This Grant is subject to the interpretations, regulations and determinations concerning the Plan established from time to time by the Committee in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (a) rights and obligations with respect to withholding taxes, (b) the registration, qualification or listing of the shares of Company Stock, (c) changes in capitalization of the Company, and (d) other requirements of applicable law. The Committee shall have the authority to interpret and construe this Grant pursuant to the terms of

the Plan, its decisions shall be conclusive as to any questions arising hereunder. By accepting this Grant, the Participant agrees (i) to be bound by the terms of the Plan and this Grant, (ii) to be bound by the determinations and decisions of the Committee with respect to this Grant, the Plan and the Participant's rights to benefits under this Grant and the Plan, and (iii) that all such determinations and decisions of the Committee shall be binding on the Participant, his or her beneficiaries and any other person having or claiming an interest under this Grant and the Plan on behalf of the Participant.

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

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

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

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

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

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

18. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be (i) delivered by hand, (ii) delivered by a national

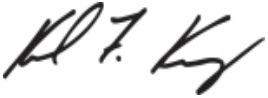
overnight courier or delivery service, (iii) enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service, or (iv) in the case of notices by the Company to the Participant, delivered by e-mail or other electronic means (with confirmation of receipt to be made by any oral, electronic or written means).

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

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

IN WITNESS WHEREOF, the Company has caused this Grant to be executed, effective as of the Date of Grant.
AMERICAN WATER WORKS COMPANY, INC.

By: Karl F. Kurz

A handwritten signature in black ink, appearing to read "Karl F. Kurz". The signature is written in a cursive, slightly slanted style.

Its: Board Chair

AMERICAN WATER WORKS COMPANY, INC.
2017 OMNIBUS EQUITY COMPENSATION PLAN
PERFORMANCE STOCK UNIT GRANT

This PERFORMANCE STOCK UNIT GRANT, dated as of February 14, 2023 (the "Date of Grant"), is delivered by American Water Works Company, Inc. (the "Company") to _____ (the "Participant").

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "Plan")) has adopted a 2023 Long Term Performance Plan ("2023 LTTP") pursuant to which designated employees will be granted equity awards (collectively, the "Equity Award") for shares of Common Stock of the Company, par value \$0.01 per share (the "Company Stock");

WHEREAS, the Equity Award is comprised of three separate grants: a restricted stock unit and two performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2023 LTTP and to grant the Participant an Equity Award under the 2023 LTTP; and

WHEREAS, the Committee has determined that the performance stock unit portion of the Equity Award granted to the Participant pursuant to the 2023 LTTP shall be issued under the Plan, and the terms and conditions of the performance stock unit grant that may be earned based on the Performance Goal (defined below) relating to the Company's Total Stockholder Return shall be memorialized in this grant (the "Grant").

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

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

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

3. Performance Goal.

(a) Unless a Change of Control (as defined below) occurs prior to the end of the Performance Period (as defined below), the distribution of the shares of Company Stock attributable to the Performance Units is contingent upon achievement of the performance goal

described in subparagraph (b) below for the Performance Period (the “Performance Goal”) and the Participant satisfying the continuation of employment and service with the Employer (as defined in the Plan) requirement described in Paragraph 4 below.

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

[INSERT RELATIVE TSR PERFORMANCE CURVE HERE]

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

(c) TSR represents stock price performance and dividend accumulation over the Performance Period for the Company and Peer Group. For purposes of this calculation, the initial stock price and the ending stock price are determined using the twenty (20) day average stock price for December 31, 2022, and December 31, 2025, as applicable. The twenty (20) day average stock price is the average of the daily closing stock prices for the twenty (20) trading days that end on the applicable December 31. If December 31 is not a trading day, the closing stock price on the first trading day prior to December 31 shall be used. To determine stock price performance, each closing stock price shall be adjusted by a dividend adjustment factor. The dividend adjustment factor takes into account each per share dividend paid for the Performance Period as well as the effect of any appreciation in stock price by reason of deeming the dividend to be reinvested in the stock. The dividend adjusted price provides the closing price for the requested day, week, or month, adjusted for all applicable splits and dividend distributions. At the end of the Performance Period, the TSR for the Company, and for each company in the Peer Group, shall be determined pursuant to the following formula:

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

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

(d) As soon as administratively practicable following the end of the Performance Period (as defined in Paragraph 3(f) below), the Committee will determine whether and to what extent the Performance Goal has been met and the number of Performance Units the Participant has earned, if any. Except as described in Paragraph 4 below, the Participant must be employed by, or providing service to, the Employer on the last day of the Performance Period in order to earn the Performance Units.

(e) If a Change of Control occurs prior to the end of the Performance Period, the Company is not the surviving corporation (or survives only as a subsidiary of another corporation or entity (the “surviving corporation”)) and the Performance Units are not converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation), then the Performance Period will end on the date of the Change of Control and the Performance Units will be deemed earned at the Target Award level as of the date of the Change of Control (the “Change of Control Date”). In the event the Participant’s Performance Units are

assumed by the surviving corporation but the Participant ceases to be employed by, or providing service to, the surviving corporation (or a parent or subsidiary of the surviving corporation) within twelve (12) months after the date of the Change of Control on account of (i) a termination of such Participant's employment by the surviving corporation (or a parent or subsidiary of the surviving corporation) for any reason other than on account of Cause (as defined in paragraph 4(c) hereof), or on account of death or Disability (each as defined in the Plan), or (ii) a termination of employment or service by the Participant for Good Reason (as defined in the Plan), then the Performance Period will end on the date of such termination of employment or service (the "Termination Date") and the Performance Units will be deemed earned at the Target Award level as of the Termination Date. For purposes of this Grant, "Change of Control" shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Grant unless the event constituting the Change of Control constitutes a change in ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and its corresponding regulations.

(f) For purposes of this Grant, the term "Performance Period" shall mean the three (3)-year period beginning on January 1, 2023 and ending December 31, 2025, and the term "Peer Group" shall mean those companies included in Exhibit A. If at any time during the Performance Period a company in the Peer Group is no longer a publicly traded entity, such company shall be removed from the Peer Group as of January 1 of the year in which the company is no longer publicly traded.

4. Termination of Employment or Service.

(a) Except as set forth in Paragraph 3(e), if, at least one year after the beginning of the Performance Period, but prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of any reason other than a termination for Cause (as defined below), the Participant will earn a pro-rata portion of the Performance Units, if the Performance Goal and the requirements of this Grant are met as of the last day of the Performance Period. The pro-rata portion earned will be equal to the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, multiplied by a fraction, which fraction shall be equal to (i) 1/3, if the Participant's employment or service with the Employer terminates on or after January 31, 2024, but prior to January 31, 2025; (ii) 2/3, if the Participant's employment or service with the Employer terminates on or after January 31, 2025, but prior to January 31, 2026; and (iii) 3/3, if the Participant's employment or service terminates with the Employer on or after January 31, 2026. If the Participant ceases to be employed by, or provide service to, the Employer for any reason other than on account of Cause, the prorated number of Performance Units earned by the Participant pursuant to this Paragraph 4(a) will be distributed in accordance with Paragraph 5.

(b) If at any time prior to the earlier of January 31, 2024 or a Change of Control, the Participant's employment or service with the Employer is terminated by the Employer on account of any reason or no reason or by the Participant for any reason or no reason, all of the Performance Units subject to this Grant shall be immediately forfeited as of the date of the Participant's termination of employment or service with the Employer and the Participant shall not have any rights with respect to the distribution of any portion of the Performance Units.

(c) If at any time prior to the date the Performance Units are distributed in accordance with Paragraph 5 the Participant's employment or service with the Employer is terminated on account of Cause, all of the Performance Units subject to this Grant shall be immediately forfeited and the Participant will not have any rights with respect to the distribution of any

portion of the Performance Units, irrespective of the level of achievement of the Performance Goal. For purposes of this Grant, “Cause” shall mean a finding by the Committee that the Participant (i) has breached his or her employment or service contract with the Employer, if any; (ii) has engaged in disloyalty to the Employer, including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty; (iii) has disclosed trade secrets or confidential information of the Employer to persons not entitled to receive such information; (iv) has breached any written noncompetition or nonsolicitation agreement between the Participant and the Employer; or (v) has engaged in such other behavior detrimental to the interests of the Employer as the Committee determines.

5. Time and Form of Payment with Respect to Performance Units. Unless an election is made pursuant to Paragraph 6 below, the Participant will receive a distribution with respect to the Performance Units earned as described in Paragraphs 3 and 4 above within seventy (70) days following the earliest of (a) January 31, 2026 (the “Distribution Date”), (b) the Change of Control Date or (c) the Termination Date. The Performance Units will be distributed in shares of Company Stock, with each Performance Unit earned equivalent to one share of Company Stock. Any Performance Units not earned because of the failure to attain the Performance Goal and service condition will be immediately forfeited.

6. Deferrals. The Participant may make an irrevocable election to defer the Distribution Date (or further defer the Deferred Date (as defined below), if applicable) of all of the Performance Units that are earned, plus dividend equivalents earned on such Performance Units as described in Paragraph 7 below, to a later date, provided that, except as to any election made by the Participant to accelerate the Deferred Date in the event of his or her death prior to the Deferred Date, (a) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (b) the deferred Distribution Date cannot be earlier than five (5) years from the original Distribution Date under Paragraph 5 above (or five (5) years from the applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (c) the election must be made no less than twelve (12) months prior to the date of the Distribution Date (twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Distribution Date, the Participant must elect to defer 100% of the Performance Units, including corresponding dividend equivalents, earned by the Participant under this Grant, as well as 100% of the other performance stock units, including corresponding dividend equivalents, earned by the Participant under the 2023 LTPP, complete the deferral election form provided to the Participant and return such form to the Company in the manner and by the deadline provided therein. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant’s election pursuant to this Paragraph, if the Change of Control Date or the Termination Date occurs prior to the Deferred Date, the distribution of the Participant’s earned Performance Units, plus corresponding dividend equivalents, will be the Change of Control Date or the Termination Date, as applicable. If a Distribution Date is delayed one or more times pursuant to any election made by the Participant pursuant to this Paragraph 6, the new Distribution Date shall be referred to as the “Deferred Date.”

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

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

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

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

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

(a) To the extent permitted by Code section 409A, the obligation of the Company to deliver shares of Company Stock upon the Participant earning the Performance Units shall be subject to the condition that shares of Company Stock be qualified for listing on the New York Stock Exchange or another securities exchange and be registered under the Securities Act of 1933, as amended, and that any consent or approval of any governmental regulatory body that is necessary to issue shares of Company Stock has been so obtained, and that shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

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

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

i. to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time) regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and/or from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Insider Trading and Prohibited Transactions Policy and the Personal Securities Trading and Preclearance Practice; and

ii. that any shares of Company Stock received by the Participant upon the distribution of the earned Performance Units pursuant to this Grant shall be subject to the guidelines and restrictions set forth in the Company's Executive Stock Ownership Guidelines and Executive Stock Retention Requirements, effective as of July 26, 2022 (and as they may be amended, restated, supplemented and interpreted), and any applicable clawback or recoupment policies and other policies that may be implemented

by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

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

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

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

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

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

16. Withholding. The Participant shall be required to pay to the Employer, or make other arrangements satisfactory to the Employer to provide for the payment of, any federal, state, local or other taxes that the Employer is required to withhold with respect to the grant, vesting and distribution of the Performance Units and dividend equivalents. Any tax withholding obligation of the Employer with respect to the distribution of shares of Company Stock pursuant to the Performance Units that are earned by the Participant under this Grant may, at the Committee's discretion, be satisfied by having shares of Company Stock withheld up to an amount that does

not exceed the minimum applicable withholding tax rate for federal (including FICA), state, local and other tax liabilities.

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

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

19. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be (i) delivered by hand, (ii) delivered by a national overnight courier or delivery service, (iii) enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service, or (iv) in the case of notices by the Company to the Participant, delivered by e-mail or other electronic means (with confirmation of receipt to be made by any oral, electronic or written means).

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

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

[SIGNATURE PAGE FOLLOWS]

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

AMERICAN WATER WORKS COMPANY, INC.

By: M. Susan Hardwick

A handwritten signature in black ink, appearing to read "M. Susan Hardwick". The signature is written in a cursive, flowing style.

Its: President and CEO

PSU Grant A

Exhibit A

PEER GROUP COMPANIES

[INSERT LIST OF PEER GROUP COMPANIES HERE]

AMERICAN WATER WORKS COMPANY, INC.
2017 OMNIBUS EQUITY COMPENSATION PLAN
PERFORMANCE STOCK UNIT GRANT

This PERFORMANCE STOCK UNIT GRANT, dated as of February 14, 2023 (the "Date of Grant"), is delivered by American Water Works Company, Inc. (the "Company") to _____ (the "Participant").

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "Plan")) has adopted a 2023 Long Term Performance Plan ("2023 LTTP") pursuant to which designated employees will be granted equity awards (collectively, the "Equity Award") for shares of Common Stock of the Company, par value \$0.01 per share (the "Company Stock");

WHEREAS, the Equity Award is comprised of three separate grants: a restricted stock unit and two performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2023 LTTP and to grant the Participant an Equity Award under the 2023 LTTP; and

WHEREAS, the Committee has determined that the performance stock unit portion of the Equity Award granted to the Participant pursuant to the 2023 LTTP shall be issued under the Plan, and the terms and conditions of the performance stock unit grant that may be earned based on the Performance Goal (defined below) relating to the Company's Total Stockholder Return shall be memorialized in this grant (the "Grant").

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

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

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

3. Performance Goal.

(a) Unless a Change of Control (as defined below) occurs prior to the end of the Performance Period (as defined below), the distribution of the shares of Company Stock attributable to the Performance Units is contingent upon achievement of the performance goal

described in subparagraph (b) below for the Performance Period (the “Performance Goal”) and the Participant satisfying the continuation of employment and service with the Employer (as defined in the Plan) requirement described in Paragraph 4 below.

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

[INSERT RELATIVE TSR PERFORMANCE CURVE HERE]

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

(c) TSR represents stock price performance and dividend accumulation over the Performance Period for the Company and Peer Group. For purposes of this calculation, the initial stock price and the ending stock price are determined using the twenty (20) day average stock price for December 31, 2022, and December 31, 2025, as applicable. The twenty (20) day average stock price is the average of the daily closing stock prices for the twenty (20) trading days that end on the applicable December 31. If December 31 is not a trading day, the closing stock price on the first trading day prior to December 31 shall be used. To determine stock price performance, each closing stock price shall be adjusted by a dividend adjustment factor. The dividend adjustment factor takes into account each per share dividend paid for the Performance Period as well as the effect of any appreciation in stock price by reason of deeming the dividend to be reinvested in the stock. The dividend adjusted price provides the closing price for the requested day, week, or month, adjusted for all applicable splits and dividend distributions. At the end of the Performance Period, the TSR for the Company, and for each company in the Peer Group, shall be determined pursuant to the following formula:

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

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

(d) As soon as administratively practicable following the end of the Performance Period (as defined in Paragraph 3(f) below), the Committee will determine whether and to what extent the Performance Goal has been met and the number of Performance Units the Participant has earned, if any. Except as described in Paragraph 4 below, the Participant must be employed by, or providing service to, the Employer on the last day of the Performance Period in order to earn the Performance Units.

(e) If a Change of Control occurs prior to the end of the Performance Period, the Company is not the surviving corporation (or survives only as a subsidiary of another corporation or entity (the “surviving corporation”)) and the Performance Units are not converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation), then the Performance Period will end on the date of the Change of Control and the Performance Units will be deemed earned at the Target Award level as of the date of the Change of Control (the “Change of Control Date”). In the event the Participant’s Performance Units are

assumed by the surviving corporation but the Participant ceases to be employed by, or providing service to, the surviving corporation (or a parent or subsidiary of the surviving corporation) within twelve (12) months after the date of the Change of Control on account of (i) a termination of such Participant's employment by the surviving corporation (or a parent or subsidiary of the surviving corporation) for any reason other than on account of Cause (as defined in paragraph 4(e) hereof), or on account of death or Disability (each as defined in the Plan), or (ii) a termination of employment or service by the Participant for Good Reason (as defined in the Plan), then the Performance Period will end on the date of such termination of employment or service (the "Termination Date") and the Performance Units will be deemed earned at the Target Award level as of the Termination Date. For purposes of this Grant, "Change of Control" shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Grant unless the event constituting the Change of Control constitutes a change in ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and its corresponding regulations.

(f) For purposes of this Grant, the term "Performance Period" shall mean the three (3)-year period beginning on January 1, 2023 and ending December 31, 2025, and the term "Peer Group" shall mean those companies included in Exhibit A. If at any time during the Performance Period a company in the Peer Group is no longer a publicly traded entity, such company shall be removed from the Peer Group as of January 1 of the year in which the company is no longer publicly traded.

4. Termination of Employment or Service.

(a) Except as set forth in Paragraphs 3(e), 4(b), or 4(c), if, at least one year after the beginning of the Performance Period, but prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of any reason other than a termination for Cause (as defined below), the Participant will earn a pro-rata portion of the Performance Units, if the Performance Goal and the requirements of this Grant are met as of the last day of the Performance Period. The pro-rata portion earned will be equal to the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, multiplied by a fraction, which fraction shall be equal to (i) 1/3, if the Participant's employment or service with the Employer terminates on or after January 31, 2024, but prior to January 31, 2025; (ii) 2/3, if the Participant's employment or service with the Employer terminates on or after January 31, 2025, but prior to January 31, 2026; and (iii) 3/3, if the Participant's employment or service terminates with the Employer on or after January 31, 2026. If the Participant ceases to be employed by, or provide service to, the Employer for any reason other than on account of Cause, the prorated number of Performance Units earned by the Participant pursuant to this Paragraph 4(a) will be distributed in accordance with Paragraph 5.

(b) Notwithstanding any provision of this Agreement to the contrary, if prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of Normal Retirement, then the Participant will earn the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, if the Performance Goal and the requirements of this Grant are met as of the last day of the Performance Period. If the Participant ceases to be employed by, or provide service to, the Employer on account of Normal Retirement pursuant to this subparagraph (b), the number of Performance Units that are earned based on the Performance Goal and other requirements of this Grant will be distributed in accordance with Paragraph 5. For purposes of this Grant, "Normal Retirement" shall mean termination of employment or service with the Employer (other than for Cause) after the Participant has

attained age sixty (60) and has five (5) total years of employment or service with the Employer which includes at least three (3) consecutive full calendar years of service in the position of Chief Executive Officer, Chief Operating Officer or Chief Financial Officer, or any combination thereof.

(c) Notwithstanding any provision of this Agreement to the contrary, if prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of Early Retirement, then the Participant will earn 75% of the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, if the Performance Goal and the requirements of this Grant are met as of the last day of the Performance Period, and unearned Performance Units shall be immediately forfeited. If the Participant ceases to be employed by, or provide service to, the Employer on account of Early Retirement pursuant to this subparagraph (c), then the number of Performance Units that are earned based on the Performance Goal and other requirements of this Grant will be distributed in accordance with Paragraph 5. For purposes of this Grant, "Early Retirement" shall mean termination of employment or service with the Employer (other than for Cause) after the Participant has attained age fifty-five (55) and has five (5) total years of employment or service with the Employer which includes at least three (3) consecutive full calendar years of service in the position of Chief Executive Officer, Chief Operating Officer or Chief Financial Officer, or any combination thereof.

(d) Except as set forth in Paragraphs 4(b) or 4(c), if at any time prior to the earlier of January 31, 2024 or a Change of Control, the Participant's employment or service with the Employer is terminated by the Employer on account of any reason or no reason or by the Participant for any reason or no reason, all of the Performance Units subject to this Grant shall be immediately forfeited as of the date of the Participant's termination of employment or service with the Employer and the Participant shall not have any rights with respect to the distribution of any portion of the Performance Units.

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

5. Time and Form of Payment with Respect to Performance Units. Unless an election is made pursuant to Paragraph 6 below, the Participant will receive a distribution with respect to the Performance Units earned as described in Paragraphs 3 and 4 above within seventy (70) days following the earliest of (a) January 31, 2026 (the "Distribution Date"), (b) the Change of Control Date or (c) the Termination Date. The Performance Units will be distributed in shares of Company Stock, with each Performance Unit earned equivalent to one share of Company Stock. Any Performance Units not earned because of the failure to attain the Performance Goal and service condition will be immediately forfeited.

6. Deferrals. The Participant may make an irrevocable election to defer the Distribution Date (or further defer the Deferred Date (as defined below), if applicable) of all of the Performance Units that are earned, plus dividend equivalents earned on such Performance Units as described in Paragraph 7 below, to a later date, provided that, except as to any election made by the Participant to accelerate the Deferred Date in the event of his or her death prior to the Deferred Date, (a) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (b) the deferred Distribution Date cannot be earlier than five (5) years from the original Distribution Date under Paragraph 5 above (or five (5) years from the applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (c) the election must be made no less than twelve (12) months prior to the date of the Distribution Date (twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Distribution Date, the Participant must elect to defer 100% of the Performance Units, including corresponding dividend equivalents, earned by the Participant under this Grant, as well as 100% of the other performance stock units, including corresponding dividend equivalents, earned by the Participant under the 2023 LTTP, complete the deferral election form provided to the Participant and return such form to the Company in the manner and by the deadline provided therein. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant's election pursuant to this Paragraph, if the Change of Control Date or the Termination Date occurs prior to the Deferred Date, the distribution of the Participant's earned Performance Units, plus corresponding dividend equivalents, will be the Change of Control Date or the Termination Date, as applicable. If a Distribution Date is delayed one or more times pursuant to any election made by the Participant pursuant to this Paragraph 6, the new Distribution Date shall be referred to as the "Deferred Date."

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

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

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

any such preference, and hereby disclaims and waives any such preference which may at any time be at issue, to the fullest extent permitted by applicable law.

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

(a) To the extent permitted by Code section 409A, the obligation of the Company to deliver shares of Company Stock upon the Participant earning the Performance Units shall be subject to the condition that shares of Company Stock be qualified for listing on the New York Stock Exchange or another securities exchange and be registered under the Securities Act of 1933, as amended, and that any consent or approval of any governmental regulatory body that is necessary to issue shares of Company Stock has been so obtained, and that shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

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

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

i. to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time) regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and/or from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Insider Trading and Prohibited Transactions Policy and the Personal Securities Trading and Preclearance Practice; and

ii. that any shares of Company Stock received by the Participant upon the distribution of the earned Performance Units pursuant to this Grant shall be subject to the guidelines and restrictions set forth in the Company's Executive Stock Ownership Guidelines and Executive Stock Retention Requirements, effective as of July 26, 2022 (and as they may be amended, restated, supplemented and interpreted), and any applicable clawback or recoupment policies and other policies that may be implemented by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

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

12. Grant Subject to Plan Provisions. This Grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. In the event of any contradiction, distinction or difference between this Grant and the terms of the Plan, the terms of the Plan will control. Except as otherwise defined in this Grant, capitalized terms used in this Grant shall have the meanings set forth in the Plan. This Grant is subject to the interpretations, regulations and determinations concerning the Plan established from time to time by the Committee in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (a) rights and obligations with respect to

withholding taxes, (b) the registration, qualification or listing of the shares of Company Stock, (c) changes in capitalization of the Company, and (d) other requirements of applicable law. The Committee shall have the authority to interpret and construe this Grant pursuant to the terms of the Plan, its decisions shall be conclusive as to any questions arising hereunder. By accepting this Grant, the Participant agrees (i) to be bound by the terms of the Plan and this Grant, (ii) to be bound by the determinations and decisions of the Committee with respect to this Grant, the Plan and the Participant's rights to benefits under this Grant and the Plan, and (iii) that all such determinations and decisions of the Committee shall be binding on the Participant, his or her beneficiaries and any other person having or claiming an interest under this Grant and the Plan on behalf of the Participant.

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

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

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

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

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

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

19. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any

notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be (i) delivered by hand, (ii) delivered by a national overnight courier or delivery service, (iii) enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service, or (iv) in the case of notices by the Company to the Participant, delivered by e-mail or other electronic means (with confirmation of receipt to be made by any oral, electronic or written means).

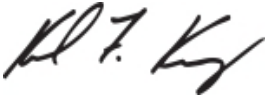
20. Taxation; Code Section 409A. As applicable, this Grant is intended to comply with the requirements of section 409A of the Code and shall be interpreted and administered in accordance with Code section 409A. Notwithstanding any provision to the contrary herein, if the Performance Units constitute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

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

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Company has caused this Grant to be executed, effective as of the Date of Grant.
AMERICAN WATER WORKS COMPANY, INC.

By: Karl F. Kurz

A handwritten signature in black ink, appearing to read "Karl F. Kurz". The signature is written in a cursive, slightly slanted style.

Its: Board Chair

PSU Grant A

Exhibit A

PEER GROUP COMPANIES

[INSERT LIST OF PEER GROUP COMPANIES HERE]

AMERICAN WATER WORKS COMPANY, INC.
2017 OMNIBUS EQUITY COMPENSATION PLAN
PERFORMANCE STOCK UNIT GRANT

This PERFORMANCE STOCK UNIT GRANT, dated as of February 14, 2023 (the "Date of Grant"), is delivered by American Water Works Company, Inc. (the "Company") to _____ (the "Participant").

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "Plan")) has adopted a 2023 Long Term Performance Plan ("2023 LTTP") pursuant to which designated employees will be granted equity awards (collectively, the "Equity Award") for shares of Common Stock of the Company, par value \$0.01 per share (the "Company Stock");

WHEREAS, the Equity Award is comprised of three separate grants: a restricted stock unit and two performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2023 LTTP and to grant the Participant an Equity Award under the 2023 LTTP; and

WHEREAS, the Committee has determined that the performance stock unit portion of the Equity Award granted to the Participant pursuant to the 2023 LTTP shall be issued under the Plan, and the terms and conditions of the performance stock unit grant that may be earned based on Performance Goals (defined below) relating to compounded earnings per share, as set forth in Exhibit A attached hereto, shall be memorialized in this grant (the "Grant").

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

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

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

3. Performance Goals.

(a) Unless a Change of Control (as defined below) occurs prior to the end of the Performance Period (as defined below), the distribution of the shares of Company Stock attributable to the Performance Units is contingent upon achievement of the performance goals

set forth in Exhibit A attached hereto (the “Performance Goals”) and the Participant satisfying the continuation of employment and service with the Employer (as defined in the Plan) requirement described in Paragraph 4 below.

(b) As soon as administratively practicable following the end of the Performance Period (as defined in Paragraph 3(d) below), the Committee will determine whether and to what extent the Performance Goals have been met and the number of Performance Units the Participant has earned, if any. Except as described in Paragraph 4 below, the Participant must be employed by, or providing service to, the Employer on the last day of the Performance Period in order to earn the Performance Units.

(c) If a Change of Control occurs prior to the end of the Performance Period, the Company is not the surviving corporation (or survives only as a subsidiary of another corporation or entity (the “surviving corporation”)) and the Performance Units are not converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation), then the Performance Period will end on the date of the Change of Control and the Performance Units will be deemed earned at the Target Award level as of the date of the Change of Control (the “Change of Control Date”). In the event the Participant’s Performance Units are assumed by the surviving corporation but the Participant ceases to be employed by, or providing service to, the surviving corporation (or a parent or subsidiary of the surviving corporation) within twelve (12) months after the date of the Change of Control on account of (i) a termination of such Participant’s employment by the surviving corporation (or a parent or subsidiary of the surviving corporation) for any reason other than on account of Cause (as defined in paragraph 4(c) hereof), or on account of death or Disability (each as defined in the Plan), or (ii) a termination of employment or service by the Participant for Good Reason (as defined in the Plan), then the Performance Period will end on the date of such termination of employment or service (the “Termination Date”) and the Performance Units will be deemed earned at the Target Award level as of the Termination Date. For purposes of this Grant, “Change of Control” shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Grant unless the event constituting the Change of Control constitutes a change in ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the “Code”) and its corresponding regulations.

(d) For purposes of this Grant, the term “Performance Period” shall mean the three (3)-year period beginning on January 1, 2023 and ending December 31, 2025.

4. Termination of Employment or Service.

(a) Except as set forth in Paragraph 3(c), if, at least one year after the beginning of the Performance Period, but prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of any reason other than a termination for Cause (as defined below), the Participant will earn a pro-rata portion of the Performance Units, if the Performance Goals and the requirements of this Grant are met as of the last day of the Performance Period. The pro-rata portion earned will be equal to the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, multiplied by a fraction, which fraction shall be equal to (i) 1/3, if the Participant’s employment or service with the Employer terminates on or after January 31, 2024, but prior to January 31, 2025; (ii) 2/3, if the Participant’s employment or service with the Employer terminates on or after January 31, 2025, but prior to January 31, 2026; and (iii) 3/3, if the Participant’s employment or service terminates with the Employer on or after January 31, 2026. If the Participant ceases to be employed by, or provide service to, the Employer for any reason other than on account of Cause, the prorated number of Performance

Units earned by the Participant pursuant to this Paragraph 4(a) will be distributed in accordance with Paragraph 5.

(b) If at any time prior to the earlier of January 31, 2024 or a Change of Control, the Participant's employment or service with the Employer is terminated by the Employer on account of any reason or no reason or by the Participant for any reason or no reason, all of the Performance Units subject to this Grant shall be immediately forfeited as of the date of the Participant's termination of employment or service with the Employer and the Participant shall not have any rights with respect to the distribution of any portion of the Performance Units.

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

5. Time and Form of Payment with Respect to Performance Units. Unless an election is made pursuant to Paragraph 6 below, the Participant will receive a distribution with respect to the Performance Units earned as described in Paragraphs 3 and 4 above within seventy (70) days following the earliest of (a) January 31, 2026 (the "Distribution Date"), (b) the Change of Control Date, or (c) the Termination Date. The Performance Units will be distributed in shares of Company Stock, with each Performance Unit earned equivalent to one share of Company Stock. Any Performance Units not earned because of the failure to attain the Performance Goals and service condition will be immediately forfeited.

6. Deferrals. The Participant may make an irrevocable election to defer the Distribution Date (or further defer the Deferred Date (as defined below), if applicable) of all of the Performance Units that are earned, plus dividend equivalents earned on such Performance Units as described in Paragraph 7 below, to a later date, provided that, except as to any election made by the Participant to accelerate the Deferred Date in the event of his or her death prior to the Deferred Date, (a) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (b) the deferred Distribution Date cannot be earlier than five (5) years from the original Distribution Date under Paragraph 5 above (or five (5) years from the applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (c) the election must be made no less than twelve (12) months prior to the date of the Distribution Date (twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Distribution Date, the Participant must elect to defer 100% of the Performance Units, including corresponding dividend equivalents, earned by the Participant under this Grant, as well as 100% of the other performance stock units, including corresponding dividend equivalents, earned by the Participant under the 2023 LTPP, complete the deferral election form provided to the Participant, and return such form to the Company in the manner and by the deadline provided therein. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant's election pursuant to this Paragraph, if the Change of Control Date or the

Termination Date occurs prior to the Deferred Date, the distribution of the Participant's earned Performance Units, plus corresponding dividend equivalents, will be the Change of Control Date or the Termination Date, as applicable. If a Distribution Date is delayed one or more times pursuant to any election made by the Participant pursuant to this Paragraph 6, the new Distribution Date shall be referred to as the "Deferred Date."

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

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

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

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

(a) To the extent permitted by Code section 409A, the obligation of the Company to deliver shares of Company Stock upon the Participant earning the Performance Units shall be subject to the condition that shares of Company Stock be qualified for listing on the New York Stock Exchange or another securities exchange and be registered under the Securities Act of 1933, as amended, and that any consent or approval of any governmental regulatory body that is necessary to issue shares of Company Stock has been so obtained, and that shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

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

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

(i) to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time) regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and/or from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Insider Trading and Prohibited Transactions Policy and the Personal Securities Trading and Preclearance Practice; and

(ii) that any shares of Company Stock received by the Participant upon the distribution of the earned Performance Units pursuant to this Grant shall be subject to the guidelines and restrictions set forth in the Company's Executive Stock Ownership Guidelines and Executive Stock Retention Requirements, effective as of July 26, 2022 (and as they may be amended, restated, supplemented and interpreted), and any applicable clawback or recoupment policies and other policies that may be implemented by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

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

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

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

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

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

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

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

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

19. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be (i) delivered by hand, (ii) delivered by a national overnight courier or delivery service, (iii) enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service, or (iv) in the case of notices by the Company to the Participant, delivered by e-mail or other electronic means (with confirmation of receipt to be made by any oral, electronic or written means).

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

the calendar year of distribution. Notwithstanding anything in the Plan or the Grant to the contrary, the Participant shall be solely responsible for the tax consequences of this Grant, and in no event shall the Company have any responsibility or liability if this Grant does not meet any applicable requirements of Code section 409A.

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

[SIGNATURE PAGE FOLLOWS]

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

AMERICAN WATER WORKS COMPANY, INC.

By: M. Susan Hardwick

A handwritten signature in black ink, appearing to read "M. Susan Hardwick". The signature is written in a cursive style with a large initial "M".

Its: President and CEO

“PSU GRANT B – EPS”

EXHIBIT A

PERFORMANCE GOALS

The number of Performance Units that may be earned shall be determined based on the achievement of Compounded Earnings Per Share Growth (as described below) over the Performance Period.

[INSERT COMPOUNDED EARNINGS PER SHARE GROWTH TARGET
AND CALCULATION HERE]

Exhibit 10.6

AMERICAN WATER WORKS COMPANY, INC.
2017 OMNIBUS EQUITY COMPENSATION PLAN
PERFORMANCE STOCK UNIT GRANT

This PERFORMANCE STOCK UNIT GRANT, dated as of February 14, 2023 (the "Date of Grant"), is delivered by American Water Works Company, Inc. (the "Company") to _____ (the "Participant").

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "Plan")) has adopted a 2023 Long Term Performance Plan ("2023 LTPP") pursuant to which designated employees will be granted equity awards (collectively, the "Equity Award") for shares of Common Stock of the Company, par value \$0.01 per share (the "Company Stock");

WHEREAS, the Equity Award is comprised of three separate grants: a restricted stock unit and two performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2023 LTPP and to grant the Participant an Equity Award under the 2023 LTPP; and

WHEREAS, the Committee has determined that the performance stock unit portion of the Equity Award granted to the Participant pursuant to the 2023 LTPP shall be issued under the Plan, and the terms and conditions of the performance stock unit grant that may be earned based on Performance Goals (defined below) relating to compounded earnings per share, as set forth in Exhibit A attached hereto, shall be memorialized in this grant (the "Grant").

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

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

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

3. Performance Goals.

(a) Unless a Change of Control (as defined below) occurs prior to the end of the Performance Period (as defined below), the distribution of the shares of Company Stock

attributable to the Performance Units is contingent upon achievement of the performance goals set forth in Exhibit A attached hereto (the “Performance Goals”) and the Participant satisfying the continuation of employment and service with the Employer (as defined in the Plan) requirement described in Paragraph 4 below.

(b) As soon as administratively practicable following the end of the Performance Period (as defined in Paragraph 3(d) below), the Committee will determine whether and to what extent the Performance Goals have been met and the number of Performance Units the Participant has earned, if any. Except as described in Paragraph 4 below, the Participant must be employed by, or providing service to, the Employer on the last day of the Performance Period in order to earn the Performance Units.

(c) If a Change of Control occurs prior to the end of the Performance Period, the Company is not the surviving corporation (or survives only as a subsidiary of another corporation or entity (the “surviving corporation”)) and the Performance Units are not converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation), then the Performance Period will end on the date of the Change of Control and the Performance Units will be deemed earned at the Target Award level as of the date of the Change of Control (the “Change of Control Date”). In the event the Participant’s Performance Units are assumed by the surviving corporation but the Participant ceases to be employed by, or providing service to, the surviving corporation (or a parent or subsidiary of the surviving corporation) within twelve (12) months after the date of the Change of Control on account of (i) a termination of such Participant’s employment by the surviving corporation (or a parent or subsidiary of the surviving corporation) for any reason other than on account of Cause (as defined in Paragraph 4(e) hereof), or on account of death or Disability (each as defined in the Plan), or (ii) a termination of employment or service by the Participant for Good Reason (as defined in the Plan), then the Performance Period will end on the date of such termination of employment or service (the “Termination Date”) and the Performance Units will be deemed earned at the Target Award level as of the Termination Date. For purposes of this Grant, “Change of Control” shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Grant unless the event constituting the Change of Control constitutes a change in ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the “Code”) and its corresponding regulations.

(d) For purposes of this Grant, the term “Performance Period” shall mean the three (3)-year period beginning on January 1, 2023 and ending December 31, 2025.

4. Termination of Employment or Service.

(a) Except as set forth in Paragraphs 3(c) 4(b) or 4(c), if, at least one year after the beginning of the Performance Period, but prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of any reason other than a termination for Cause (as defined below), the Participant will earn a pro-rata portion of the Performance Units, if the Performance Goals and the requirements of this Grant are met as of the last day of the Performance Period. The pro-rata portion earned will be equal to the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, multiplied by a fraction, which fraction shall be equal to (i) 1/3, if the Participant’s employment or service with the Employer terminates on or after January 31, 2024, but prior to January 31, 2025; (ii) 2/3, if the Participant’s employment or service with the Employer terminates on or after January 31, 2025, but prior to January 31, 2026; and (iii) 3/3, if the Participant’s employment or service terminates with the Employer on or after January 31, 2026. If the Participant ceases to be employed by, or provide service to, the Employer for any reason other than on account of Cause, the prorated number of

Performance Units earned by the Participant pursuant to this Paragraph 4(a) will be distributed in accordance with Paragraph 5.

(b) Notwithstanding any provision of this Agreement to the contrary, if prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of Normal Retirement, then the Participant will earn the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, if the Performance Goals and the requirements of this Grant are met as of the last day of the Performance Period. If the Participant ceases to be employed by, or provide service to, the Employer on account of Normal Retirement pursuant to this subparagraph (b), the number of Performance Units that are earned based on the Performance Goals and other requirements of this Grant will be distributed in accordance with Paragraph 5. For purposes of this Grant, "Normal Retirement" shall mean termination of employment or service with the Employer (other than for Cause) after the Participant has attained age sixty (60) and has five (5) total years of employment or service with the Employer which includes at least three (3) consecutive full calendar years of service in the position of Chief Executive Officer, Chief Operating Officer or Chief Financial Officer, or any combination thereof.

(c) Notwithstanding any provision of this Agreement to the contrary, if prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of Early Retirement, then the Participant will earn 75% of the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, if the Performance Goals and the requirements of this Grant are met as of the last day of the Performance Period, and unearned Performance Units shall be immediately forfeited. If the Participant ceases to be employed by, or provide service to, the Employer on account of Early Retirement pursuant to this subparagraph (c), then the number of Performance Units that are earned based on the Performance Goals and other requirements of this Grant will be distributed in accordance with Paragraph 5. For purposes of this Grant, "Early Retirement" shall mean termination of employment or service with the Employer (other than for Cause) after the Participant has attained age fifty-five (55) and has five (5) total years of employment or service with the Employer which includes at least three (3) consecutive full calendar years of service in the position of Chief Executive Officer, Chief Operating Officer or Chief Financial Officer, or any combination thereof.

(d) Except as set forth in Paragraphs 4(b) or 4(c), if at any time prior to the earlier of January 31, 2024 or a Change of Control, the Participant's employment or service with the Employer is terminated by the Employer on account of any reason or no reason or by the Participant for any reason or no reason, all of the Performance Units subject to this Grant shall be immediately forfeited as of the date of the Participant's termination of employment or service with the Employer and the Participant shall not have any rights with respect to the distribution of any portion of the Performance Units.

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

between the Participant and the Employer; or (v) has engaged in such other behavior detrimental to the interests of the Employer as the Committee determines.

5. Time and Form of Payment with Respect to Performance Units. Unless an election is made pursuant to Paragraph 6 below, the Participant will receive a distribution with respect to the Performance Units earned as described in Paragraphs 3 and 4 above within seventy (70) days following the earliest of (a) January 31, 2026 (the "Distribution Date"), (b) the Change of Control Date, or (c) the Termination Date. The Performance Units will be distributed in shares of Company Stock, with each Performance Unit earned equivalent to one share of Company Stock. Any Performance Units not earned because of the failure to attain the Performance Goals and service condition will be immediately forfeited.

6. Deferrals. The Participant may make an irrevocable election to defer the Distribution Date (or further defer the Deferred Date (as defined below), if applicable) of all of the Performance Units that are earned, plus dividend equivalents earned on such Performance Units as described in Paragraph 7 below, to a later date, provided that, except as to any election made by the Participant to accelerate the Deferred Date in the event of his or her death prior to the Deferred Date, (a) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (b) the deferred Distribution Date cannot be earlier than five (5) years from the original Distribution Date under Paragraph 5 above (or five (5) years from the applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (c) the election must be made no less than twelve (12) months prior to the date of the Distribution Date (twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Distribution Date, the Participant must elect to defer 100% of the Performance Units, including corresponding dividend equivalents, earned by the Participant under this Grant, as well as 100% of the other performance stock units, including corresponding dividend equivalents, earned by the Participant under the 2023 LTTP, complete the deferral election form provided to the Participant, and return such form to the Company in the manner and by the deadline provided therein. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant's election pursuant to this Paragraph, if the Change of Control Date or the Termination Date occurs prior to the Deferred Date, the distribution of the Participant's earned Performance Units, plus corresponding dividend equivalents, will be the Change of Control Date or the Termination Date, as applicable. If a Distribution Date is delayed one or more times pursuant to any election made by the Participant pursuant to this Paragraph 6, the new Distribution Date shall be referred to as the "Deferred Date."

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

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

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

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

(a) To the extent permitted by Code section 409A, the obligation of the Company to deliver shares of Company Stock upon the Participant earning the Performance Units shall be subject to the condition that shares of Company Stock be qualified for listing on the New York Stock Exchange or another securities exchange and be registered under the Securities Act of 1933, as amended, and that any consent or approval of any governmental regulatory body that is necessary to issue shares of Company Stock has been so obtained, and that shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

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

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

(i) to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time) regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and/or from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Insider Trading and Prohibited Transactions Policy and the Personal Securities Trading and Preclearance Practice; and

(ii) that any shares of Company Stock received by the Participant upon the distribution of the earned Performance Units pursuant to this Grant shall be subject to the guidelines and restrictions set forth in the Company's Executive Stock Ownership Guidelines and Executive Stock Retention Requirements, effective as of July 26, 2022 (and as they may be amended, restated, supplemented and interpreted), and any applicable clawback or recoupment policies and other policies that may be implemented by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

11. Participant Undertaking. The Participant agrees to take whatever additional actions and execute whatever additional documents the Company may deem necessary or advisable in order

to carry out or effect one or more of the obligations or restrictions imposed on the Participant pursuant to the provisions of this Grant.

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

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

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

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

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

17. Effect on Other Benefits. The value of shares of Company Stock and dividend equivalents distributed with respect to the Performance Units shall not be considered eligible

earnings for purposes of any other plans maintained by the Company or the Employer. Neither shall such value be considered part of the Participant's compensation for purposes of determining or calculating other benefits that are based on compensation, such as life insurance.

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

19. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be (i) delivered by hand, (ii) delivered by a national overnight courier or delivery service, (iii) enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service, or (iv) in the case of notices by the Company to the Participant, delivered by e-mail or other electronic means (with confirmation of receipt to be made by any oral, electronic or written means).

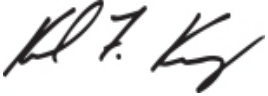
20. Taxation; Code Section 409A. As applicable, this Grant is intended to comply with the requirements of section 409A of the Code and shall be interpreted and administered in accordance with Code section 409A. Notwithstanding any provision to the contrary herein, if the Performance Units constitute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

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

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Company has caused this Grant to be executed, effective as of the Date of Grant.
AMERICAN WATER WORKS COMPANY, INC.

By: Karl F. Kurz

A handwritten signature in black ink, appearing to read "Karl F. Kurz". The signature is written in a cursive style with a large initial "K".

Its: Board Chair

“PSU GRANT B – EPS”

EXHIBIT A

PERFORMANCE GOALS

The number of Performance Units that may be earned shall be determined based on the achievement of Compounded Earnings Per Share Growth (as described below) over the Performance Period.

[INSERT COMPOUNDED EARNINGS PER SHARE GROWTH TARGET
AND CALCULATION HERE]

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

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

I, M. Susan Hardwick, certify that:

1. I have reviewed this quarterly report on Form 10-Q of American Water Works Company, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the consolidated financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 26, 2023

By: /s/ M. SUSAN HARDWICK

M. Susan Hardwick
President and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

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

I, John C. Griffith, certify that:

1. I have reviewed this quarterly report on Form 10-Q of American Water Works Company, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the consolidated financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 26, 2023

By: /s/ JOHN C. GRIFFITH

John C. Griffith

Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

AMERICAN WATER WORKS COMPANY, INC.
CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of American Water Works Company, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, M. Susan Hardwick, President and Chief Executive Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ M. SUSAN HARDWICK

M. Susan Hardwick
President and Chief Executive Officer
(Principal Executive Officer)
April 26, 2023

AMERICAN WATER WORKS COMPANY, INC.
CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of American Water Works Company, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John C. Griffith, Executive Vice President and Chief Financial Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ JOHN C. GRIFFITH

John C. Griffith
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)
April 26, 2023

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended **September 30, 2022**

OR

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

For the transition period from _____ to _____

Commission file number: **001-34028**

AMERICAN WATER WORKS COMPANY, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

51-0063696

(I.R.S. Employer Identification No.)

1 Water Street, Camden, NJ 08102-1658

(Address of principal executive offices) (Zip Code)

(856) 955-4001

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of each exchange on which registered</u>
Common stock, par value \$0.01 per share	AWK	New York Stock Exchange

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>	Non-accelerated filer	<input type="checkbox"/>
Smaller reporting company	<input type="checkbox"/>	Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

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

<u>Class</u>	<u>Shares Outstanding as of October 25, 2022</u>
Common Stock, par value \$0.01 per share	181,827,874

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* * *

Throughout this Quarterly Report on Form 10-Q (“Form 10-Q”), unless the context otherwise requires, references to the “Company” and “American Water” mean American Water Works Company, Inc. and all of its subsidiaries, taken together as a whole. References to the “parent company” mean American Water Works Company, Inc., without its subsidiaries.

The Company maintains a website at <https://amwater.com>, an Investor Relations website at <https://ir.amwater.com>, and a Diversity and Inclusion website at <https://diversityataw.com>. Information contained on the Company’s websites, including its Sustainability Report, its Inclusion and Diversity Annual Report, and other reports or documents, shall not be deemed incorporated into, or to be a part of, this report, and any website references included herein are not intended to be made through active hyperlinks.

FORWARD-LOOKING STATEMENTS

Statements included in Part I, Item 2—Management’s Discussion and Analysis of Financial Condition and Results of Operations and in other sections of this Form 10-Q are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and the Private Securities Litigation Reform Act of 1995. In some cases, these forward-looking statements can be identified by words with prospective meanings such as “intend,” “plan,” “estimate,” “believe,” “anticipate,” “expect,” “predict,” “project,” “propose,” “assume,” “forecast,” “likely,” “uncertain,” “outlook,” “future,” “pending,” “goal,” “objective,” “potential,” “continue,” “seek to,” “may,” “can,” “should,” “will” and “could” or the negative of such terms or other variations or similar expressions. Forward-looking statements may relate to, among other things: the Company’s future financial performance, liquidity and cash flows; the timing and amount of rate and revenue adjustments, including through general rate case filings, filings for infrastructure surcharges and other governmental agency authorizations and proceedings, and filings to address regulatory lag; the Company’s growth and portfolio optimization strategies, including the timing and outcome of pending or future acquisition activity; the ability of the Company’s California subsidiary to obtain adequate alternative water supplies in lieu of diversions from the Carmel River; the amount and allocation of projected capital expenditures and related funding requirements; the Company’s ability to repay or refinance debt; the future impacts of increased or increasing financing costs, inflation and interest rates; the Company’s ability to execute its current and long-term business, operational and capital expenditures strategies; the Company’s ability to finance current operations, capital expenditures and growth initiatives by accessing the debt and equity capital markets, including the timing and amount of the Company’s future public equity issuances; the outcome and impact on the Company of governmental and regulatory proceedings and related potential fines, penalties and other sanctions; the ability to meet or exceed the Company’s stated environmental and sustainability goals, including its greenhouse gas emission reduction, water delivery efficiency and water system resiliency goals; the ability to complete, and the timing and efficacy of, the design, development, implementation and improvement of technology and other strategic initiatives; the impacts to the Company of the COVID-19 pandemic; the ability to capitalize on existing or future utility privatization opportunities; trends in the water and wastewater industries in which the Company operates, including macro trends with respect to the Company’s efforts related to customer, technology and work execution; regulatory, legislative, tax policy or legal developments; and impacts that future significant tax legislation may have on the Company and on its business, results of operations, cash flows and liquidity.

Forward-looking statements are predictions based on the Company’s current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, financial results, levels of activity, performance or achievements, and readers are cautioned not to place undue reliance upon them. These forward-looking statements are subject to a number of estimates, assumptions, known and unknown risks, uncertainties and other factors. The Company’s actual results may vary materially from those discussed in the forward-looking statements included herein as a result of the following important factors:

- the decisions of governmental and regulatory bodies, including decisions to raise or lower customer rates and regulatory responses to the COVID-19 pandemic;
- the timeliness and outcome of regulatory commissions’ and other authorities’ actions concerning rates, capital structure, authorized return on equity, capital investment, system acquisitions and dispositions, taxes, permitting, water supply and management, and other decisions;
- changes in customer demand for, and patterns of use of, water, such as may result from conservation efforts, impacts of the COVID-19 pandemic, or otherwise;
- limitations on the availability of the Company’s water supplies or sources of water, or restrictions on its use thereof, resulting from allocation rights, governmental or regulatory requirements and restrictions, drought, overuse or other factors;
- a loss of one or more large industrial or commercial customers due to adverse economic conditions, the COVID-19 pandemic, or other factors;
- changes in laws, governmental regulations and policies, including with respect to the environment, health and safety, data and consumer privacy, security and protection, water quality and water quality accountability, contaminants of emerging concern, public utility and tax regulations and policies, and impacts resulting from U.S., state and local elections and changes in federal, state and local executive administrations;
- the Company’s ability to collect, distribute, use, secure and store consumer data in compliance with current or future governmental laws, regulations and policies with respect to data and consumer privacy, security and protection;
- weather conditions and events, climate variability patterns, and natural disasters, including drought or abnormally high rainfall, prolonged and abnormal ice or freezing conditions, strong winds, coastal and intercoastal flooding, pandemics (including COVID-19) and epidemics, earthquakes, landslides, hurricanes, tornadoes, wildfires, electrical storms, sinkholes and solar flares;
- the outcome of litigation and similar governmental and regulatory proceedings, investigations or actions;

- the risks associated with the Company’s aging infrastructure, and its ability to appropriately improve the resiliency of or maintain and replace, current or future infrastructure and systems, including its technology and other assets, and manage the expansion of its businesses;
- exposure or infiltration of the Company’s technology and critical infrastructure systems, including the disclosure of sensitive, personal or confidential information contained therein, through physical or cyber attacks or other means;
- the Company’s ability to obtain permits and other approvals for projects and construction of various water and wastewater facilities;
- changes in the Company’s capital requirements;
- the Company’s ability to control operating expenses and to achieve operating efficiencies;
- the intentional or unintentional actions of a third party, including contamination of the Company’s water supplies or the water provided to its customers;
- the Company’s ability to obtain adequate and cost-effective supplies of pipe, equipment (including personal protective equipment), chemicals, electricity, fuel, water and other raw materials, and to address or mitigate supply chain constraints that may result in delays or shortages in, as well as increased costs of, supplies, products and materials that are critical to or used in the Company’s business operations;
- the Company’s ability to successfully meet its operational growth projections, either individually or in the aggregate, and capitalize on growth opportunities, including, among other things, with respect to:
 - acquiring, closing and successfully integrating regulated operations and market-based businesses;
 - the Company’s Military Services Group (“MSG”) entering into new military installation contracts, price redeterminations, and other agreements and contracts with the U.S. government; and
 - realizing anticipated benefits and synergies from new acquisitions;
- risks and uncertainties following the completion of the sale of the Company’s Homeowner Services Group (“HOS”) and its New York subsidiary, including:
 - the Company’s ability to receive any contingent consideration provided for in the HOS sale, as well as amounts due, payable and owing to the Company from time to time under the seller promissory note when due; and
 - the ability of the Company to redeploy successfully and timely the net proceeds of these transactions into the Company’s Regulated Businesses (as defined herein);
- risks and uncertainties associated with contracting with the U.S. government, including ongoing compliance with applicable government procurement and security regulations;
- cost overruns relating to improvements in or the expansion of the Company’s operations;
- the Company’s ability to successfully develop and implement new technologies and to protect related intellectual property;
- the Company’s ability to maintain safe work sites;
- the Company’s exposure to liabilities related to environmental laws and similar matters resulting from, among other things, water and wastewater service provided to customers;
- changes in general economic, political, business and financial market conditions, including without limitation conditions and collateral consequences associated with the COVID-19 pandemic;
- access to sufficient debt and/or equity capital on satisfactory terms and when and as needed to support operations and capital expenditures;
- fluctuations in inflation or interest rates, and the Company’s ability to address or mitigate the impacts thereof;
- the ability to comply with affirmative or negative covenants in the current or future indebtedness of the Company or any of its subsidiaries, or the issuance of new or modified credit ratings or outlooks by credit rating agencies with respect to the Company or any of its subsidiaries (or any current or future indebtedness thereof), which could increase financing costs or funding requirements and affect the Company’s or its subsidiaries’ ability to issue, repay or redeem debt, pay dividends or make distributions;
- fluctuations in the value of benefit plan assets and liabilities that could increase the Company’s cost and funding requirements;
- changes in federal or state general, income and other tax laws, including (i) future significant tax legislation, (ii) the availability of, or the Company’s compliance with, the terms of applicable tax credits and tax abatement programs, and (iii) the Company’s ability to utilize its state income tax net operating loss carryforwards;
- migration of customers into or out of the Company’s service territories;
- the use by municipalities of the power of eminent domain or other authority to condemn the systems of one or more of the Company’s utility subsidiaries, or the assertion by private landowners of similar rights against such utility subsidiaries;
- any difficulty or inability to obtain insurance for the Company, its inability to obtain insurance at acceptable rates and on acceptable terms and conditions, or its inability to obtain reimbursement under existing or future insurance programs and coverages for any losses sustained;
- the incurrence of impairment charges related to the Company’s goodwill or other assets;
- labor actions, including work stoppages and strikes;
- the Company’s ability to retain and attract qualified employees;

- civil disturbances or unrest, or terrorist threats or acts, or public apprehension about future disturbances, unrest, or terrorist threats or acts; and
- the impact of new, and changes to existing, accounting standards.

These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above, and the risk factors and other statements contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2021 (the "Form 10-K") and in this Form 10-Q, and readers should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements the Company makes shall speak only as of the date this Form 10-Q was filed with the U.S. Securities and Exchange Commission ("SEC"). Except as required by the federal securities laws, the Company does not have any obligation, and it specifically disclaims any undertaking or intention, to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or otherwise. New factors emerge from time to time, and it is not possible for the Company to predict all such factors. Furthermore, it may not be possible to assess the impact of any such factor on the Company's businesses, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.

PART I. FINANCIAL INFORMATION**ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS****American Water Works Company, Inc. and Subsidiary Companies****Consolidated Balance Sheets (Unaudited)**

(In millions, except share and per share data)

	<u>September 30, 2022</u>	<u>December 31, 2021</u>
ASSETS		
Property, plant and equipment	\$ 29,062	\$ 27,413
Accumulated depreciation	(6,426)	(6,329)
Property, plant and equipment, net	<u>22,636</u>	<u>21,084</u>
Current assets:		
Cash and cash equivalents	77	116
Restricted funds	27	20
Accounts receivable, net of allowance for uncollectible accounts of \$64 and \$75, respectively	358	271
Unbilled revenues	273	248
Materials and supplies	93	57
Assets held for sale	—	683
Other	189	159
Total current assets	<u>1,017</u>	<u>1,554</u>
Regulatory and other long-term assets:		
Regulatory assets	1,075	1,051
Seller promissory note from the sale of the Homeowner Services Group	720	720
Operating lease right-of-use assets	90	92
Goodwill	1,143	1,139
Postretirement benefit assets	208	193
Other	237	242
Total regulatory and other long-term assets	<u>3,473</u>	<u>3,437</u>
Total assets	<u>\$ 27,126</u>	<u>\$ 26,075</u>

The accompanying notes are an integral part of these Consolidated Financial Statements.

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

	September 30, 2022	December 31, 2021
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock (\$0.01 par value; 500,000,000 shares authorized; 187,169,722 and 186,880,413 shares issued, respectively)	\$ 2	\$ 2
Paid-in-capital	6,813	6,781
Retained earnings	1,359	925
Accumulated other comprehensive loss	(39)	(45)
Treasury stock, at cost (5,342,477 and 5,269,324 shares, respectively)	(377)	(365)
Total common shareholders' equity	7,758	7,298
Long-term debt	10,940	10,341
Redeemable preferred stock at redemption value	3	3
Total long-term debt	10,943	10,344
Total capitalization	18,701	17,642
Current liabilities:		
Short-term debt	634	584
Current portion of long-term debt	265	57
Accounts payable	220	235
Accrued liabilities	610	701
Accrued taxes	69	176
Accrued interest	116	88
Liabilities related to assets held for sale	—	83
Other	216	217
Total current liabilities	2,130	2,141
Regulatory and other long-term liabilities:		
Advances for construction	306	284
Deferred income taxes and investment tax credits	2,372	2,421
Regulatory liabilities	1,614	1,600
Operating lease liabilities	78	80
Accrued pension expense	250	285
Other	186	180
Total regulatory and other long-term liabilities	4,806	4,850
Contributions in aid of construction	1,489	1,442
Commitments and contingencies (See Note 11)		
Total capitalization and liabilities	\$ 27,126	\$ 26,075

The accompanying notes are an integral part of these Consolidated Financial Statements.

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
Operating revenues	\$ 1,082	\$ 1,092	\$ 2,861	\$ 2,979
Operating expenses:				
Operation and maintenance	416	436	1,156	1,286
Depreciation and amortization	164	161	485	476
General taxes	63	78	208	241
Total operating expenses, net	643	675	1,849	2,003
Operating income	439	417	1,012	976
Other income (expense):				
Interest expense	(111)	(101)	(317)	(300)
Interest income	14	—	39	—
Non-operating benefit costs, net	19	20	58	59
Other, net	6	4	38	11
Total other (expense) income	(72)	(77)	(182)	(230)
Income before income taxes	367	340	830	746
Provision for income taxes	70	62	157	128
Net income attributable to common shareholders	\$ 297	\$ 278	\$ 673	\$ 618
Basic earnings per share:				
Net income attributable to common shareholders	\$ 1.63	\$ 1.53	\$ 3.70	\$ 3.40
Diluted earnings per share:				
Net income attributable to common shareholders	\$ 1.63	\$ 1.53	\$ 3.70	\$ 3.40
Weighted-average common shares outstanding:				
Basic	182	182	182	182
Diluted	182	182	182	182

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Comprehensive Income (Unaudited)
(In millions)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
Net income attributable to common shareholders	\$ 297	\$ 278	\$ 673	\$ 618
Other comprehensive income, net of tax:				
Defined benefit pension plan actuarial loss, net of tax of \$1 and \$0 for the three months ended September 30, 2022 and 2021, respectively, and \$1 and \$1 for the nine months ended September 30, 2022 and 2021, respectively	—	1	2	3
Unrealized gain on cash flow hedges, net of tax of \$0 and \$0 for the three months ended September 30, 2022 and 2021, respectively, and \$1 and \$0 for the nine months ended September 30, 2022 and 2021, respectively	1	—	4	1
Net other comprehensive income	1	1	6	4
Comprehensive income attributable to common shareholders	\$ 298	\$ 279	\$ 679	\$ 622

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Cash Flows (Unaudited)
(In millions)

	For the Nine Months Ended September 30,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 673	\$ 618
Adjustments to reconcile to net cash flows provided by operating activities:		
Depreciation and amortization	485	476
Deferred income taxes and amortization of investment tax credits	13	121
Provision for losses on accounts receivable	17	28
Pension and non-pension postretirement benefits	(37)	(31)
Other non-cash, net	(31)	(34)
Changes in assets and liabilities:		
Receivables and unbilled revenues	(129)	(103)
Pension and non-pension postretirement benefit contributions	(40)	(31)
Accounts payable and accrued liabilities	(9)	28
Accrued taxes	(148)	25
Other assets and liabilities, net	(30)	(68)
Net cash provided by operating activities	<u>764</u>	<u>1,029</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(1,597)	(1,205)
Acquisitions, net of cash acquired	(288)	(78)
Net proceeds from sale of assets	608	—
Removal costs from property, plant and equipment retirements, net	(85)	(70)
Net cash used in investing activities	<u>(1,362)</u>	<u>(1,353)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	822	1,113
Repayments of long-term debt	(14)	(370)
Repayments of term loan	—	(500)
Net short-term borrowings (repayments) with maturities less than three months	50	(97)
Advances and contributions in aid of construction, net of refunds of \$13 and \$17 for the nine months ended September 30, 2022 and 2021, respectively	64	50
Debt issuance costs and make-whole premium on early debt redemption	(7)	(26)
Dividends paid	(348)	(318)
Other, net	(1)	(4)
Net cash provided by (used in) financing activities	<u>566</u>	<u>(152)</u>
Net decrease in cash, cash equivalents and restricted funds	(32)	(476)
Cash, cash equivalents and restricted funds at beginning of period	136	576
Cash, cash equivalents and restricted funds at end of period	<u>\$ 104</u>	<u>\$ 100</u>
Non-cash investing activity:		
Capital expenditures acquired on account but unpaid as of the end of period	\$ 347	\$ 238

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Changes in Shareholders' Equity (Unaudited)
(In millions)

	Common Stock			Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock		Total Shareholders' Equity
	Shares	Par Value	Paid-in-Capital			Shares	At Cost	
Balance as of December 31, 2021	186.9	\$ 2	\$ 6,781	\$ 925	\$ (45)	(5.3)	\$ (365)	\$ 7,298
Net income attributable to common shareholders	—	—	—	158	—	—	—	158
Common stock issuances (a)	0.2	—	15	—	—	—	(12)	3
Net other comprehensive income	—	—	—	—	1	—	—	1
Balance as of March 31, 2022	187.1	\$ 2	\$ 6,796	\$ 1,083	\$ (44)	(5.3)	\$ (377)	\$ 7,460
Net income attributable to common shareholders	—	—	—	218	—	—	—	218
Common stock issuances (a)	—	—	8	—	—	—	—	8
Net other comprehensive income	—	—	—	—	4	—	—	4
Dividends (\$0.6550 declared per common share)	—	—	—	(120)	—	—	—	(120)
Balance as of June 30, 2022	187.1	\$ 2	\$ 6,804	\$ 1,181	\$ (40)	(5.3)	\$ (377)	\$ 7,570
Net income attributable to common shareholders	—	—	—	297	—	—	—	297
Common stock issuances (a)	0.1	—	9	—	—	—	—	9
Net other comprehensive income	—	—	—	—	1	—	—	1
Dividends (\$0.6550 declared per common share)	—	—	—	(119)	—	—	—	(119)
Balance as of September 30, 2022	187.2	\$ 2	\$ 6,813	\$ 1,359	\$ (39)	(5.3)	\$ (377)	\$ 7,758

(a) Includes stock-based compensation, employee stock purchase plan and dividend reinvestment and direct stock purchase plan activity.

	Common Stock			Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock		Total Shareholders' Equity
	Shares	Par Value	Paid-in-Capital			Shares	At Cost	
Balance as of December 31, 2020	186.5	\$ 2	\$ 6,747	\$ 102	\$ (49)	(5.2)	\$ (348)	\$ 6,454
Net income attributable to common shareholders	—	—	—	133	—	—	—	133
Common stock issuances (a)	0.2	—	10	—	—	(0.1)	(15)	(5)
Net other comprehensive income	—	—	—	—	1	—	—	1
Balance as of March 31, 2021	186.7	\$ 2	\$ 6,757	\$ 235	\$ (48)	(5.3)	\$ (363)	\$ 6,583
Net income attributable to common shareholders	—	—	—	207	—	—	—	207
Common stock issuances (a)	0.1	—	8	—	—	—	—	8
Net other comprehensive income	—	—	—	—	2	—	—	2
Dividends (\$0.6025 declared per common share)	—	—	—	(110)	—	—	—	(110)
Balance as of June 30, 2021	186.8	\$ 2	\$ 6,765	\$ 332	\$ (46)	(5.3)	\$ (363)	\$ 6,690
Net income attributable to common shareholders	—	—	—	278	—	—	—	278
Common stock issuances (a)	—	—	7	—	—	—	—	7
Net other comprehensive income	—	—	—	—	1	—	—	1
Dividends (\$0.6025 declared per common share)	—	—	—	(110)	—	—	—	(110)
Balance as of September 30, 2021	186.8	\$ 2	\$ 6,772	\$ 500	\$ (45)	(5.3)	\$ (363)	\$ 6,866

(a) Includes stock-based compensation, employee stock purchase plan and dividend reinvestment and direct stock purchase plan activity.

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Notes to Consolidated Financial Statements (Unaudited)
(Unless otherwise noted, in millions, except per share data)

Note 1: Basis of Presentation

The unaudited Consolidated Financial Statements included in this report include the accounts of American Water Works Company, Inc. and all of its subsidiaries (the “Company” or “American Water”), in which a controlling interest is maintained after the elimination of intercompany balances and transactions. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) for interim financial reporting, and the rules and regulations for reporting on Quarterly Reports on Form 10-Q (“Form 10-Q”). Accordingly, they do not contain certain information and disclosures required by GAAP for comprehensive financial statements. In the opinion of management, all adjustments necessary for a fair statement of the financial position as of September 30, 2022, and the results of operations and cash flows for all periods presented, have been made. All adjustments are of a normal, recurring nature, except as otherwise disclosed.

The unaudited Consolidated Financial Statements and Notes included in this report should be read in conjunction with the Company’s Annual Report on Form 10-K for the year ended December 31, 2021 (“Form 10-K”), which provides a more complete discussion of the Company’s accounting policies, financial position, operating results and other matters. The results of operations for interim periods are not necessarily indicative of the results that may be expected for the year, primarily due to the seasonality of the Company’s operations.

Note 2: Significant Accounting Policies

New Accounting Standards

Presented in the table below are new accounting standards that were adopted by the Company in 2022:

Standard	Description	Date of Adoption	Application	Effect on the Consolidated Financial Statements
Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity	Simplification of financial reporting associated with accounting for convertible instruments and contracts in an entity’s own equity. The standard reduced the number of accounting models for convertible debt instruments and convertible preferred stock. This will result in fewer embedded conversion features being separately recognized from the host contract. Earnings per share (“EPS”) calculations have been simplified for certain instruments.	January 1, 2022	Either modified retrospective or fully retrospective	The standard did not have a material impact on its Consolidated Financial Statements.
Disclosures by Business Entities about Government Assistance	The amendments in this update require additional disclosures regarding government grants and contributions. These disclosures require information on the following three items about government transactions to be provided: information on the nature of transactions and related accounting policy used to account for transactions, the line items on the balance sheet and income statement affected by these transactions including amounts applicable to each line, and significant terms and conditions of the transactions, including commitments and contingencies.	January 1, 2022	Either prospective or retrospective	The standard did not have a material impact on its Consolidated Financial Statements.

Presented in the table below are recently issued accounting standards that have not yet been adopted by the Company as of September 30, 2022:

Standard	Description	Date of Adoption	Application	Estimated Effect on the Consolidated Financial Statements
Accounting for Contract Assets and Contract Liabilities from Contracts with Customers	The guidance requires an acquirer recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Accounting Standards Codification Topic 606, as if it had originated the contracts. The amendments in this update also provide certain practical expedients for acquirers when recognizing and measuring acquired contract assets and contract liabilities from revenue contracts in a business combination.	January 1, 2023; early adoption permitted	Prospective	The Company is evaluating any impact on its Consolidated Financial Statements, as well as the timing of adoption.
Troubled Debt Restructurings and Vintage Disclosures	The main provisions of this standard eliminate the receivables accounting guidance for troubled debt restructurings (“TDRs”) by creditors while enhancing disclosure requirements when a borrower is experiencing financial difficulty. Entities must apply the loan refinancing and restructuring guidance for receivables to determine whether a modification results in a new loan or a continuation of an existing loan. Additionally, the amendments in this update require that an entity disclose current-period gross write-offs by year of origination for financing receivables and net investment in leases.	January 1, 2023; early adoption permitted	Prospective, with a modified retrospective option for amendments related to the recognition and measurement of TDRs.	The Company is evaluating any impact on its Consolidated Financial Statements, as well as the timing of adoption.

Allowance for Uncollectible Accounts

Allowances for uncollectible accounts are maintained for estimated probable losses resulting from the Company's inability to collect receivables from customers. Accounts that are outstanding longer than the payment terms are considered past due. A number of factors are considered in determining the allowance for uncollectible accounts, including the length of time receivables are past due, previous loss history, current economic and societal conditions and reasonable and supportable forecasts that affect the collectability of receivables from customers. The Company generally writes off accounts when they become uncollectible or are over a certain number of days outstanding.

Presented in the table below are the changes in the allowance for uncollectible accounts for the nine months ended September 30:

	2022	2021
Balance as of January 1	\$ (75)	\$ (60)
Amounts charged to expense	(17)	(28)
Amounts written off	19	22
Other, net (a)	9	(10)
Balance as of September 30	<u>\$ (64)</u>	<u>\$ (76)</u>

- (a) This portion of the allowance for uncollectible accounts is primarily related to COVID-19 related regulatory asset activity. The 2021 activity also includes the portion of the allowance related to the Company's New York subsidiary, which was sold on January 1, 2022, and is included in assets held for sale on the Consolidated Balance Sheets as of December 31, 2021. See Note 5—Acquisitions and Divestitures for additional information.

Reclassifications

Certain reclassifications have been made to prior periods in the Consolidated Financial Statements and Notes to conform to the current presentation.

Note 3: Regulatory Matters**General Rate Cases and Infrastructure Surcharges**

Presented in the table below are annualized incremental revenues, excluding reductions for the amortization of excess accumulated deferred income tax (“EADIT”) that are generally offset in income tax expense, assuming a constant water sales volume, resulting from general rate case authorizations and infrastructure surcharge authorizations that became effective in the respective period:

(In millions)	During the Three Months Ended September 30,		During the Nine Months Ended September 30,	
	2022	2021	2022	2021
General rate cases by state (a):				
New Jersey (effective September 1, 2022)	\$ 61	\$ —	\$ 61	\$ —
Hawaii (effective July 1, 2022)	2	—	2	—
West Virginia (effective February 25, 2022)	—	—	15	—
California (effective January 1, 2022 and January 1, 2021)	—	—	13	22
Pennsylvania (effective January 1, 2022 and January 28, 2021)	—	—	20	70
Missouri (effective May 28, 2021)	—	—	—	22
Total general rate cases	\$ 63	\$ —	\$ 111	\$ 114
Infrastructure surcharges by state:				
Missouri (effective August 11, 2022 and February 1, 2022)	\$ 18	\$ —	\$ 30	\$ —
Tennessee (effective August 8, 2022 and January 1, 2021)	3	—	3	3
Pennsylvania (effective July 1, 2022, April 1, 2022 and January 1, 2021)	9	—	11	8
Kentucky (effective July 1, 2022 and July 1, 2021)	3	1	3	1
New Jersey (effective June 27, 2022 and June 28, 2021)	—	—	10	14
Indiana (effective March 21, 2022 and March 17, 2021)	—	—	8	8
West Virginia (effective March 1, 2022 and January 1, 2021)	—	—	3	5
Illinois (effective January 1, 2022 and January 1, 2021)	—	—	6	7
Total infrastructure surcharges	\$ 33	\$ 1	\$ 74	\$ 46

(a) Excludes authorized increase of \$7 million for the nine months ended September 30, 2021, for the Company’s New York subsidiary, which was sold on January 1, 2022. See Note 5—Acquisitions and Divestitures for additional information.

Effective October 1, 2022, the Company’s Pennsylvania subsidiary implemented an infrastructure surcharge for annualized incremental revenues of \$8 million.

On August 17, 2022, the Company’s New Jersey subsidiary was authorized additional annual revenues of \$61 million in its general rate case, effective September 1, 2022, excluding agreed to reductions for EADIT as a result of the Tax Cuts and Jobs Act of 2017 (the “TCJA”) (\$46 million including EADIT reductions). The order incorporated updated estimates of production costs, including chemicals, fuel and power costs. Beginning January 1, 2023, the Company’s New Jersey subsidiary will defer as a regulatory asset or liability, as appropriate, the difference between its pension expense and other post-employment benefits expense and those amounts included in base rates. The deferral period for this regulatory asset or liability will be two years or, if earlier, will end at the conclusion of the Company’s New Jersey subsidiary’s next general rate case. The Company’s New Jersey subsidiary also withdrew its request, without prejudice, to recover its existing authorized COVID-19-related regulatory asset in the general rate case and will seek recovery in a separate proceeding within the process established in the New Jersey Board of Public Utilities’ (the “NJBPU”) generic COVID-19-related proceeding.

On February 24, 2022, the Company's West Virginia subsidiary ("WVAWC") was authorized additional annual revenues of \$15 million in its general rate case, effective February 25, 2022, excluding agreed to reductions for EADIT as a result of the TCJA. The EADIT reduction in revenues is \$2 million and the exclusion for infrastructure surcharges is \$10 million. Staff of the Public Service Commission of West Virginia moved for reconsideration of the final order on several grounds. WVAWC filed its response to the Staff's Petition for Reconsideration on March 28, 2022, in support of the authorized revenue requirement. On October 21, 2022, the Public Service Commission of West Virginia denied the motion for reconsideration.

On November 18, 2021, the California Public Utilities Commission (the "CPUC") unanimously approved a final decision in the test year 2021 general rate case filed by the Company's California subsidiary, which was retroactive to January 1, 2021. The Company's California subsidiary received authorization for additional annualized water and wastewater revenues of \$22 million, excluding agreed to reductions for EADIT as a result of the TCJA. The EADIT reduction in revenues is \$4 million and is offset by a like reduction in income tax expense. On February 16, 2022, the Company's California subsidiary received approval to increase rates by \$13 million in 2022 escalation increases, excluding \$4 million of reductions related to the TCJA, which was retroactive to January 1, 2022.

On March 2, 2021, an administrative law judge ("ALJ") in the Office of Administrative Law of New Jersey filed an initial decision with the NJBPU that recommended denial of a petition filed by the Company's New Jersey subsidiary, which sought approval of acquisition adjustments in rate base of \$29 million associated with the acquisitions of Shorelands Water Company, Inc. in 2017 and the Borough of Haddonfield's water and wastewater systems in 2015. On July 29, 2021, the NJBPU issued an order adopting the ALJ's initial decision without modification. The Company's New Jersey subsidiary filed a Notice of Appeal with the New Jersey Appellate Division on September 10, 2021. The Company's New Jersey subsidiary filed its brief in support of the appeal on March 4, 2022. Response and Reply briefs were filed on June 22, 2022, and August 4, 2022, respectively. There is no financial impact to the Company as a result of the NJBPU's order, since the acquisition adjustments are currently recorded as goodwill on the Consolidated Balance Sheets.

On February 25, 2021, the Company's Pennsylvania subsidiary was authorized additional annualized revenues of \$90 million, effective January 28, 2021, excluding agreed to reductions in revenues of \$19 million for EADIT as a result of the TCJA. The overall increase, net of TCJA reductions, is \$71 million in revenues combined over two steps. The first step was effective January 28, 2021 in the amount of \$70 million (\$51 million including TCJA reductions) and the second step was effective January 1, 2022 in the amount of \$20 million. The protected EADIT balance of \$200 million is being returned to customers using the average rate assumptions method, and the unprotected EADIT balance of \$116 million is being returned to customers over 20 years. The \$19 million annual reduction to revenue is comprised of both the protected and unprotected EADIT amortizations and a portion of catch-up period EADIT. A bill credit of \$11 million annually for two years returns to customers the remainder of the EADIT catch-up period amortization. The catch-up period of January 1, 2018, through December 31, 2020, covers the period from when the lower federal corporate income tax rate went into effect until new base rates went into effect and will be amortized over two years.

Pending General Rate Case Filings

On July 1, 2022, the Company's California subsidiary filed a general rate case requesting an increase in 2024 revenue of \$57 million and a total increase in revenue over the 2024 to 2026 period of \$99 million. The requested increase excludes proposed reductions for EADIT of \$1 million as a result of TCJA.

On July 1, 2022, the Company's Missouri subsidiary filed a general rate case requesting \$116 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA (\$105 million including EADIT reductions) and infrastructure surcharges.

On April 29, 2022, the Company's Pennsylvania subsidiary filed a general rate case requesting \$185 million in additional annualized water and wastewater revenues excluding proposed reductions for EADIT as a result of TCJA and infrastructure surcharges. On October 11, 2022, the Company's Pennsylvania subsidiary, the Pennsylvania Public Utility Commission's (the "PaPUC") Bureau of Investigation and Enforcement, the Pennsylvania Office of Consumer Advocate, and certain other parties to the general rate case jointly filed a petition for settlement with the PaPUC providing for a total annualized revenue increase of \$138 million. The petition for settlement provides for an annualized revenue increase of \$150 million excluding agreed to reductions for EADIT as a result of the TCJA (\$138 million including EADIT reductions). In addition, the petition for settlement incorporates updated estimates of pension and other post-employment benefits expense, as well as increases in chemicals, fuel and power costs. Furthermore, the petition for settlement includes recovery of the COVID-19 deferral balance. An ALJ will review the petition for settlement and render a recommended decision to the PaPUC on whether it should approve the settlement. After its review of the matter, the PaPUC will issue a final order, which the Company expects to occur by January 2023, with new rates to be effective as of January 28, 2023.

On February 10, 2022, the Company's Illinois subsidiary filed a general rate case requesting \$71 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA and infrastructure surcharges. The requested increase was subsequently updated in the Illinois subsidiary's June 29, 2022, rebuttal filing, with the request adjusted to \$85 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA (\$83 million including EADIT reductions) and infrastructure surcharges. The request was increased in the rebuttal filing to capture higher production costs and expected higher pension and other post-employment benefit costs. Evidentiary hearings were held on August 10, 2022, and on October 28, 2022, the ALJs issued a proposed order recommending \$69 million in additional annualized revenues, excluding proposed reductions for EADIT as a result of TCJA and infrastructure surcharges (\$67 million including EADIT reductions), on a proposed return on equity of 9.78%. The final order is expected in late 2022 or early January 2023, with rates effective in January 2023.

On November 15, 2021, the Company's Virginia subsidiary filed a general rate case requesting \$15 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA. Interim rates were effective on May 1, 2022, and the difference between interim and final approved rates is subject to refund. On September 26, 2022, a settlement agreement, supported by all parties except one, was filed with the Virginia State Corporation Commission for a \$12 million annual revenue increase excluding agreed to reductions for EADIT as a result of TCJA (\$11 million including EADIT reductions). Public hearings were held on September 27 and 28, 2022. A final decision on this matter is expected in the first quarter of 2023.

The Company's California subsidiary submitted its application on May 3, 2021, to set its cost of capital for 2022 through 2024. According to the CPUC's procedural schedule, a decision setting the authorized cost of capital is expected to be issued in the fourth quarter of 2022.

Pending Infrastructure Surcharge Filings

On September 9, 2022, the Company's Missouri subsidiary filed an infrastructure surcharge proceeding requesting \$13 million in additional annualized revenues.

On June 30, 2022, WVAWC filed an infrastructure surcharge proceeding requesting \$8 million in additional annualized revenues.

Other Regulatory Matters

In September 2020, the CPUC released a decision under its Low-Income Rate Payer Assistance program rulemaking that required the Company's California subsidiary to file a proposal to alter its water revenue adjustment mechanism in its next general rate case filing in 2022, which would become effective in January 2024. On October 5, 2020, the Company's California subsidiary filed an application for rehearing of the decision and following the CPUC's denial of its rehearing application in September 2021, the Company's California subsidiary filed a petition for writ of review with the California Supreme Court on October 27, 2021. On May 18, 2022, the California Supreme Court issued a writ of review for the Company's California subsidiary's petition and the petitions filed by other entities challenging the decision. Independent of the judicial challenge, California passed Senate Bill 1469, which allows the CPUC to consider and authorize the implementation of a mechanism that separates the water corporation's revenue and its water sales. Legislation was signed by the Governor on September 30, 2022, and will become effective on January 1, 2023. In response to the legislation, on October 10, 2022, the Company's California subsidiary filed a request for the CPUC to consider the continuation of its decoupling mechanism in its pending 2022 general rate case, which would be effective 2024 through 2026.

Note 4: Revenue Recognition

Disaggregated Revenues

The Company's primary business involves the ownership of utilities that provide water and wastewater services to residential, commercial, industrial, public authority, fire service and sale for resale customers, collectively presented as the "Regulated Businesses." The Company also operates other market-based businesses that provide water and wastewater services to the U.S. government on military installations, as well as municipalities, and utility customers, collectively included within "Market-Based Businesses and Other."

Presented in the table below are operating revenues disaggregated for the three months ended September 30, 2022:

	Revenues from Contracts with Customers	Other Revenues Not from Contracts with Customers (a)	Total Operating Revenues
Regulated Businesses:			
Water services:			
Residential	\$ 556	\$ 1	\$ 557
Commercial	207	1	208
Fire service	36	—	36
Industrial	41	1	42
Public and other	82	—	82
Total water services	922	3	925
Wastewater services:			
Residential	45	1	46
Commercial	12	—	12
Industrial	1	—	1
Public and other	7	—	7
Total wastewater services	65	1	66
Miscellaneous utility charges	9	—	9
Alternative revenue programs	—	1	1
Lease contract revenue	—	2	2
Total Regulated Businesses	996	7	1,003
Market-Based Businesses and Other	80	(1)	79
Total operating revenues	\$ 1,076	\$ 6	\$ 1,082

(a) Includes revenues associated with provisional rates, alternative revenue programs, lease contracts and intercompany rent, which are outside the scope of Accounting Standards Codification Topic 606, *Revenue From Contracts With Customers* (“ASC 606”), and accounted for under other existing GAAP.

Presented in the table below are operating revenues disaggregated for the three months ended September 30, 2021:

	<u>Revenues from Contracts with Customers</u>	<u>Other Revenues Not from Contracts with Customers (a)</u>	<u>Total Operating Revenues</u>
Regulated Businesses:			
Water services:			
Residential	\$ 545	\$ —	\$ 545
Commercial	197	—	197
Fire service	38	—	38
Industrial	39	—	39
Public and other	72	—	72
Total water services	<u>891</u>	<u>—</u>	<u>891</u>
Wastewater services:			
Residential	38	—	38
Commercial	10	—	10
Industrial	1	—	1
Public and other	4	—	4
Total wastewater services	<u>53</u>	<u>—</u>	<u>53</u>
Miscellaneous utility charges	2	—	2
Alternative revenue programs	—	(4)	(4)
Lease contract revenue	—	2	2
Total Regulated Businesses	<u>946</u>	<u>(2)</u>	<u>944</u>
Market-Based Businesses and Other	148	—	148
Total operating revenues	<u>\$ 1,094</u>	<u>\$ (2)</u>	<u>\$ 1,092</u>

(a) Includes revenues associated with provisional rates, alternative revenue programs, lease contracts and intercompany rent, which are outside the scope of ASC 606, and accounted for under other existing GAAP.

Presented in the table below are operating revenues disaggregated for the nine months ended September 30, 2022:

	Revenues from Contracts with Customers	Other Revenues Not from Contracts with Customers (a)	Total Operating Revenues
Regulated Businesses:			
Water services:			
Residential	\$ 1,467	\$ 2	\$ 1,469
Commercial	534	1	535
Fire service	109	—	109
Industrial	115	1	116
Public and other	195	—	195
Total water services	2,420	4	2,424
Wastewater services:			
Residential	128	1	129
Commercial	33	—	33
Industrial	3	—	3
Public and other	14	—	14
Total wastewater services	178	1	179
Miscellaneous utility charges	27	—	27
Alternative revenue programs	—	10	10
Lease contract revenue	—	6	6
Total Regulated Businesses	2,625	21	2,646
Market-Based Businesses and Other	216	(1)	215
Total operating revenues	\$ 2,841	\$ 20	\$ 2,861

(a) Includes revenues associated with provisional rates, alternative revenue programs, lease contracts and intercompany rent, which are outside the scope of ASC 606, and accounted for under other existing GAAP.

Presented in the table below are operating revenues disaggregated for the nine months ended September 30, 2021:

	Revenues from Contracts with Customers	Other Revenues Not from Contracts with Customers (a)	Total Operating Revenues
Regulated Businesses:			
Water services:			
Residential	\$ 1,466	\$ —	\$ 1,466
Commercial	511	—	511
Fire service	112	—	112
Industrial	105	—	105
Public and other	172	—	172
Total water services	2,366	—	2,366
Wastewater services:			
Residential	112	—	112
Commercial	28	—	28
Industrial	3	—	3
Public and other	12	—	12
Total wastewater services	155	—	155
Miscellaneous utility charges	18	—	18
Alternative revenue programs	—	12	12
Lease contract revenue	—	5	5
Total Regulated Businesses	2,539	17	2,556
Market-Based Businesses and Other	424	(1)	423
Total operating revenues	\$ 2,963	\$ 16	\$ 2,979

(a) Includes revenues associated with provisional rates, alternative revenue programs, lease contracts and intercompany rent, which are outside the scope of ASC 606, and accounted for under other existing GAAP.

Contract Balances

Contract assets and contract liabilities are the result of timing differences between revenue recognition, billings and cash collections. In Market-Based Businesses and Other, certain contracts are billed as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals or upon achievement of contractual milestones. Contract assets are recorded when billing occurs subsequent to revenue recognition and are reclassified to accounts receivable when billed and the right to consideration becomes unconditional. Contract liabilities are recorded when the Company receives advances from customers prior to satisfying contractual performance obligations, particularly for construction contracts, and are recognized as revenue when the associated performance obligations are satisfied.

Contract assets of \$76 million and \$71 million are included in unbilled revenues on the Consolidated Balance Sheets as of September 30, 2022, and December 31, 2021, respectively. There were \$124 million of contract assets added during the nine months ended September 30, 2022, and \$119 million of contract assets were transferred to accounts receivable during the same period. There were \$60 million of contract assets added during the nine months ended September 30, 2021, and \$31 million of contract assets were transferred to accounts receivable during the same period.

Contract liabilities of \$75 million and \$19 million are included in other current liabilities on the Consolidated Balance Sheets as of September 30, 2022, and December 31, 2021, respectively. There were \$150 million of contract liabilities added during the nine months ended September 30, 2022, and \$94 million of contract liabilities were recognized as revenue during the same period. There were \$141 million of contract liabilities added during the nine months ended September 30, 2021, and \$137 million of contract liabilities were recognized as revenue during the same period.

Remaining Performance Obligations

Remaining performance obligations (“RPOs”) represent revenues the Company expects to recognize in the future from contracts that are in progress. The Company enters into agreements for the provision of services to water and wastewater facilities for the U.S. military, municipalities and other customers. As of September 30, 2022, the Company’s operation and maintenance (“O&M”) and capital improvement contracts in Market-Based Businesses and Other have RPOs. Contracts with the U.S. government for work on various military installations expire between 2051 and 2073 and have RPOs of \$7.0 billion as of September 30, 2022, as measured by estimated remaining contract revenue. Such contracts are subject to customary termination provisions held by the U.S. government, prior to the agreed-upon contract expiration. Contracts with municipalities and commercial customers expire between 2026 and 2038 and have RPOs of \$542 million as of September 30, 2022, as measured by estimated remaining contract revenue. Some of the Company’s long-term contracts to operate and maintain the federal government’s, a municipality’s or other party’s water or wastewater treatment and delivery facilities include responsibility for certain maintenance for some of those facilities, in exchange for an annual fee. Unless specifically required to perform certain maintenance activities, the maintenance costs are recognized when the maintenance is performed.

Note 5: Acquisitions and Divestitures***Regulated Businesses******Acquisitions***

On May 27, 2022, the Company’s Pennsylvania subsidiary acquired the public wastewater collection and treatment system assets from the York City Sewer Authority and the City of York for a purchase price of \$235 million, in cash, \$20 million of which was funded as a deposit to the seller in April 2021 in connection with the execution of the acquisition agreement. The system assets serve, directly and indirectly through bulk contracts, more than 45,000 customers. The acquisition was accounted for as a business combination and the preliminary purchase price allocation will be finalized once the valuation of assets acquired has been completed, no later than one year after the acquisition date. The preliminary purchase price allocation consisted primarily of \$231 million of utility plant and \$4 million of goodwill, which is reported in the Company’s Regulated Businesses segment.

In addition to the acquisition of the York wastewater system assets noted above, during the nine months ended September 30, 2022, the Company closed on the acquisition of 14 regulated water and wastewater systems for an aggregate purchase price of \$73 million. Two of these acquisitions were accounted for as a business combination. Assets acquired from these acquisitions consisted principally of utility plant.

The pro forma impact of the Company’s acquisitions was not material to the Consolidated Statements of Operations for the periods ended September 30, 2022 and 2021.

Pending Acquisitions

On October 11, 2022, the Company’s Pennsylvania subsidiary entered into an agreement to acquire the wastewater assets of the Butler Area Sewer Authority for a total purchase price of \$232 million in cash, subject to adjustment as provided for in the Asset Purchase Agreement. This system provides wastewater service for approximately 14,700 customer connections. The Company expects to close this acquisition by the end of 2023, pending regulatory approval.

On March 29, 2021, the Company’s New Jersey subsidiary entered into an agreement to acquire the water and wastewater assets of Egg Harbor City for \$22 million. The water and wastewater systems currently serve approximately 1,500 customers each, or 3,000 combined, and are being sold through the New Jersey Water Infrastructure Protection Act process. The Company expects to close this acquisition in late 2022 or early 2023.

Sale of New York American Water Company, Inc.

On January 1, 2022, the Company completed the previously disclosed sale of its regulated utility operations in New York to Liberty Utilities (Eastern Water Holdings) Corp. (“Liberty”), an indirect, wholly owned subsidiary of Algonquin Power & Utilities Corp. Liberty purchased from the Company all of the capital stock of the Company’s New York subsidiary for a purchase price of \$608 million in cash. During the first quarter of 2022, the Company recognized a loss on sale of \$2 million.

Sale of Michigan American Water Company

On February 4, 2022, the Company completed the sale of its operations in Michigan for \$6 million.

Sale of Homeowner Services Group

On December 9, 2021, the Company sold all of the equity interests in subsidiaries that comprised the Company's Homeowner Services Group ("HOS") to a wholly owned subsidiary of funds advised by Apax Partners LLP, a global private equity advisory firm (the "Buyer"), for total consideration of approximately \$1.275 billion, resulting in pre-tax gain on sale of \$748 million during the fourth quarter of 2021. The consideration was comprised of \$480 million in cash, a seller promissory note issued by the Buyer in the principal amount of \$720 million, and a contingent cash payment of \$75 million payable upon satisfaction of certain conditions on or before December 31, 2023. See Note 13—Fair Value of Financial Information for additional information relating to the seller promissory note and contingent cash payment. For the nine months ended September 30, 2022, the Company recorded post-closing adjustments, primarily related to working capital, of pre-tax income of \$20 million, which is included in Other, net on the Consolidated Statements of Operations.

The seller note has a five-year term, is payable in cash, and bears interest at a rate of 7.00% per year during the term. The Company recognized \$13 million and \$38 million of interest income during the three and nine months ended September 30, 2022, respectively, from the seller note.

The Company and the Buyer also entered into revenue share agreements, pursuant to which the Company is to receive 10% of the revenue generated from customers who are billed for home warranty services through an applicable Company subsidiary (an "on-bill" arrangement), and 15% of the revenue generated from any future on-bill arrangements entered into after the closing. Unless earlier terminated, this agreement has a term of up to 15 years, which may be renewed for up to two five-year periods. The Company recognized \$2 million and \$6 million of income during the three and nine months ended September 30, 2022, respectively, from the revenue share agreements, which is included in Other, net on the Consolidated Statements of Operations.

Note 6: Shareholders' Equity**Accumulated Other Comprehensive Loss**

Presented in the table below are the changes in accumulated other comprehensive loss by component, net of tax, for the nine months ended September 30, 2022 and 2021, respectively:

	Defined Benefit Pension Plans			Loss on Cash Flow Hedges	Accumulated Other Comprehensive Loss
	Employee Benefit Plan Funded Status	Amortization of Prior Service Cost	Amortization of Actuarial Loss		
Balance as of December 31, 2021	\$ (107)	\$ 1	\$ 67	\$ (6)	\$ (45)
Other comprehensive income before reclassifications	—	—	—	4	4
Amounts reclassified from accumulated other comprehensive loss	—	—	2	—	2
Net other comprehensive income	—	—	2	4	6
Balance as of September 30, 2022	\$ (107)	\$ 1	\$ 69	\$ (2)	\$ (39)
Balance as of December 31, 2020	\$ (106)	\$ 1	\$ 63	\$ (7)	\$ (49)
Other comprehensive loss before reclassifications	—	—	—	1	1
Amounts reclassified from accumulated other comprehensive loss	—	—	3	—	3
Net other comprehensive income	—	—	3	1	4
Balance as of September 30, 2021	\$ (106)	\$ 1	\$ 66	\$ (6)	\$ (45)

The Company does not reclassify the amortization of defined benefit pension cost components from accumulated other comprehensive loss directly to net income in its entirety, as a portion of these costs have been deferred as a regulatory asset. These accumulated other comprehensive loss components are included in the computation of net periodic pension cost.

The amortization of the gain (loss) on cash flow hedges is reclassified to net income during the period incurred and is included in interest, net in the accompanying Consolidated Statements of Operations.

Dividends

On September 1, 2022, the Company paid a quarterly cash dividend of \$0.6550 per share to shareholders of record as of August 9, 2022.

On October 27, 2022, the Company's Board of Directors declared a quarterly cash dividend payment of \$0.6550 per share, payable on December 1, 2022, to shareholders of record as of November 8, 2022. Future dividends, when and as declared at the discretion of the Board of Directors, will be dependent upon future earnings and cash flows, compliance with various regulatory, financial and legal requirements, and other factors. See Note 10—Shareholders' Equity in the Notes to Consolidated Financial Statements in the Company's Form 10-K for additional information regarding the payment of dividends on the Company's common stock.

Note 7: Long-Term Debt

On May 5, 2022, American Water Capital Corp. ("AWCC"), issued \$800 million aggregate principal amount of 4.45% senior notes due 2032. At closing, AWCC received, after deduction of underwriting discounts and before deduction of offering expenses, net proceeds of approximately \$792 million. AWCC used the net proceeds of the offering: (i) to lend funds to the Company and its subsidiaries in its Regulated Businesses segment; (ii) to repay AWCC's commercial paper obligations; and (iii) for general corporate purposes.

In April 2022, the Company entered into several 10-year treasury lock agreements, with notional amounts totaling \$400 million, and an average fixed interest rate of 2.89%. The Company designated these treasury lock agreements as cash flow hedges, with their fair value recorded in accumulated other comprehensive gain or loss. In May 2022, the Company terminated the treasury lock agreements, realizing a net gain of approximately \$4 million, to be amortized through interest, net over a 10-year period, in accordance with the tenor of the debt issuance on May 5, 2022. No ineffectiveness was recognized on hedging instruments for the three and nine months ended September 30, 2022.

In addition to the senior notes issued by AWCC as described above, during the nine months ended September 30, 2022, the Company's regulated subsidiaries issued in the aggregate \$22 million of private activity bonds and government funded debt in multiple transactions with annual interest rates ranging from 0.00% to 1.75%, with a weighted average interest rate of 1.05%, maturing in 2027 through 2042. During the nine months ended September 30, 2022, AWCC and the Company's regulated subsidiaries made sinking fund payments for, or repaid at maturity, \$14 million in aggregate principal amount of outstanding long-term debt, with annual interest rates ranging from 0.00% to 12.25%, a weighted average interest rate of 2.18%, and maturity dates ranging from 2022 to 2051.

Note 8: Short-Term Debt

Liquidity needs for capital investment, working capital and other financial commitments are generally funded through cash flows from operations, public and private debt offerings, commercial paper markets and, if and to the extent necessary, borrowings under the AWCC revolving credit facility, and, in the future, issuances of equity. Additionally, proceeds from the aforementioned sales of HOS and the Company's New York subsidiary will be used primarily for capital investment in the Regulated Businesses.

The Company maintains an unsecured revolving credit facility with a diversified group of financial institutions. AWCC's revolving credit facility is used principally to support its commercial paper program, to provide additional liquidity support, and to provide a sublimit for the issuance of up to \$150 million in letters of credit. On October 26, 2022, AWCC and certain lenders amended and restated the credit agreement with respect to the revolving credit facility to, among other things, increase the maximum commitments under the facility to \$2.75 billion from \$2.25 billion and to extend the expiration date of the facility to October 2027 from March 2025. Subject to satisfying certain conditions, the credit agreement also permits AWCC to increase the maximum commitment under the facility by up to an aggregate of \$500 million and to request extensions of its expiration date for up to two one-year periods. Also, effective October 26, 2022, the maximum aggregate principal amount of short-term borrowings authorized for issuance under AWCC's commercial paper program was increased to \$2.60 billion from \$2.10 billion.

Short-term debt consists of commercial paper borrowings totaling \$634 million and \$584 million as of September 30, 2022, and December 31, 2021, respectively. The weighted-average interest rate on AWCC's outstanding short-term borrowings was approximately 3.22% and 0.20% at September 30, 2022 and December 31, 2021, respectively. As of September 30, 2022, and December 31, 2021, there were no borrowings outstanding under the revolving credit facility, and there were no commercial paper borrowings outstanding with maturities greater than three months.

Presented in the tables below is the aggregate credit facility commitments, commercial paper limit and letter of credit availability under the revolving credit facility, as well as the available capacity for each:

	As of September 30, 2022		
	Commercial Paper Limit	Letters of Credit	Total (a)
(In millions)			
Total availability	\$ 2,100	\$ 150	\$ 2,250
Outstanding debt	(634)	(75)	(709)
Remaining availability as of September 30, 2022	\$ 1,466	\$ 75	\$ 1,541

(a) Total remaining availability of \$1.54 billion as of September 30, 2022, may be accessed through revolver draws.

	As of December 31, 2021		
	Commercial Paper Limit	Letters of Credit	Total (a)
(In millions)			
Total availability	\$ 2,100	\$ 150	\$ 2,250
Outstanding debt	(584)	(76)	(660)
Remaining availability as of December 31, 2021	\$ 1,516	\$ 74	\$ 1,590

(a) Total remaining availability of \$1.59 billion as of December 31, 2021, may be accessed through revolver draws.

Presented in the table below is the Company's total available liquidity as of September 30, 2022 and December 31, 2021, respectively:

	Cash and Cash Equivalents	Availability on Revolving Credit Facility	Total Available Liquidity
(In millions)			
Available liquidity as of September 30, 2022	\$ 77	\$ 1,541	\$ 1,618
Available liquidity as of December 31, 2021	\$ 116	\$ 1,590	\$ 1,706

Note 9: Income Taxes

The Company's effective income tax rate was 19.1% and 18.2% for the three months ended September 30, 2022 and 2021, respectively, and 18.9% and 17.2% for the nine months ended September 30, 2022 and 2021, respectively. The increase in the Company's effective income tax rate for the three and nine months ended September 30, 2022, was primarily due to a decrease in the amortization of EADIT pursuant to regulatory orders.

Other Tax Matters

On July 8, 2022, Pennsylvania Governor Tom Wolf signed into law Act 53 of 2022, which reduces the Pennsylvania state corporate income tax rate in yearly increments starting January 1, 2023, with a new rate of 8.99% and ending effective January 1, 2031, with a rate of 4.99%. Under Accounting Standards Codification Topic 740, Income Taxes ("ASC 740"), the tax effects of changes in tax laws must be recognized in the period in which the law is enacted. ASC 740 also requires deferred tax assets and liabilities to be measured at the enacted tax rate expected to apply when temporary differences are to be realized or settled. As such, the Company's accumulated deferred income tax ("ADIT") balances for their Pennsylvania subsidiary were remeasured during the quarter ended September 30, 2022, to estimate the impacts of the recently enacted tax rate. The remeasurement reduces the ADIT liability by \$132 million and creates a corresponding regulatory liability since the EADIT is expected to be returned to customers in a future rate case. However, since the rate is declining in yearly increments, the total EADIT will be subject to change. The rate change impacts to the non-regulated companies have been deemed immaterial.

On September 27, 2022, Iowa's Department of Revenue announced a reduction in the state's top corporate rate from 9.8% to 8.4% effective January 1, 2023. The remeasurement reduces the ADIT liability for the Company's Iowa subsidiary by \$1 million and creates a corresponding regulatory liability since the EADIT balance is expected to be returned to customers in a future rate case. The rate impacts to the non-regulated companies have been deemed immaterial.

Note 10: Pension and Other Postretirement Benefits

Presented in the table below are the components of net periodic benefit credit:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
Components of net periodic pension benefit credit:				
Service cost	\$ 8	\$ 9	\$ 23	\$ 27
Interest cost	16	16	48	49
Expected return on plan assets	(31)	(31)	(92)	(95)
Amortization of prior service credit	(1)	(1)	(3)	(2)
Amortization of actuarial loss	5	7	15	20
Net periodic pension benefit credit	\$ (3)	\$ —	\$ (9)	\$ (1)
Components of net periodic other postretirement benefit credit:				
Service cost	\$ 1	\$ 1	\$ 3	\$ 3
Interest cost	3	2	8	6
Expected return on plan assets	(5)	(5)	(15)	(15)
Amortization of prior service credit	(8)	(8)	(24)	(24)
Net periodic other postretirement benefit credit	\$ (9)	\$ (10)	\$ (28)	\$ (30)

The Company contributed \$9 million and \$27 million for the funding of its defined benefit pension plans for the three and nine months ended September 30, 2022, respectively, and contributed \$10 million and \$28 million for the funding of its defined benefit pension plans for the three and nine months ended September 30, 2021, respectively. There were no material contributions and \$13 million of contributions for the funding of the Company’s other postretirement benefit plans for the three and nine months ended September 30, 2022, respectively, and \$3 million of contributions for each of the three and nine months ended September 30, 2021. The Company expects to make pension contributions to the plan trusts of \$9 million during the remainder of 2022.

Note 11: Commitments and Contingencies

Contingencies

The Company is routinely involved in legal actions incident to the normal conduct of its business. As of September 30, 2022, the Company has accrued approximately \$4 million of probable loss contingencies and has estimated that the maximum amount of losses associated with reasonably possible loss contingencies that can be reasonably estimated is \$3 million. For certain matters, claims and actions, the Company is unable to estimate possible losses. The Company believes that damages or settlements, if any, recovered by plaintiffs in such matters, claims or actions, other than as described in this Note 11—Commitments and Contingencies, will not have a material adverse effect on the Company.

West Virginia Elk River Freedom Industries Chemical Spill

On June 8, 2018, the U.S. District Court for the Southern District of West Virginia granted final approval of a settlement class and global class action settlement (the “Settlement”) for all claims and potential claims by all class members (collectively, the “West Virginia Plaintiffs”) arising out of the January 2014 Freedom Industries, Inc. chemical spill in West Virginia. The effective date of the Settlement was July 16, 2018. Under the terms and conditions of the Settlement, WVAWC and certain other Company-affiliated entities did not admit, and will not admit, any fault or liability for any of the allegations made by the West Virginia Plaintiffs in any of the actions that were resolved.

The aggregate pre-tax amount contributed by WVAWC of the \$126 million portion of the Settlement with respect to the Company, net of insurance recoveries, is \$19 million. As of September 30, 2022, \$0.5 million of the aggregate Settlement amount of \$126 million has been reflected in accrued liabilities, and \$0.5 million in offsetting insurance receivables have been reflected in other current assets on the Consolidated Balance Sheets. The amount reflected in accrued liabilities as of September 30, 2022 reflects reductions in the liability and appropriate reductions to the offsetting insurance receivable reflected in other current assets, associated with payments made to the Settlement fund, the receipt of a determination by the Settlement fund’s appeal adjudicator on all remaining medical claims and the calculation of remaining attorneys’ fees and claims administration costs. The Company funded WVAWC’s contributions to the Settlement through existing sources of liquidity.

Dunbar, West Virginia Water Main Break Class Action Litigation

On the evening of June 23, 2015, a 36-inch pre-stressed concrete transmission water main, installed in the early 1970s, failed. The water main is part of the West Relay pumping station located in the City of Dunbar, West Virginia and owned by WVAWC. The failure of the main caused water outages and low pressure for up to approximately 25,000 WVAWC customers. In the early morning hours of June 25, 2015, crews completed a repair, but that same day, the repair developed a leak. On June 26, 2015, a second repair was completed and service was restored that day to approximately 80% of the impacted customers, and to the remaining approximately 20% by the next morning. The second repair showed signs of leaking, but the water main was usable until June 29, 2015, to allow tanks to refill. The system was reconfigured to maintain service to all but approximately 3,000 customers while a final repair was being completed safely on June 30, 2015. Water service was fully restored by July 1, 2015 to all customers affected by this event.

On June 2, 2017, a complaint captioned *Jeffries, et al. v. West Virginia-American Water Company* was filed in West Virginia Circuit Court in Kanawha County on behalf of an alleged class of residents and business owners who lost water service or pressure as a result of the Dunbar main break. The complaint alleges breach of contract by WVAWC for failure to supply water, violation of West Virginia law regarding the sufficiency of WVAWC's facilities and negligence by WVAWC in the design, maintenance and operation of the water system. The *Jeffries* plaintiffs seek unspecified alleged damages on behalf of the class for lost profits, annoyance and inconvenience, and loss of use, as well as punitive damages for willful, reckless and wanton behavior in not addressing the risk of pipe failure and a large outage.

In February 2020, the *Jeffries* plaintiffs filed a motion seeking class certification on the issues of breach of contract and negligence, and to determine the applicability of punitive damages and a multiplier for those damages if imposed. In July 2020, the Circuit Court entered an order granting the *Jeffries* plaintiffs' motion for certification of a class regarding certain liability issues but denying certification of a class to determine a punitive damages multiplier. In August 2020, WVAWC filed a Petition for Writ of Prohibition in the Supreme Court of Appeals of West Virginia seeking to vacate or remand the Circuit Court's order certifying the issues class. On January 28, 2021, the Supreme Court of Appeals remanded the case back to the Circuit Court for further consideration in light of a decision issued in another case relating to the class certification issues raised on appeal. On July 5, 2022, the Circuit Court entered an order again certifying a class to address at trial certain liability issues but not to consider damages. On August 26, 2022, WVAWC filed another Petition for Writ of Prohibition in the Supreme Court of Appeals challenging this latest class certification order. The Writ Petition has been supported by an amicus brief filed by certain water and utility industry trade groups. The Supreme Court of Appeals will decide whether to accept the Writ Petition by issuing a Rule to Show Cause.

The Company and WVAWC believe that WVAWC has valid, meritorious defenses to the claims raised in this class action complaint. WVAWC is vigorously defending itself against these allegations. The Company cannot currently determine the likelihood of a loss, if any, or estimate the amount of any loss or a range of such losses related to this proceeding.

Chattanooga, Tennessee Water Main Break Class Action Litigation

On September 12, 2019, the Company's Tennessee subsidiary ("TAWC"), experienced a leak in a 36-inch water transmission main, which caused service fluctuations or interruptions to TAWC customers and the issuance of a boil water notice. TAWC repaired the main by early morning on September 14, 2019, and restored full water service by the afternoon of September 15, 2019, with the boil water notice lifted for all customers on September 16, 2019.

On September 17, 2019, a complaint captioned *Bruce, et al. v. American Water Works Company, Inc., et al.* was filed in the Circuit Court of Hamilton County, Tennessee against TAWC, the Company and American Water Works Service Company, Inc. ("Service Company" and, together with TAWC and the Company, collectively, the "Tennessee-American Water Defendants"), on behalf of a proposed class of individuals or entities who lost water service or suffered monetary losses as a result of the Chattanooga incident (the "Tennessee Plaintiffs"). The complaint alleged breach of contract and negligence against the Tennessee-American Water Defendants, as well as an equitable remedy of piercing the corporate veil. In the complaint as originally filed, the Tennessee Plaintiffs were seeking an award of unspecified alleged damages for wage losses, business and economic losses, out-of-pocket expenses, loss of use and enjoyment of property and annoyance and inconvenience, as well as punitive damages, attorneys' fees and pre- and post-judgment interest. In September 2020, the court dismissed all of the Tennessee Plaintiffs' claims in their complaint, except for the breach of contract claims against TAWC, which remain pending. In October 2020, TAWC answered the complaint, and the parties have been engaging in discovery. A hearing that had been originally scheduled for October 2022 to address the question of class certification has been postponed to January 2023.

TAWC and the Company believe that TAWC has meritorious defenses to the claims raised in this class action complaint, and TAWC is vigorously defending itself against these allegations. The Company cannot currently determine the likelihood of a loss, if any, or estimate the amount of any loss or a range of such losses related to this proceeding.

*Alternative Water Supply in Lieu of Carmel River Diversions*Compliance with Orders to Reduce Carmel River Diversions—Monterey Peninsula Water Supply Project

Under a 2009 order (the “2009 Order”) of the State Water Resources Control Board (the “SWRCB”), the Company’s California subsidiary (“Cal Am”) is required to decrease significantly its yearly diversions of water from the Carmel River according to a set reduction schedule. In 2016, the SWRCB issued an order (the “2016 Order”) approving a deadline of December 31, 2021 for Cal Am’s compliance with these prior orders.

Cal Am is currently involved in developing the Monterey Peninsula Water Supply Project (the “Water Supply Project”), which includes the construction of a desalination plant, to be owned by Cal Am, and the construction of wells that would supply water to the desalination plant. In addition, the Water Supply Project also includes Cal Am’s purchase of water from a groundwater replenishment project (the “GWR Project”) between Monterey One Water and the Monterey Peninsula Water Management District (the “MPWMD”). The Water Supply Project is intended, among other things, to fulfill Cal Am’s obligations under the 2009 Order and the 2016 Order.

Cal Am’s ability to move forward on the Water Supply Project is subject to administrative review by the CPUC and other government agencies, obtaining necessary permits, and intervention from other parties. In September 2016, the CPUC unanimously approved a final decision to authorize Cal Am to enter into a water purchase agreement for the GWR Project and to construct a pipeline and pump station facilities and recover up to \$50 million in associated incurred costs plus an allowance for funds used during construction (“AFUDC”), subject to meeting certain criteria.

In September 2018, the CPUC unanimously approved another final decision finding that the Water Supply Project meets the CPUC’s requirements for a certificate of public convenience and necessity and an additional procedural phase was not necessary to consider alternative projects. The CPUC’s 2018 decision concludes that the Water Supply Project is the best project to address estimated future water demands in Monterey, and, in addition to the cost recovery approved in its 2016 decision, adopts Cal Am’s cost estimates for the Water Supply Project, which amounted to an aggregate of \$279 million plus AFUDC at a rate representative of Cal Am’s actual weighted average cost of capital. The 2018 final decision specifies the procedures for recovery of all of Cal Am’s prudently incurred costs associated with the Water Supply Project upon its completion, subject to the frameworks included in the final decision related to cost caps, operation and maintenance costs, financing, ratemaking and contingency matters. The reasonableness of the Water Supply Project costs will be reviewed by the CPUC when Cal Am seeks cost recovery for the Water Supply Project. Cal Am has incurred \$206 million in aggregate costs as of September 30, 2022 related to the Water Supply Project, which includes \$55 million in AFUDC.

In September 2021, Cal Am, Monterey One Water and the MPWMD reached an agreement on Cal Am’s purchase of additional water from an expansion to the GWR Project, which is not expected to produce additional water until 2024 at the earliest. The amended and restated water purchase agreement for the GWR Project expansion is subject to review and approval of the CPUC, and on November 29, 2021, Cal Am filed an application with the CPUC seeking review and approval of the amended and restated water purchase agreement. Cal Am is also requesting rate base treatment of the additional capital investment for certain Cal Am facilities required to maximize the water supply from the expansion to the GWR Project and a related Aquifer Storage and Recovery Project, totaling approximately \$81 million. This amount is in addition to, and consistent in regulatory treatment with, the prior \$50 million of cost recovery for facilities associated with the original water purchase agreement, which was approved by the CPUC in its 2016 final decision. In September 2022, the parties completed testimony related to this CPUC proceeding, and the parties are now meeting and conferring to set hearing dates during the fourth quarter of 2022.

On September 30, 2022, a CPUC-assigned ALJ issued a proposed decision that would, if adopted by the CPUC, authorize Cal Am to enter into the amended water purchase agreement, and specifically to increase pumping capacity and reliability of groundwater extraction from the Seaside Groundwater Basin. The proposed decision sets the cost cap for the proposed facilities at approximately \$45 million, and the remaining \$36 million of costs initially requested have been deferred to a subsequent filing. Under the proposed decision, Cal Am may seek recovery of amounts above the cost cap in a subsequent rate filing or general rate case. Additionally, the proposed decision recommended AFUDC be authorized at Cal Am’s actual weighted average cost of debt. On October 20, 2022, the parties filed their comments to the proposed decision. Cal Am currently expects a CPUC ruling to be issued by the end of 2022. After that, this matter will remain open as part of a Phase 2 proceeding to update supply and demand amounts for the Water Supply Project and to address certain of the deferred capital requests.

While Cal Am believes that its expenditures to date have been prudent and necessary to comply with the 2009 Order and the 2016 Order, as well as the CPUC’s 2016 and 2018 final decisions, Cal Am cannot currently predict its ability to recover all of its costs and expenses associated with the Water Supply Project and there can be no assurance that Cal Am will be able to recover all of such costs and expenses in excess of the \$50 million in construction costs previously approved by the CPUC in its 2016 final decision.

Coastal Development Permit Application

In June 2018, Cal Am submitted a coastal development permit application to the City of Marina (the “City”) for those project components of the Water Supply Project located within the City’s coastal zone. Members of the City’s Planning Commission, as well as City councilpersons, have publicly expressed opposition to the Water Supply Project. In May 2019, the City issued a notice of final local action based upon the denial by the Planning Commission of Cal Am’s coastal development permit application. Thereafter, Cal Am appealed this decision to the California Coastal Commission (the “Coastal Commission”), as permitted under the City’s code and the California Coastal Act. At the same time, Cal Am submitted an application to the Coastal Commission for a coastal development permit for those project components located within the Coastal Commission’s original jurisdiction. In October 2019, staff of the Coastal Commission issued a report recommending a denial of Cal Am’s application for a coastal development permit with respect to the Water Supply Project, largely based on a memorandum prepared by the general manager of the MPWMD that contradicted findings made by the CPUC in its final decision approving the Water Supply Project. In November 2019, discussions between staffs of the Coastal Commission and the CPUC took place regarding the Coastal Commission staff recommendation, at which time the CPUC raised questions about the Coastal Commission staff’s findings on water supply and demand, groundwater impacts and the viability of a project that the Coastal Commission staff believes may be a possible alternative to the Water Supply Project.

In August 2020, the staff of the Coastal Commission released a report again recommending denial of Cal Am’s application for a coastal development permit. Although the report concluded that the Water Supply Project would have a negligible impact on groundwater resources, the report also concluded it would impact other coastal resources, such as environmentally sensitive habitat areas and wetlands, and that the Coastal Commission staff believes that a feasible alternative project exists that would avoid those impacts. The staff’s report also noted disproportionate impacts to communities of concern. In September 2020, Cal Am withdrew its original jurisdiction application to allow additional time to address the Coastal Commission staff’s environmental justice concerns. The withdrawal of the original jurisdiction application did not impact Cal Am’s appeal of the City’s denial, which remains pending before the Coastal Commission. Cal Am refiled the original jurisdiction application in November 2020. In December 2020, the Coastal Commission sent to Cal Am a notice of incomplete application, identifying certain additional information needed to consider the application complete. In March 2021, Cal Am provided responses to the Coastal Commission’s notice of incomplete application. In June 2021, the Coastal Commission responded, acknowledging the responses and requesting certain additional information before the application could be considered complete. Cal Am responded with the requested additional information on January 11, 2022, and on February 8, 2022, the Coastal Commission requested additional information, and Cal Am responded with additional information. On September 1, 2022, the Coastal Commission deemed Cal Am’s application complete. A hearing on the application is expected in November 2022.

Cal Am continues to work constructively with all appropriate agencies to provide necessary information in connection with obtaining required approvals for the Water Supply Project. However, there can be no assurance that the Water Supply Project in its current configuration will be completed on a timely basis, if ever. Beginning in January 2022, Cal Am expects to be able to comply with the diversion reduction requirements contained in the 2016 Order, but continued compliance with the diversion reduction requirements for 2023 and future years will depend on successful development of alternate water supply sources, sufficient to meet customer demand. The 2009 Order and the 2016 Order remain in effect until Cal Am certifies to the SWRCB, and the SWRCB concurs, that Cal Am has obtained a permanent supply of water to substitute for past unauthorized Carmel River diversions. While the Company cannot currently predict the likelihood or result of any adverse outcome associated with these matters, further attempts to comply with the 2009 Order and the 2016 Order may result in material additional costs and obligations to Cal Am, including fines and penalties against Cal Am in the event of noncompliance with the 2009 Order and the 2016 Order.

Note 12: Earnings per Common Share

Presented in the table below is a reconciliation of the numerator and denominator for the basic and diluted EPS calculations:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
Numerator:				
Net income attributable to common shareholders	\$ 297	\$ 278	\$ 673	\$ 618
Denominator:				
Weighted-average common shares outstanding—Basic	182	182	182	182
Effect of dilutive common stock equivalents	—	—	—	—
Weighted-average common shares outstanding—Diluted	182	182	182	182

The effect of dilutive common stock equivalents is related to outstanding stock options, restricted stock units (“RSUs”) and performance stock units (“PSUs”) granted under the Company’s 2007 Omnibus Equity Compensation Plan and outstanding RSUs and PSUs granted under the Company’s 2017 Omnibus Equity Compensation Plan, as well as estimated shares to be purchased under the Company’s 2017 Nonqualified Employee Stock Purchase Plan. Less than one million share-based awards were excluded from the computation of diluted EPS for the three and nine months ended September 30, 2022 and 2021, because their effect would have been anti-dilutive under the treasury stock method.

Note 13: Fair Value of Financial Information

Fair Value of Financial Instruments

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

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

Seller promissory note from the sale of HOS — The carrying amount reported on the Consolidated Balance Sheets for the seller promissory note from the sale of HOS is \$720 million as of September 30, 2022 and December 31, 2021. This amount represents the principal amount owed under the seller note, for which the Company expects to receive full payment. The accounting fair value measurement of the seller note approximated \$681 million and \$720 million as of September 30, 2022 and December 31, 2021, respectively. The accounting fair value measurement is an estimate that is reflective of changes in benchmark interest rates. The seller note is classified as Level 3 within the fair value hierarchy.

Preferred stock with mandatory redemption requirements and long-term debt—The fair values of preferred stock with mandatory redemption requirements and long-term debt are categorized within the fair value hierarchy based on the inputs that are used to value each instrument. The fair value of long-term debt classified as Level 1 is calculated using quoted prices in active markets. Level 2 instruments are valued using observable inputs and Level 3 instruments are valued using observable and unobservable inputs.

Presented in the tables below are the carrying amounts, including fair value adjustments previously recognized in acquisition purchase accounting, and the fair values of the Company’s financial instruments:

	As of September 30, 2022				
	Carrying Amount	At Fair Value			Total
		Level 1	Level 2	Level 3	
Preferred stock with mandatory redemption requirements	\$ 3	\$ —	\$ —	\$ 3	\$ 3
Long-term debt (excluding finance lease obligations)	11,205	8,378	47	1,397	9,822
	As of December 31, 2021				
	Carrying Amount	At Fair Value			Total
		Level 1	Level 2	Level 3	
Preferred stock with mandatory redemption requirements	\$ 4	\$ —	\$ —	\$ 6	\$ 6
Long-term debt (excluding finance lease obligations)	10,396	10,121	60	1,637	11,818

Recurring Fair Value Measurements

Presented in the tables below are assets and liabilities measured and recorded at fair value on a recurring basis and their level within the fair value hierarchy:

	As of September 30, 2022			
	Level 1	Level 2	Level 3	Total
Assets:				
Restricted funds	\$ 28	\$ —	\$ —	\$ 28
Rabbi trust investments	20	—	—	20
Deposits	7	—	—	7
Other investments	23	—	—	23
Contingent cash payment from the sale of HOS	—	—	72	72
Total assets	78	—	72	150
Liabilities:				
Deferred compensation obligations	23	—	—	23
Total liabilities	23	—	—	23
Total assets	\$ 55	\$ —	\$ 72	\$ 127
	As of December 31, 2021			
	Level 1	Level 2	Level 3	Total
Assets:				
Restricted funds	\$ 21	\$ —	\$ —	\$ 21
Rabbi trust investments	23	—	—	23
Deposits	27	—	—	27
Other investments	17	—	—	17
Contingent cash payment from the sale of HOS	—	—	72	72
Total assets	88	—	72	160
Liabilities:				
Deferred compensation obligations	27	—	—	27
Total liabilities	27	—	—	27
Total assets	\$ 61	\$ —	\$ 72	\$ 133

Restricted funds—The Company’s restricted funds primarily represent proceeds received from financings for the construction and capital improvement of facilities and from customers for future services under operation, maintenance and repair projects.

Rabbi trust investments—The Company’s rabbi trust investments consist of equity and index funds from which supplemental executive retirement plan benefits and deferred compensation obligations can be paid. The Company includes these assets in other long-term assets on the Consolidated Balance Sheets.

Deposits—Deposits include escrow funds and certain other deposits held in trust. The Company includes cash deposits in other current assets on the Consolidated Balance Sheets.

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

Mark-to-market derivative assets and liabilities—The Company employs derivative financial instruments in the form of variable-to-fixed interest rate swaps and treasury lock agreements, classified as economic hedges and cash flow hedges, respectively, in order to fix the interest cost on existing or forecasted debt. The Company may use fixed-to-floating interest rate swaps, typically designated as fair-value hedges, to achieve a targeted level of variable-rate debt as a percentage of total debt. The Company uses a calculation of future cash inflows and estimated future outflows, which are discounted, to determine the current fair value. Additional inputs to the present value calculation include the contract terms, counterparty credit risk, interest rates and market volatility. The Company had no mark-to-market derivatives outstanding as of September 30, 2022.

Other investments—Other investments primarily represent money market funds used for active employee benefits. The Company includes other investments in other current assets on the Consolidated Balance Sheets.

Contingent cash payment from the sale of HOS—The Company's contingent cash payment derivative included as part of the consideration from the sale of HOS is included in other long-term assets on the Consolidated Balance Sheets. The fair value of the contingent cash payment is \$72 million, which is reflective of changes in the benchmark interest rate and estimated using the probability of the outcome of receipt of the \$75 million, a Level 3 input.

Note 14: Leases

The Company has operating and finance leases involving real property, including facilities, utility assets, vehicles, and equipment. Certain operating leases have renewal options ranging from one to 60 years. The exercise of lease renewal options is at the Company's sole discretion. Renewal options that the Company was reasonably certain to exercise are included in the Company's right-of-use ("ROU") assets. Certain operating leases contain the option to purchase the leased property. The operating leases for real property, vehicles and equipment will expire over the next 37 years, six years, and four years, respectively.

The Company participates in a number of arrangements with various public entities ("Partners") in West Virginia. Under these arrangements, the Company transferred a portion of its utility plant to the Partners in exchange for an equal principal amount of Industrial Development Bonds ("IDBs") issued by the Partners under the Industrial Development and Commercial Development Bond Act. The Company leased back the utility plant under agreements for a period of 30 to 40 years. The Company has recorded these agreements as finance leases in property, plant and equipment, as ownership of the assets will revert back to the Company at the end of the lease term. The carrying value of the finance lease assets was \$146 million as of September 30, 2022 and December 31, 2021. The Company determined that the finance lease obligations and the investments in IDBs meet the conditions for offsetting, and as such, are reported net on the Consolidated Balance Sheets and excluded from the finance lease disclosure presented below.

The Company also enters into O&M agreements with the Partners. The Company pays an annual fee for use of the Partners' assets in performing under the O&M agreements. The O&M agreements are recorded as operating leases, and future annual use fees of \$1 million in 2022, \$4 million in 2023 through 2026, and \$48 million thereafter, are included in operating lease ROU assets and operating lease liabilities on the Consolidated Balance Sheets.

Rental expenses under operating and finance leases were \$3 million for each of the three months ended September 30, 2022 and September 30, 2021, and \$9 million and \$10 million for the nine months ended September 30, 2022 and September 30, 2021, respectively.

For the three and nine months ended September 30, 2022, cash paid for amounts in lease liabilities, which includes operating and financing cash flows from operating and finance leases, were \$3 million and \$9 million, respectively. For the nine months ended September 30, 2022, there were ROU assets obtained in exchange for new operating lease liabilities of \$4 million.

As of September 30, 2022, the weighted-average remaining lease term of the finance lease and operating leases were four years and 17 years, respectively, and the weighted-average discount rate of the finance lease and operating leases were 12% and 4%, respectively.

The future maturities of lease liabilities as of September 30, 2022 were \$3 million in 2022, \$10 million in 2023, \$9 million in 2024, \$9 million in 2025, \$8 million in 2026, and \$88 million thereafter. As of September 30, 2022, imputed interest was \$42 million.

Note 15: Segment Information

The Company's operating segments are comprised of the revenue-generating components of its businesses for which separate financial information is internally produced and regularly used by management to make operating decisions, assess performance and allocate resources. The Company operates its businesses primarily through one reportable segment, the Regulated Businesses segment. "Market-Based Businesses and Other" includes market-based businesses that, individually, do not meet the criteria of a reportable segment in accordance with GAAP, corporate costs that are not allocated to the Company's operating segments, eliminations of inter-segment transactions and fair value adjustments and associated income and deductions related to acquisitions that have not been allocated to the operating segments for evaluation of performance and allocation of resource purposes. The adjustments related to the acquisitions are reported in Market-Based Businesses and Other as they are excluded from segment performance measures evaluated by management.

As a result of the sale of HOS, the categories which were previously shown as "Market-Based Businesses" and "Other" have been combined and shown as "Market-Based Businesses and Other." Segment results for the three and nine months ended September 30, 2021, have been adjusted retrospectively to reflect this change.

Presented in the tables below is summarized segment information:

	As of or for the Three Months Ended September 30, 2022		
	Regulated Businesses	Market-Based Businesses and Other	Consolidated
Operating revenues	\$ 1,003	\$ 79	\$ 1,082
Depreciation and amortization	161	3	164
Total operating expenses, net	574	69	643
Interest expense	(81)	(30)	(111)
Interest income	1	13	14
Income before income taxes	373	(6)	367
Provision for income taxes	71	(1)	70
Net income (loss) attributable to common shareholders	302	(5)	297
Total assets	24,366	2,760	27,126
Cash paid for capital expenditures	598	4	602

	As of or for the Three Months Ended September 30, 2021		
	Regulated Businesses	Market-Based Businesses and Other	Consolidated
Operating revenues	\$ 944	\$ 148	\$ 1,092
Depreciation and amortization	151	10	161
Total operating expenses, net	563	112	675
Interest expense	(73)	(28)	(101)
Interest income	—	—	—
Income (loss) before income taxes	332	8	340
Provision for income taxes	60	2	62
Net income (loss) attributable to common shareholders	273	5	278
Total assets	22,818	2,515	25,333
Cash paid for capital expenditures	447	6	453

	As of or for the Nine Months Ended September 30, 2022		
	Regulated Businesses	Market-Based Businesses and Other	Consolidated
Operating revenues	\$ 2,646	\$ 215	\$ 2,861
Depreciation and amortization	473	12	485
Total operating expenses, net	1,658	191	1,849
Interest expense	(227)	(90)	(317)
Interest income	1	38	39
Income before income taxes	835	(5)	830
Provision for income taxes	154	3	157
Net income (loss) attributable to common shareholders	681	(8)	673
Total assets	24,366	2,760	27,126
Cash paid for capital expenditures	1,588	9	1,597

	As of or for the Nine Months Ended September 30, 2021		
	Regulated Businesses	Market-Based Businesses and Other	Consolidated
Operating revenues	\$ 2,556	\$ 423	\$ 2,979
Depreciation and amortization	449	27	476
Total operating expenses, net	1,658	345	2,003
Interest expense	(216)	(84)	(300)
Interest income	—	—	—
Income (loss) before income taxes	752	(6)	746
Provision (benefit) for income taxes	130	(2)	128
Net income (loss) attributable to common shareholders	623	(5)	618
Total assets	22,818	2,515	25,333
Cash paid for capital expenditures	1,191	14	1,205

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

The following discussion should be read together with the unaudited Consolidated Financial Statements and the Notes thereto included elsewhere in this Form 10-Q, and in the Company’s Form 10-K for the year ended December 31, 2021. This discussion contains forward-looking statements that are based on management’s current expectations, estimates and projections about the Company’s business, operations and financial performance. The cautionary statements made in this Form 10-Q should be read as applying to all related forward-looking statements whenever they appear in this Form 10-Q. The Company’s actual results may differ materially from those currently anticipated and expressed in such forward-looking statements as a result of a number of factors, including those that are discussed under “Forward-Looking Statements” and elsewhere in this Form 10-Q. The Company has a disclosure committee consisting of members of senior management and other key employees involved in the preparation of the Company’s SEC reports. The disclosure committee is actively involved in the review and discussion of the Company’s SEC filings.

Overview

American Water is the largest and most geographically diverse, publicly traded water and wastewater utility company in the United States, as measured by both operating revenues and population served. The Company’s primary business involves the ownership of utilities that provide water and wastewater services to residential, commercial, industrial, public authority, fire service and sale for resale customers, collectively presented as the “Regulated Businesses.” Services provided by the Company’s utilities are subject to regulation by multiple state utility commissions or other entities engaged in utility regulation, collectively referred to as public utility commissions (“PUCs”). The Company also operates other market-based businesses not subject to economic regulation by state PUCs that provide water and wastewater services to the U.S. government on military installations, as well as municipalities, and utility customers, collectively included within “Market-Based Businesses and Other.” See Part I, Item 1—Business in the Company’s Form 10-K for additional information.

Financial Results

For the three and nine months ended September 30, 2022, diluted earnings per share, prepared in accordance with accounting principles generally accepted in the United States (“GAAP”), were \$1.63 and \$3.70, respectively, an increase of \$0.10 and \$0.30, respectively, as compared to the same periods in the prior year. These increases were primarily driven by the implementation of new rates in the Regulated Businesses from infrastructure investments, acquisitions and organic growth, offset somewhat by impacts from inflationary pressures on production costs and higher interest costs. Results for the three and nine months ended September 30, 2022, also reflect the favorable impact of weather, estimated at \$0.06 per share, primarily due to hot and dry weather in the third quarter of 2022 as compared to a \$0.01 per share unfavorable impact and \$0.02 per share favorable impact for the three and nine months ended September 30, 2021, respectively. Also, included in the results for the three and nine months ended September 30, 2022, are \$0.06 and \$0.18 per share, respectively, from interest income earned on the seller note and income earned on revenue share agreements, which compares to Homeowner Services Group (“HOS”) operating results for the three and nine months ended September 30, 2021, of \$0.09 and \$0.25 per share, respectively. Lastly, the operating results for the Company’s New York subsidiary, which was sold on January 1, 2022, were \$0.09 and \$0.10 per share, for the three and nine months ended September 30, 2021, respectively. See Note 5—Acquisitions and Divestitures in the Notes to Consolidated Financial Statements for additional information.

Growth Through Capital Investment in Infrastructure and Regulated Acquisitions

The Company continues to grow its businesses, with the majority of its growth to be achieved in the Regulated Businesses through (i) continued capital investment in the Company’s infrastructure to provide safe, clean, reliable and affordable water and wastewater services to its customers, and (ii) regulated acquisitions to expand the Company’s services to new customers. The Company plans to invest approximately \$2.5 billion across its footprint in 2022. During the first nine months of 2022, the Company invested \$1.9 billion, primarily in the Regulated Businesses, as discussed below:

Regulated Businesses - Growth and Optimization

- \$1.6 billion capital investment in the Regulated Businesses, the substantial majority for infrastructure improvements and replacements; and
- \$288 million to fund acquisitions in the Regulated Businesses, which added approximately 65,300 customers, in addition to approximately 14,000 customers added through organic growth. This includes the Company’s Pennsylvania subsidiary’s acquisition of the wastewater system assets from the York City Sewer Authority and the City of York on May 27, 2022, for a cash purchase price of \$235 million, \$20 million of which was funded as a deposit to the seller in April 2021 in connection with the execution of the acquisition agreement.

On October 11, 2022, the Company's Pennsylvania subsidiary entered into an agreement to acquire the wastewater assets of the Butler Area Sewer Authority for a total purchase price of \$232 million in cash, subject to adjustment as provided for in the Asset Purchase Agreement. This system provides wastewater service for approximately 14,700 customer connections. The Company expects to close this acquisition by the end of 2023, pending regulatory approval.

On March 29, 2021, the Company's New Jersey subsidiary entered into an agreement to acquire the water and wastewater assets of Egg Harbor City for \$22 million. The water and wastewater systems currently serve approximately 1,500 customers each, or 3,000 combined, and are being sold through the New Jersey Water Infrastructure Protection Act process. The Company expects to close this acquisition in late 2022 or early 2023.

As of September 30, 2022, the Company has entered into agreements for pending acquisitions in the Regulated Businesses, including the Egg Harbor City agreement discussed above, to add approximately 21,600 additional customers.

Sale of Homeowner Services Group

On December 9, 2021, the Company sold all of the equity interests in subsidiaries that comprised the Company's Homeowner Services Group ("HOS") to a wholly owned subsidiary of funds advised by Apax Partners LLP, a global private equity advisory firm (the "Buyer"), for total consideration of approximately \$1.275 billion, resulting in pre-tax gain on sale of \$748 million during the fourth quarter of 2021. The consideration was comprised of \$480 million in cash, a seller promissory note issued by the Buyer in the principal amount of \$720 million, and a contingent cash payment of \$75 million payable upon satisfaction of certain conditions on or before December 31, 2023. See Note 13—Fair Value of Financial Information for additional information relating to the seller promissory note and contingent cash payment. For the nine months ended September 30, 2022, the Company recorded post-close adjustments, primarily related to working capital, of pre-tax income of \$20 million, which is included in Other, net on the Consolidated Statements of Operations.

The seller note has a five-year term, is payable in cash, and bears interest at a rate of 7.00% per year during the term. The Company recognized \$13 million and \$38 million of interest income during the three and nine months ended September 30, 2022, respectively, from the seller note.

The Company and the Buyer also entered into revenue share agreements, pursuant to which the Company is to receive 10% of the revenue generated from customers who are billed for home warranty services through an applicable Company subsidiary (an "on-bill" arrangement), and 15% of the revenue generated from any future on-bill arrangements entered into after the closing. Unless earlier terminated, this agreement has a term of up to 15 years, which may be renewed for up to two five-year periods. The Company recognized \$2 million and \$6 million of income during the three and nine months ended September 30, 2022, respectively, from the revenue share agreements, which is included in Other, net on the Consolidated Statements of Operations.

Sale of New York American Water Company, Inc.

On January 1, 2022, the Company completed the previously disclosed sale of its regulated utility operations in New York to Liberty Utilities (Eastern Water Holdings) Corp. ("Liberty"), an indirect, wholly owned subsidiary of Algonquin Power & Utilities Corp. Liberty purchased from the Company all of the capital stock of the Company's New York subsidiary for a purchase price of \$608 million in cash.

Sale of Michigan American Water Company

On February 4, 2022, the Company completed the sale of its operations in Michigan for \$6 million.

Military Services Group

On June 30, 2022, MSG was awarded a contract for the ownership, operation, maintenance and replacement of the wastewater utility system assets at Naval Station Mayport in Jacksonville, Florida. The contract was effective July 1, 2022, and its total revenue is approximately \$341 million over a 50-year period, subject to an annual economic price adjustment. MSG operates and maintains water and/or wastewater systems and related capital programs as part of the U.S. government's Utilities Privatization Program. This contract represents the 18th installation in MSG's footprint and the first contract with respect to a U.S. Navy installation.

Environmental, Social Responsibility and Governance

The Company considers environmental, social responsibility and governance (“ESG”) principles fundamental to its corporate strategy and values. In September 2021, the Company issued its sixth biennial Sustainability Report, covering its sustainability performance for calendar years 2020 and 2019. The report can be accessed on the Company’s website.

On October 31, 2022, the Company added the following disclosures and announced the following goals to support its continued commitment to embedding ESG principles throughout its business:

- The Company created new medium- and long-term goals that are science-based and aligned with the Paris Agreement, for scope 1 (direct) and scope 2 (indirect, derived from the Company’s purchase of energy) greenhouse gas emissions reductions. The new goals aim to reduce absolute scope 1 and 2 emissions 50% by 2035 (2020 baseline year) and achieve net zero scope 1 and scope 2 emissions by 2050. They complement the Company’s existing short-term goal of reducing absolute scope 1 and 2 greenhouse gas emissions by more than 40% by 2025 (2007 baseline year).
- The Company worked with a third party to assist in evaluating and calculating an estimate of the Company’s scope 3 greenhouse gas emissions, which included estimating emissions from Categories 1 (Purchased Goods and Services), 2 (Capital Goods), 3 (Fuel and Energy Related Activities) and 6 (Business Travel).

Operational Excellence

The Company’s adjusted regulated operation and maintenance (“O&M”) efficiency ratio was 33.6% for the twelve months ended September 30, 2022, as compared to 33.9% for the twelve months ended September 30, 2021. The ratio reflects an increase in operating revenues for the Regulated Businesses, after considering the adjustment for the amortization of the excess accumulated deferred income taxes (“EADIT”) shown in the table below, as well as the continued focus on operating costs.

The Company’s adjusted regulated O&M efficiency ratio is a non-GAAP measure and is defined by the Company as its operation and maintenance expenses from the Regulated Businesses, divided by the operating revenues from the Regulated Businesses, where both operation and maintenance expenses and operating revenues were adjusted to eliminate purchased water expense. Operating revenues were further adjusted to exclude reductions for the amortization of the EADIT. Also excluded from operation and maintenance expenses is the allocable portion of non-O&M support services costs, mainly depreciation and general taxes, which is reflected in the Regulated Businesses segment as operation and maintenance expenses, but for consolidated financial reporting purposes, is categorized within other line items in the accompanying Consolidated Statements of Operations. The items discussed above were excluded from the O&M efficiency ratio calculation as they are not reflective of management’s ability to increase the efficiency of the Regulated Businesses.

The Company evaluates its operating performance using this ratio, and believes it is useful to investors because it directly measures improvement in the operating performance and efficiency of the Regulated Businesses. This information is derived from the Company’s consolidated financial information but is not presented in its financial statements prepared in accordance with GAAP. This information supplements and should be read in conjunction with the Company’s GAAP disclosures, and should be considered as an addition to, and not a substitute for, any GAAP measure. The Company’s adjusted regulated O&M efficiency ratio (i) is not an accounting measure that is based on GAAP; (ii) is not based on a standard, objective industry definition or method of calculation; (iii) may not be comparable to other companies’ operating measures; and (iv) should not be used in place of the GAAP information provided elsewhere in this Form 10-Q.

Presented in the table below is the calculation of the Company's adjusted regulated O&M efficiency ratio and a reconciliation that compares operation and maintenance expenses and operating revenues, each as determined in accordance with GAAP, to those amounts utilized in the calculation of its adjusted O&M efficiency ratio:

(Dollars in millions)	For the Twelve Months Ended September 30,	
	2022	2021
Total operation and maintenance expenses	\$ 1,647	\$ 1,715
Less:		
Operation and maintenance expenses—Market-Based Businesses and Other	315	406
Total operation and maintenance expenses—Regulated Businesses	1,332	1,309
Less:		
Regulated purchased water expenses	153	154
Allocation of non-operation and maintenance expenses	32	41
Adjusted operation and maintenance expenses—Regulated Businesses (i)	\$ 1,147	\$ 1,114
Total operating revenues	\$ 3,812	\$ 3,902
Less:		
Operating revenues—Market-Based Businesses and Other	338	559
Total operating revenues—Regulated Businesses	3,474	3,343
Less:		
Regulated purchased water revenues (a)	153	154
Revenue reductions from the amortization of EADIT	(92)	(93)
Adjusted operating revenues—Regulated Businesses (ii)	\$ 3,413	\$ 3,282
Adjusted O&M efficiency ratio—Regulated Businesses (i) / (ii)	33.6 %	33.9 %

(a) The calculation assumes regulated purchased water revenues approximate regulated purchased water expenses.

Regulatory Matters**General Rate Cases and Infrastructure Surcharges**

Presented in the table below are annualized incremental revenues, excluding reductions for the amortization of EADIT that are generally offset in income tax expense, assuming a constant water sales volume, resulting from general rate case authorizations and infrastructure surcharge authorizations that became effective in the respective period:

(In millions)	During the Three Months Ended September 30,		During the Nine Months Ended September 30,	
	2022	2021	2022	2021
General rate cases by state (a):				
New Jersey (effective September 1, 2022)	\$ 61	\$ —	\$ 61	\$ —
Hawaii (effective July 1, 2022)	2	—	2	—
West Virginia (effective February 25, 2022)	—	—	15	—
California (effective January 1, 2022 and January 1, 2021)	—	—	13	22
Pennsylvania (effective January 1, 2022 and January 28, 2021)	—	—	20	70
Missouri (effective May 28, 2021)	—	—	—	22
Total general rate cases	\$ 63	\$ —	\$ 111	\$ 114
Infrastructure surcharges by state:				
Missouri (effective August 11, 2022 and February 1, 2022)	\$ 18	\$ —	\$ 30	\$ —
Tennessee (effective August 8, 2022 and January 1, 2021)	3	—	3	3
Pennsylvania (effective July 1, 2022, April 1, 2022 and January 1, 2021)	9	—	11	8
Kentucky (effective July 1, 2022 and July 1, 2021)	3	1	3	1
New Jersey (effective June 27, 2022 and June 28, 2021)	—	—	10	14
Indiana (effective March 21, 2022 and March 17, 2021)	—	—	8	8
West Virginia (effective March 1, 2022 and January 1, 2021)	—	—	3	5
Illinois (effective January 1, 2022 and January 1, 2021)	—	—	6	7
Total infrastructure surcharges	\$ 33	\$ 1	\$ 74	\$ 46

(a) Excludes authorized increase of \$7 million for the nine months ended September 30, 2021, for the Company's New York subsidiary, which was sold on January 1, 2022. See Note 5—Acquisitions and Divestitures for additional information.

Effective October 1, 2022, the Company's Pennsylvania subsidiary implemented an infrastructure surcharge for annualized incremental revenues of \$8 million.

On August 17, 2022, the Company's New Jersey subsidiary was authorized additional annual revenues of \$61 million in its general rate case, effective September 1, 2022, excluding agreed to reductions for EADIT as a result of the Tax Cuts and Jobs Act of 2017 (the "TCJA") (\$46 million including EADIT reductions). The order incorporated updated estimates of production costs, including chemicals, fuel and power costs. Beginning January 1, 2023, the Company's New Jersey subsidiary will defer as a regulatory asset or liability, as appropriate, the difference between its pension expense and other post-employment benefits expense and those amounts included in base rates. The deferral period for this regulatory asset or liability will be two years or, if earlier, will end at the conclusion of the Company's New Jersey subsidiary's next general rate case. The Company's New Jersey subsidiary also withdrew its request, without prejudice, to recover its existing authorized COVID-19-related regulatory asset in the general rate case and will seek recovery in a separate proceeding within the process established in the New Jersey Board of Public Utilities' (the "NJBP") generic COVID-19-related proceeding.

On February 24, 2022, the Company's West Virginia subsidiary ("WVAWC") was authorized additional annual revenues of \$15 million in its general rate case, effective February 25, 2022, excluding agreed to reductions for EADIT as a result of the TCJA. The EADIT reduction in revenues is \$2 million and the exclusion for infrastructure surcharges is \$10 million. Staff of the Public Service Commission of West Virginia moved for reconsideration of the final order on several grounds. WVAWC filed its response to the Staff's Petition for Reconsideration on March 28, 2022, in support of the authorized revenue requirement. On October 21, 2022, the Public Service Commission of West Virginia denied the motion for reconsideration.

On November 18, 2021, the California Public Utilities Commission (the "CPUC") unanimously approved a final decision in the test year 2021 general rate case filed by the Company's California subsidiary, which was retroactive to January 1, 2021. The Company's California subsidiary received authorization for additional annualized water and wastewater revenues of \$22 million, excluding agreed to reductions for EADIT as a result of the TCJA. The EADIT reduction in revenues is \$4 million and is offset by a like reduction in income tax expense. On February 16, 2022, the Company's California subsidiary received approval to increase rates by \$13 million in 2022 escalation increases, excluding \$4 million of reductions related to the TCJA, which was retroactive to January 1, 2022.

On March 2, 2021, an administrative law judge ("ALJ") in the Office of Administrative Law of New Jersey filed an initial decision with the NJBPU that recommended denial of a petition filed by the Company's New Jersey subsidiary, which sought approval of acquisition adjustments in rate base of \$29 million associated with the acquisitions of Shorelands Water Company, Inc. in 2017 and the Borough of Haddonfield's water and wastewater systems in 2015. On July 29, 2021, the NJBPU issued an order adopting the ALJ's initial decision without modification. The Company's New Jersey subsidiary filed a Notice of Appeal with the New Jersey Appellate Division on September 10, 2021. The Company's New Jersey subsidiary filed its brief in support of the appeal on March 4, 2022. Response and Reply briefs were filed on June 22, 2022, and August 4, 2022, respectively. There is no financial impact to the Company as a result of the NJBPU's order, since the acquisition adjustments are currently recorded as goodwill on the Consolidated Balance Sheets.

On February 25, 2021, the Company's Pennsylvania subsidiary was authorized additional annualized revenues of \$90 million, effective January 28, 2021, excluding agreed to reductions in revenues of \$19 million for EADIT as a result of the TCJA. The overall increase, net of TCJA reductions, is \$71 million in revenues combined over two steps. The first step was effective January 28, 2021 in the amount of \$70 million (\$51 million including TCJA reductions) and the second step was effective January 1, 2022 in the amount of \$20 million. The protected EADIT balance of \$200 million is being returned to customers using the average rate assumptions method, and the unprotected EADIT balance of \$116 million is being returned to customers over 20 years. The \$19 million annual reduction to revenue is comprised of both the protected and unprotected EADIT amortizations and a portion of catch-up period EADIT. A bill credit of \$11 million annually for two years returns to customers the remainder of the EADIT catch-up period amortization. The catch-up period of January 1, 2018, through December 31, 2020, covers the period from when the lower federal corporate income tax rate went into effect until new base rates went into effect and will be amortized over two years.

Pending General Rate Case Filings

On July 1, 2022, the Company's California subsidiary filed a general rate case requesting an increase in 2024 revenue of \$57 million and a total increase in revenue over the 2024 to 2026 period of \$99 million. The requested increase excludes proposed reductions for EADIT of \$1 million as a result of TCJA.

On July 1, 2022, the Company's Missouri subsidiary filed a general rate case requesting \$116 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA (\$105 million including EADIT reductions) and infrastructure surcharges.

On April 29, 2022, the Company's Pennsylvania subsidiary filed a general rate case requesting \$185 million in additional annualized water and wastewater revenues excluding proposed reductions for EADIT as a result of TCJA and infrastructure surcharges. On October 11, 2022, the Company's Pennsylvania subsidiary, the Pennsylvania Public Utility Commission's (the "PaPUC") Bureau of Investigation and Enforcement, the Pennsylvania Office of Consumer Advocate, and certain other parties to the general rate case jointly filed a petition for settlement with the PaPUC providing for a total annualized revenue increase of \$138 million. The petition for settlement provides for an annualized revenue increase of \$150 million excluding agreed to reductions for EADIT as a result of the TCJA (\$138 million including EADIT reductions). In addition, the petition for settlement incorporates updated estimates of pension and other post-employment benefits expense, as well as increases in chemicals, fuel and power costs. Furthermore, the petition for settlement includes recovery of the COVID-19 deferral balance. An ALJ will review the petition for settlement and render a recommended decision to the PaPUC on whether it should approve the settlement. After its review of the matter, the PaPUC will issue a final order, which the Company expects to occur by January 2023, with new rates to be effective as of January 28, 2023.

On February 10, 2022, the Company's Illinois subsidiary filed a general rate case requesting \$71 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA and infrastructure surcharges. The requested increase was subsequently updated in the Illinois subsidiary's June 29, 2022, rebuttal filing, with the request adjusted to \$85 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA (\$83 million including EADIT reductions) and infrastructure surcharges. The request was increased in the rebuttal filing to capture higher production costs and expected higher pension and other post-employment benefit costs. Evidentiary hearings were held on August 10, 2022, and on October 28, 2022, the ALJs issued a proposed order recommending \$69 million in additional annualized revenues, excluding proposed reductions for EADIT as a result of TCJA and infrastructure surcharges (\$67 million including EADIT reductions), on a proposed return on equity of 9.78%. The final order is expected in late 2022 or early January 2023, with rates effective in January 2023.

On November 15, 2021, the Company's Virginia subsidiary filed a general rate case requesting \$15 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA. Interim rates were effective on May 1, 2022, and the difference between interim and final approved rates is subject to refund. On September 26, 2022, a settlement agreement, supported by all parties except one, was filed with the Virginia State Corporation Commission for a \$12 million annual revenue increase excluding agreed to reductions for EADIT as a result of TCJA (\$11 million including EADIT reductions). Public hearings were held on September 27 and 28, 2022. A final decision on this matter is expected in the first quarter of 2023.

The Company's California subsidiary submitted its application on May 3, 2021, to set its cost of capital for 2022 through 2024. According to the CPUC's procedural schedule, a decision setting the authorized cost of capital is expected to be issued in the fourth quarter of 2022.

Pending Infrastructure Surcharge Filings

On September 9, 2022, the Company's Missouri subsidiary filed an infrastructure surcharge proceeding requesting \$13 million in additional annualized revenues.

On June 30, 2022, WVAWC filed an infrastructure surcharge proceeding requesting \$8 million in additional annualized revenues.

Other Regulatory Matters

In September 2020, the CPUC released a decision under its Low-Income Rate Payer Assistance program rulemaking that required the Company's California subsidiary to file a proposal to alter its water revenue adjustment mechanism in its next general rate case filing in 2022, which would become effective in January 2024. On October 5, 2020, the Company's California subsidiary filed an application for rehearing of the decision and following the CPUC's denial of its rehearing application in September 2021, the Company's California subsidiary filed a petition for writ of review with the California Supreme Court on October 27, 2021. On May 18, 2022, the California Supreme Court issued a writ of review for the Company's California subsidiary's petition and the petitions filed by other entities challenging the decision. Independent of the judicial challenge, California passed Senate Bill 1469, which allows the CPUC to consider and authorize the implementation of a mechanism that separates the water corporation's revenue and its water sales. Legislation was signed by the Governor on September 30, 2022, and will become effective on January 1, 2023. In response to the legislation, on October 10, 2022, the Company's California subsidiary filed a request for the CPUC to consider the continuation of its decoupling mechanism in its pending 2022 general rate case, which would be effective 2024 through 2026.

Consolidated Results of Operations

Presented in the table below are the Company's consolidated results of operations:

(In millions)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
Operating revenues	\$ 1,082	\$ 1,092	\$ 2,861	\$ 2,979
Operating expenses:				
Operation and maintenance	416	436	1,156	1,286
Depreciation and amortization	164	161	485	476
General taxes	63	78	208	241
Total operating expenses, net	643	675	1,849	2,003
Operating income	439	417	1,012	976
Other income (expense):				
Interest expense	(111)	(101)	(317)	(300)
Interest income	14	—	39	—
Non-operating benefit costs, net	19	20	58	59
Other, net	6	4	38	11
Total other (expense) income	(72)	(77)	(182)	(230)
Income before income taxes	367	340	830	746
Provision for income taxes	70	62	157	128
Net income attributable to common shareholders	\$ 297	\$ 278	\$ 673	\$ 618

Segment Results of Operations

The Company's operating segments are comprised of the revenue-generating components of its business for which separate financial information is internally produced and regularly used by management to make operating decisions, assess performance and allocate resources. The Company operates its businesses primarily through one reportable segment, the Regulated Businesses segment. "Market-Based Businesses and Other" includes market-based businesses that, individually, do not meet the criteria of a reportable segment in accordance with GAAP, corporate costs that are not allocated to the Company's operating segments, eliminations of inter-segment transactions, and fair value adjustments and associated income and deductions related to acquisitions that have not been allocated to the operating segments for evaluation of performance and allocation of resource purposes. The adjustments related to the acquisitions are reported in Market-Based Businesses and Other as they are excluded from segment performance measures evaluated by management. This presentation is consistent with how management assesses the results of these businesses.

As a result of the sale of HOS, the categories which were previously shown as "Market-Based Businesses" and "Other" have been combined and shown as "Market-Based Businesses and Other." Segment results for the three and nine months ended September 30, 2021, have been adjusted retrospectively to reflect this change.

Regulated Businesses Segment

Presented in the table below is financial information for the Regulated Businesses:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
(In millions)				
Operating revenues	\$ 1,003	\$ 944	\$ 2,646	\$ 2,556
Operation and maintenance	355	338	991	983
Depreciation and amortization	161	151	473	449
General taxes	58	74	194	226
Other income (expenses)	(56)	(49)	(153)	(146)
Income before income taxes	373	332	835	752
Provision for income taxes	71	60	154	130
Net income attributable to common shareholders	<u>\$ 302</u>	<u>\$ 273</u>	<u>\$ 681</u>	<u>\$ 623</u>

Operating Revenues

Presented in the tables below is information regarding the main components of the Regulated Businesses' operating revenues:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
(In millions)				
Water services:				
Residential	\$ 557	\$ 545	\$ 1,469	\$ 1,466
Commercial	208	197	535	511
Fire service	36	38	109	112
Industrial	42	39	116	105
Public and other	83	68	205	184
Total water services	<u>926</u>	<u>887</u>	<u>2,434</u>	<u>2,378</u>
Wastewater services:				
Residential	46	38	129	112
Commercial	12	10	33	28
Industrial	1	1	3	3
Public and other	7	4	14	12
Total wastewater services	<u>66</u>	<u>53</u>	<u>179</u>	<u>155</u>
Other (a)	11	4	33	23
Total operating revenues	<u>\$ 1,003</u>	<u>\$ 944</u>	<u>\$ 2,646</u>	<u>\$ 2,556</u>

(a) Includes other operating revenues consisting primarily of miscellaneous utility charges, fees and rents.

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
(Gallons in millions)				
Billed water services volumes:				
Residential	51,841	53,526	124,006	133,282
Commercial	24,102	23,981	58,802	58,559
Industrial	10,326	10,400	28,451	26,843
Fire service, public and other	15,504	14,978	39,708	38,385
Total billed water services volumes	101,773	102,885	250,967	257,069

Included in operating revenues for the three months ended September 30, 2021, was \$45 million related to the Company's New York operations. Excluding the Company's New York operations, for the three months ended September 30, 2022, operating revenues increased \$104 million, primarily due to: (i) a \$56 million increase from authorized rate increases, including infrastructure surcharges, principally to fund infrastructure investment in various states; (ii) a \$13 million increase from water and wastewater acquisitions, as well as organic growth in existing systems; (iii) a \$19 million estimated net increase due to warmer and drier than normal weather in the third quarter of 2022, particularly in the Company's New Jersey and Missouri service territories; and (iv) a \$6 million net increase as a result of reduced amortization of EADIT, primarily in the Company's New Jersey subsidiary.

Included in operating revenues for the nine months ended September 30, 2021, was \$97 million related to the Company's New York operations. Excluding the Company's New York operations, for the nine months ended September 30, 2022, operating revenues increased \$187 million, primarily due to: (i) a \$128 million increase from authorized rate increases, including infrastructure surcharges, principally to fund infrastructure investment in various states; (ii) a \$25 million increase from water and wastewater acquisitions, as well as organic growth in existing systems; (iii) a \$13 million net increase as a result of reduced amortization of EADIT, primarily in the Company's New Jersey subsidiary; and (iv) a \$13 million estimated net increase primarily due to warmer and drier than normal weather in the third quarter of 2022 in the Company's New Jersey and Missouri service territories, which was offset by warmer and drier than normal weather in the second quarter of 2021 in the Northeast.

Operation and Maintenance

Presented in the table below is information regarding the main components of the Regulated Businesses' operation and maintenance expense:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
(In millions)				
Employee-related costs	\$ 126	\$ 132	\$ 378	\$ 391
Production costs	114	101	291	268
Operating supplies and services	62	56	174	171
Maintenance materials and supplies	22	19	64	66
Customer billing and accounting	17	17	44	49
Other	14	13	40	38
Total	\$ 355	\$ 338	\$ 991	\$ 983

Included in operation and maintenance expense for the three and nine months ended September 30, 2021, was \$12 million and \$36 million, respectively, related to the Company's New York operations. Excluding the Company's New York operations, for the three and nine months ended September 30, 2022, operation and maintenance expense increased \$29 million and \$44 million, respectively, primarily due to inflationary pressures which resulted in increased fuel, power, and chemicals costs.

Depreciation and Amortization

For the three and nine months ended September 30, 2022, depreciation and amortization increased \$10 million and \$24 million, respectively, primarily due to additional utility plant placed in service from capital infrastructure investments and acquisitions.

General Taxes

For the three and nine months ended September 30, 2022, general taxes decreased \$16 million and \$32 million, respectively, primarily related to the sale of the Company's New York operations.

Provision for Income Taxes

For the three and nine months ended September 30, 2022, the Regulated Businesses' provision for income taxes increased \$11 million and \$24 million, respectively. The Regulated Businesses' effective income tax rate was 19.0% and 18.1% for the three months ended September 30, 2022 and 2021, respectively, and 18.4% and 17.3% for the nine months ended September 30, 2022 and 2021, respectively. The Regulated Businesses' effective income tax rate for the three and nine months ended September 30, 2022, reflects the amortization of EADIT pursuant to regulatory orders.

Market-Based Businesses and Other

Presented in the table below is information for Market-Based Businesses and Other:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
(In millions)				
Operating revenues	\$ 79	\$ 148	\$ 215	\$ 423
Operation and maintenance	61	98	165	303
Depreciation and amortization	3	10	12	27
Interest expense	(30)	(28)	(90)	(84)
Interest income	13	—	38	—
Income (loss) before income taxes	(6)	8	(5)	(6)
Provision (benefit) for income taxes	(1)	2	3	(2)
Net loss attributable to common shareholders	\$ (5)	\$ 5	\$ (8)	\$ (5)

Operating Revenues

For the three and nine months ended September 30, 2022, operating revenues decreased \$69 million and \$208 million, respectively, due primarily to the sale of HOS. HOS operating revenues for the three and nine months ended September 30, 2021, were \$79 million and \$233 million, respectively. Excluding the Company's HOS operations, for the three and nine months ended September 30, 2022, operating revenues increased \$9 million and \$25 million, respectively, largely driven by an increase in capital and O&M projects in MSG, primarily at Joint Base Lewis-McChord and the United States Military Academy at West Point, New York.

Operation and Maintenance

For the three and nine months ended September 30, 2022, operation and maintenance expense decreased \$37 million and \$138 million, respectively, primarily due to the sale of HOS. HOS operation and maintenance expenses for the three and nine months ended September 30, 2021, were \$49 million and \$151 million, respectively. Excluding the Company's HOS operations, for the three and nine months ended September 30, 2022, operation and maintenance expense increased \$12 million and \$13 million, respectively, largely driven by cost associated with increased capital and O&M projects in MSG, as discussed above.

Depreciation and Amortization

For the three and nine months ended September 30, 2022, depreciation and amortization decreased \$7 million and \$15 million, respectively, primarily due to the sale of HOS.

Interest Income

For the three and nine months ended September 30, 2022, interest income increased \$13 million and \$38 million, respectively, due to interest recognized on the seller note related to the sale of HOS. See Note 5—Acquisitions and Divestitures in the Notes to Consolidated Financial Statements for additional information.

Legislative Updates

During 2022, the Company's regulatory jurisdictions enacted the following legislation that has been approved and is effective as of October 31, 2022:

- Indiana passed Senate Enrolled Act 272, which requires public reporting of a non-jurisdictional utility's asset management programs. Non-jurisdictional utilities are exempt from the jurisdiction of the Indiana Utility Regulatory Commission (the "IURC"). The legislation also creates a water and wastewater research and extension program at a state university to serve as a repository for data collected from utilities. Additionally, the legislation establishes oversight and a receivership program in the IURC for non-jurisdictional utilities with violations that create environmental or human health and safety issues. Legislation was signed by the Governor on March 7, 2022, and became effective on July 1, 2022.
- Indiana passed water and wastewater utility asset financing legislation, Senate Enrolled Act 273, which authorizes the recovery of property tax in Distribution System Improvement Charge filings. The legislation also permits the IURC to allow recovery through tracking mechanisms for changes in property tax and for costs attributable to referenda or action by elected or appointed individuals. Legislation was signed by the Governor on March 10, 2022, and became effective on July 1, 2022.
- Virginia passed Senate Bill 500 and House Bill 182, which requires the Virginia State Corporation Commission, in any future ratemaking proceeding for an investor-owned water/wastewater utility, to evaluate the utility on a stand-alone basis and utilize the utility's actual end-of-test period capital structure and cost of capital without regard to the cost of capital, capital structure, or investments of any other entities with which the utility may be affiliated. Legislation was signed by the Governor on April 11, 2022, and became effective on July 1, 2022.
- Illinois passed House Bill 900/Public Act 102-0698, which contains appropriations to the Department of Commerce and Economic Opportunity of \$3 million for the purposes of the Water and Sewer Finance Assistance Act (H.B. 414/Public Act 102-0262) and \$55 million for the purposes of the federal Low-Income Household Water Assistance Program (LIHWAP). Legislation was signed by the Governor on April 19, 2022, with these provisions of the bill taking effect on July 1, 2022.
- Tennessee passed Senate Bill 2282 and House Bill 2346, which requires all utilities to implement a cyber security plan and update it every two years to provide for the protection of the utility's facilities from unauthorized use, alteration, ransom, or destruction of electronic data. The relevant regulatory body will verify if a utility has complied or impose reasonable sanctions if out of compliance. Utility compliance will be required by July 1, 2023. Legislation was signed by the Governor on June 1, 2022, and became effective immediately.
- The Missouri General Assembly passed state and local property tax tracker legislation, Senate Bill 745, which requires a utility to defer to a regulatory asset or liability account any difference in what was actually paid in state or local property taxes and what was used to set the revenue requirement in the utility's most recently completed general rate case. Legislation was signed by the Governor on June 29, 2022, and became effective on August 28, 2022.

During 2022, the Company's regulatory jurisdictions enacted the following legislation that has been approved but is not yet effective as of October 31, 2022:

- California passed Senate Bill 1469, which allows the CPUC to consider and authorize the implementation of a mechanism that separates the water corporation's revenue and its water sales. Legislation was signed by the Governor on September 30, 2022 and will become effective on January 1, 2023.

Condemnation and Eminent Domain

All or portions of the Regulated Businesses' utility assets could be acquired by state, municipal or other government entities through one or more of the following methods: (i) eminent domain (also known as condemnation); (ii) the right of purchase given or reserved by a municipality or political subdivision when the original certificate of public convenience and necessity (a "CPCN") was granted; and (iii) the right of purchase given or reserved under the law of the state in which the utility subsidiary was incorporated or from which it received its CPCN. The acquisition consideration related to such a proceeding initiated by a local government may be determined consistent with applicable eminent domain law, or may be negotiated or fixed by appraisers as prescribed by the law of the state or in the particular CPCN.

As such, the Regulated Businesses are periodically subject to condemnation proceedings in the ordinary course of business. For example, a citizens group in Monterey, California successfully added “Measure J” to the November 2018 election ballot asking voters to decide whether the Monterey Peninsula Water Management District (the “MPWMD”) should conduct a feasibility study concerning the potential purchase of the Monterey water service system assets (the “Monterey system assets”) of the Company’s California subsidiary, and, if feasible, to proceed with a purchase of those assets without an additional public vote. This service territory represents approximately 40,000 customers. In November 2018, Measure J was certified to have passed.

In August 2019, the MPWMD’s General Manager issued a report that recommends that the MPWMD board (1) develop criteria to determine which water systems should be considered for acquisition; (2) examine the feasibility of acquiring the Monterey system assets and consider public ownership of smaller systems only if the MPWMD becomes the owner of a larger system; (3) evaluate whether the acquisition of the Monterey system assets by the MPWMD is in the public interest and sufficiently satisfies the criterion of “feasible” as provided in Measure J; (4) ensure there is significant potential for cost savings before agreeing to commence an acquisition; and (5) develop more fully alternate operating plans before deciding whether to consider a Resolution of Necessity.

In November 2019, the MPWMD issued a preliminary valuation and cost of service analysis report, finding in part that (1) an estimate of the Monterey system assets’ total value plus adjustments would be approximately \$513 million, (2) the cost of service modeling results indicate significant annual reductions in revenue requirements and projected monthly water bills, and (3) the acquisition of the Monterey system assets by the MPWMD would be economically feasible. In November 2020, the MPWMD certified a final environmental impact report (“FEIR”), analyzing the environmental impacts of the MPWMD’s project to (1) acquire the Monterey system assets through the power of eminent domain, if necessary, and (2) expand its geographic boundaries to include all parts of this system. In February 2021, the MPWMD filed an application with the Local Agency Formation Commission of Monterey County (“LAFCO”) seeking approval to become a retail water provider and annex approximately 58 parcels of land into the MPWMD’s boundaries. In June 2021, LAFCO’s commissioners voted to require a third-party independent financial study as to the feasibility of an acquisition by the MPWMD of the Monterey system assets. On December 6, 2021, LAFCO’s commissioners denied the MPWMD’s application to become a retail water provider, determining that the MPWMD does not have the authority to proceed with a condemnation of the Monterey system assets, and on January 5, 2022, LAFCO’s commissioners confirmed the denial. On February 28, 2022, LAFCO’s commissioners voted to deny the MPWMD’s application for reconsideration of LAFCO’s confirmation of denial. On April 1, 2022, the MPWMD filed a lawsuit against LAFCO challenging its decision to deny the MPWMD’s application seeking approval to become a retail water provider. On June 17, 2022, the court granted, with conditions, a motion by Cal Am to intervene in the MPWMD’s lawsuit against LAFCO. By letter dated October 3, 2022, MPWMD notified Cal Am of MPWMD’s decision to appraise the Monterey system assets. MPWMD also requested access to a number of Cal Am’s properties and documents to assist MPWMD with such an appraisal. Cal Am is in the process of responding to this letter and intends to deny such request as it believes MPWMD does not have the right to appraise the Monterey system assets without first obtaining LAFCO approval to become a retail water provider.

Also, five municipalities in the Chicago, Illinois area (approximately 30,300 customers in total) formed a water agency and filed an eminent domain lawsuit against the Company in January 2013, seeking to condemn the water pipeline that serves those five municipalities. Before filing its eminent domain lawsuit, the water agency made an offer of \$38 million for the pipeline. The parties have filed with the court updated valuation reports. A valuation trial has been scheduled for January 2023.

Furthermore, the law in certain jurisdictions in which the Regulated Businesses operate provides for eminent domain rights allowing private property owners to file a lawsuit to seek just compensation against a public utility, if a public utility’s infrastructure has been determined to be a substantial cause of damage to that property. In these actions, the plaintiff would not have to prove that the public utility acted negligently. In California, lawsuits have been filed in connection with large-scale natural events such as wildfires. Some of these lawsuits have included allegations that infrastructure of certain utilities triggered the natural event that resulted in damage to the property. In some cases, the PUC has allowed certain costs or losses incurred by the utility to be recovered from customers in rates, but in other cases such recovery in rates has been disallowed. Also, the utility may have obtained insurance that could respond to some or all of such losses, although the utility would be at risk for any losses not ultimately subject to rate or insurance recovery or losses that exceed the limits of such insurance.

Tax Matters

On August 16, 2022, President Biden signed into law the Inflation Reduction Act of 2022 (the “IRA”). The IRA contains a Corporate Alternative Minimum Tax (“CAMT”) provision, effective January 1, 2023. To determine if a company is considered an applicable corporation subject to CAMT, the company’s average adjusted financial statement income (“AFSI”) for the three consecutive years preceding the tax year must exceed \$1 billion. An applicable corporation must make several adjustments to AFSI when determining CAMT under the new law. Due to the lack of guidance currently available regarding the implementation of the IRA, including adjustments to AFSI, it is premature to project the impact to the Company.

On July 8, 2022, Pennsylvania Governor Tom Wolf signed into law Act 53 of 2022, which reduces the Pennsylvania State Income Tax Rate in yearly increments starting January 1, 2023, with a new rate of 8.99% and ending effective January 1, 2031, with a rate of 4.99%. Under Accounting Standards Codification Topic 740, Income Taxes (“ASC 740”), the tax effects of changes in tax laws must be recognized in the period in which the law is enacted. ASC 740 also requires deferred tax assets and liabilities to be measured at the enacted tax rate expected to apply when temporary differences are to be realized or settled. As such, the Company’s accumulated deferred income tax (“ADIT”) balances for their Pennsylvania subsidiary were remeasured during the quarter ended September 30, 2022 to estimate the impacts of the recently enacted tax rate. The remeasurement reduces the ADIT liability by \$132 million and creates a corresponding regulatory liability since the EADIT is expected to be returned to customers in a future rate case. However, since the rate is declining in yearly increments, the total EADIT will be subject to change. The rate change impacts to the non-regulated companies have been deemed immaterial.

On September 27, 2022, Iowa’s Department of Revenue announced a reduction in the state’s top corporate rate from 9.8% to 8.4% effective January 1, 2023. The remeasurement reduces the ADIT liability for the Company’s Iowa subsidiary by \$1 million and creates a corresponding regulatory liability since the EADIT balance is expected to be returned to customers in a future rate case. The rate impacts to the non-regulated companies have been deemed immaterial.

Liquidity and Capital Resources

For a general overview of the sources and uses of capital resources, see the introductory discussion in Part II, Item 7—Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources in the Company’s Form 10-K.

Liquidity needs for capital investment, working capital and other financial commitments are generally funded through cash flows from operations, public and private debt offerings, commercial paper markets, and, if and to the extent necessary, borrowings under American Water Capital Corp.’s (AWCC) revolving credit facility, and, in the future, issuances of equity.

The Company expects to fund future maturities of long-term debt through a combination of external debt and, to the extent available, cash flows from operations. Since the Company expects its capital investments over the next few years to be greater than its cash flows from operating activities, the Company currently plans to fund the excess of its capital investments over its cash flows from operating activities for the next five years through a combination of long-term debt and equity in addition to the proceeds from the sales of HOS and the Company’s New York subsidiary. If necessary, the Company may delay certain capital investments or other funding requirements or pursue financing from other sources to preserve liquidity. In this event, the Company believes it can rely upon cash flows from operations to meet its obligations and fund its minimum required capital investments for an extended period of time.

The Company maintains an unsecured revolving credit facility with a diversified group of financial institutions. AWCC’s revolving credit facility is used principally to support its commercial paper program, to provide additional liquidity support, and to provide a sublimit for the issuance of up to \$150 million in letters of credit. On October 26, 2022, AWCC and certain lenders amended and restated the credit agreement with respect to the revolving credit facility to, among other things, increase the maximum commitments under the facility to \$2.75 billion from \$2.25 billion and to extend the expiration date of the facility to October 2027 from March 2025. Subject to satisfying certain conditions, the credit agreement also permits AWCC to increase the maximum commitment under the facility by up to an aggregate of \$500 million and to request extensions of its expiration date for up to two one-year periods. See Part II, Item 5—Other Information for additional information about the amendment and restatement of this credit agreement.

Also, effective October 26, 2022, the maximum aggregate principal amount of short-term borrowings authorized under AWCC’s commercial paper program was increased to \$2.60 billion from \$2.10 billion. As of September 30, 2022, and December 31, 2021, there were no borrowings outstanding under the revolving credit facility. Short-term debt consists of commercial paper borrowings totaling \$634 million and \$584 million outstanding as of September 30, 2022 and December 31, 2021, respectively. The weighted-average interest rate on AWCC’s outstanding short-term borrowings was approximately 3.22% and 0.20% at September 30, 2022 and December 31, 2021, respectively.

Presented in the tables below is the aggregate credit facility commitments, commercial paper limit and letter of credit availability under the revolving credit facility as of September 30, 2022 and December 31, 2021, as well as the available capacity for each:

(In millions)	As of September 30, 2022		
	Commercial Paper Limit	Letters of Credit	Total (a)
Total availability	\$ 2,100	\$ 150	\$ 2,250
Outstanding debt	(634)	(75)	(709)
Remaining availability as of September 30, 2022	\$ 1,466	\$ 75	\$ 1,541

(a) Total remaining availability of \$1.54 billion as of September 30, 2022, may be accessed through revolver draws.

(In millions)	As of December 31, 2021		
	Commercial Paper Limit	Letters of Credit	Total (a)
Total availability	\$ 2,100	\$ 150	\$ 2,250
Outstanding debt	(584)	(76)	(660)
Remaining availability as of December 31, 2021	\$ 1,516	\$ 74	\$ 1,590

(a) Total remaining availability of \$1.59 billion as of December 31, 2021, may be accessed through revolver draws.

Presented in the table below is the Company's total available liquidity as of September 30, 2022 and December 31, 2021, respectively:

(In millions)	Cash and Cash Equivalents	Availability on Revolving Credit Facility	Total Available Liquidity
Available liquidity as of September 30, 2022	\$ 77	\$ 1,541	\$ 1,618
Available liquidity as of December 31, 2021	\$ 116	\$ 1,590	\$ 1,706

The Company believes that its ability to access the debt and equity capital markets, the revolving credit facility and cash flows from operations will generate sufficient cash to fund the Company's short-term requirements. The Company believes it has sufficient liquidity and the ability to manage its expenditures, should there be a disruption of the capital and credit markets. However, there can be no assurance that the lenders will be able to meet existing commitments to AWCC under the revolving credit facility, or that AWCC will be able to access the commercial paper or loan markets in the future on acceptable terms or at all. See Note 8—Short-Term Debt in the Notes to Consolidated Financial Statements for additional information.

On May 5, 2022, AWCC issued \$800 million aggregate principal amount of its 4.45% senior notes due 2032. At closing, AWCC received, after deduction of underwriting discounts and before deduction of offering expenses, net proceeds of approximately \$792 million. AWCC used the net proceeds of the offering: (i) to lend funds to the Company and its subsidiaries in its Regulated Businesses segment; (ii) to repay AWCC's commercial paper obligations; and (iii) for general corporate purposes.

In April 2022, the Company entered into several 10-year treasury lock agreements, with notional amounts totaling \$400 million, and an average fixed interest rate of 2.89%. The Company designated these treasury lock agreements as cash flow hedges, with their fair value recorded in accumulated other comprehensive gain or loss. In May 2022, the Company terminated the treasury lock agreements, realizing a net gain of approximately \$4 million, to be amortized through interest, net over a 10-year period, in accordance with the tenor of the debt issuance on May 5, 2022. No ineffectiveness was recognized on hedging instruments for the three and nine months ended September 30, 2022.

Cash Flows from Operating Activities

Cash flows from operating activities primarily result from the sale of water and wastewater services and, due to the seasonality of demand, are generally greater during the warmer months. Presented in the table below is a summary of the major items affecting the Company's cash flows provided by operating activities:

(In millions)	For the Nine Months Ended September 30,	
	2022	2021
Net income	\$ 673	\$ 618
Add (less):		
Depreciation and amortization	485	476
Deferred income taxes and amortization of investment tax credits	13	121
Other non-cash activities (a)	(51)	(37)
Changes in working capital (b)	(316)	(118)
Pension and non-pension postretirement benefit contributions	(40)	(31)
Net cash provided by operating activities	\$ 764	\$ 1,029

(a) Includes provision for losses on accounts receivable, pension and non-pension postretirement benefits and other non-cash, net. Details of each component can be found on the Consolidated Statements of Cash Flows.

(b) Changes in working capital include changes to receivables and unbilled revenues, accounts payable, accrued liabilities, accrued taxes, and other current assets and liabilities, net.

For the nine months ended September 30, 2022, cash provided by operating activities decreased \$265 million, primarily due to changes in working capital and deferred taxes. The changes were driven by \$313 million of estimated tax payments for taxable gains on the sales of the Company's HOS business and its New York regulated operations, as well as the contribution of \$45 million to the American Water Charitable Foundation, partially offset by an increase in net income.

Cash Flows from Investing Activities

Presented in the table below is a summary of the major items affecting the Company's cash flows used in investing activities:

(In millions)	For the Nine Months Ended September 30,	
	2022	2021
Net capital expenditures	\$ (1,597)	\$ (1,205)
Acquisitions	(288)	(78)
Net proceeds from sale of assets	608	—
Other investing activities, net (a)	(85)	(70)
Net cash used in investing activities	\$ (1,362)	\$ (1,353)

(a) Includes removal costs from property, plant and equipment retirements.

For the nine months ended September 30, 2022, cash used in investing activities increased \$9 million, primarily due to increased payments for capital expenditures and acquisitions offset by proceeds of \$608 million received from the sale of the Company's New York operations. The Company plans to invest approximately \$2.5 billion across its footprint in 2022.

Cash Flows from Financing Activities

Presented in the table below is a summary of the major items affecting the Company's cash flows from financing activities:

(In millions)	For the Nine Months Ended September 30,	
	2022	2021
Proceeds from long-term debt	\$ 822	\$ 1,113
Repayments of long-term debt	(14)	(370)
Repayments of term loan	—	(500)
Net short-term borrowings (repayments) with maturities less than three months	50	(97)
Debt issuance costs and make-whole premium on early debt redemption	(7)	(26)
Dividends paid	(348)	(318)
Other financing activities, net (a)	63	46
Net cash provided by (used in) financing activities	\$ 566	\$ (152)

(a) Includes proceeds from issuances of common stock under various employee stock plans and the Company's dividend reinvestment and direct stock purchase plan, net of taxes paid, and advances and contributions in aid of construction, net of refunds.

For the nine months ended September 30, 2022, cash provided by financing activities increased \$718 million, primarily due to the repayment in full at maturity of the \$500 million term loan during the first quarter of 2021 and repayments of long-term debt due to the prepayment of \$327 million in aggregate principal amount of AWCC's outstanding senior notes during the second quarter of 2021 with no comparable repayments in 2022. These changes were partially offset by lower proceeds from long-term debt.

Debt Covenants

The Company's debt agreements contain financial and non-financial covenants. To the extent that the Company is not in compliance with these covenants, an event of default may occur under one or more debt agreements and the Company, or its subsidiaries, may be restricted in its ability to pay dividends, issue new debt or access the revolving credit facility. The long-term debt indentures contain a number of covenants that, among other things, prohibit or restrict the Company from issuing debt secured by the Company's assets, subject to certain exceptions. Failure to comply with any of these covenants could accelerate repayment obligations.

Covenants in certain long-term notes and the revolving credit facility require the Company to maintain a ratio of consolidated debt to consolidated capitalization (as defined in the relevant documents) of not more than 0.70 to 1.00. On September 30, 2022, the Company's ratio was 0.60 to 1.00 and therefore the Company was in compliance with the covenants.

Security Ratings

Presented in the table below are long-term and short-term credit ratings and rating outlooks as of October 31, 2022, as issued by the following rating agencies:

Securities	Moody's Investors Service	Standard & Poor's Ratings Service
Rating outlook	Stable	Stable
Senior unsecured debt	Baa1	A
Commercial paper	P-2	A-1

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

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

Access to the capital markets, including the commercial paper market, and respective financing costs in those markets, may be directly affected by the Company's securities ratings. The Company primarily accesses the debt capital markets, including the commercial paper market, through AWCC. However, the Company has also issued debt through its regulated subsidiaries, primarily in the form of mortgage bonds and tax-exempt securities or borrowings under state revolving funds, to lower the overall cost of debt.

Dividends

For discussion of the Company's dividends, see Note 6—Shareholders' Equity in the Notes to Consolidated Financial Statements for additional information.

Application of Critical Accounting Policies and Estimates

Financial condition of the Company, results of operations and cash flows, as reflected in the Company's Consolidated Financial statements, are impacted by the methods, assumptions and estimates used in the application of critical accounting policies. See Part II, Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates in the Company's Form 10-K for a discussion of its critical accounting policies. Additionally, see Note 2—Significant Accounting Policies in the Notes to Consolidated Financial Statements for updates, if any, to the significant accounting policies previously disclosed in the Company's Form 10-K.

Recent Accounting Standards

See Note 2—Significant Accounting Policies in the Notes to Consolidated Financial Statements for a description of new accounting standards recently adopted or pending adoption.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risk in the normal course of business, including changes in commodity prices, equity prices and interest rates. For further discussion of its exposure to market risk, see Part II, Item 7A—Quantitative and Qualitative Disclosures about Market Risk in the Company's Form 10-K. There have been no significant changes to the Company's exposure to market risk since December 31, 2021.

The Company had no derivative instruments, which are exposed to market risk, outstanding as of September 30, 2022.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

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

The Company's management, including the Chief Executive Officer and the Chief Financial Officer, conducted an evaluation of the effectiveness of its disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of September 30, 2022.

Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that, as of September 30, 2022, the Company's disclosure controls and procedures were effective at a reasonable level of assurance.

Changes in Internal Control over Financial Reporting

The Company concluded that there have been no changes in internal control over financial reporting that occurred during the three months ended September 30, 2022, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION**ITEM 1. LEGAL PROCEEDINGS**

The following information updates and amends the information provided in the Company's Form 10-K in Part I, Item 3—Legal Proceedings, and in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2022 in Part II, Item 1—Legal Proceedings. Capitalized terms used but not otherwise defined herein have the meanings set forth in the Company's Form 10-K. In accordance with the SEC's disclosure rules, the Company has elected to disclose environmental proceedings involving the Company and a governmental authority if the amount of potential monetary sanctions, exclusive of interest and costs, that the Company reasonably believes will result from such proceeding is \$1 million or more.

Alternative Water Supply in Lieu of Carmel River Diversions***Monterey Peninsula Water Supply Project******CPUC Final Approval of Water Supply Project***

In September 2022, the parties completed testimony in the CPUC proceeding to review and approve Cal Am's application to amend and restate the water purchase agreement for the GWR Project. The parties are now meeting and conferring to set hearing dates during the fourth quarter of 2022.

On September 30, 2022, a CPUC-assigned ALJ issued a proposed decision that would, if adopted by the CPUC, authorize Cal Am to enter into the amended water purchase agreement, and specifically to increase pumping capacity and reliability of groundwater extraction from the Seaside Groundwater Basin. The proposed decision sets the cost cap for the proposed facilities at approximately \$45 million, and the remaining \$36 million of costs initially requested have been deferred to a subsequent filing. Under the proposed decision, Cal Am may seek recovery of amounts above the cost cap in a subsequent rate filing or general rate case. Additionally, the proposed decision recommended AFUDC be authorized at Cal Am's actual weighted average cost of debt. On October 20, 2022, the parties filed their comments to the proposed decision. Cal Am currently expects a CPUC ruling to be issued by the end of 2022. After that, this matter will remain open as part of a Phase 2 proceeding to update supply and demand amounts for the Water Supply Project and to address certain of the deferred capital requests.

Coastal Development Permit Application

Cal Am responded to the Coastal Commission's February 8, 2022, request for additional information with respect to the original jurisdiction application that Cal Am had refiled in November 2020. On September 1, 2022, the Coastal Commission deemed Cal Am's application complete. A hearing on the application is expected in November 2022.

On October 5, 2022, Cal Am announced a phasing plan for its proposed desalination plant, part of the proposed Water Supply Project. The desalination plant and slant wells approved by the CPUC and currently pending before the Coastal Commission would produce up to 6.4 million gallons of desalinated water per day. Under the phased approach, the facilities would initially be constructed to produce up to 4.8 million gallons per day of desalinated water, enough to meet anticipated demand through about 2030, and limiting the number of slant wells initially constructed. As demand increases in the future, desalination facilities would be expanded to meet the additional demand. The phased approach seeks to meet near-term demand by allowing for additional supply as it becomes needed, while also providing an opportunity for regional future public participation and was developed by Cal Am based on feedback received from the community.

Dunbar, West Virginia Water Main Break Class Action Litigation

On August 26, 2022, WVAWC filed a Petition for Writ of Prohibition in the Supreme Court of Appeals of West Virginia challenging the West Virginia Circuit Court's July 5, 2022, order certifying a class to address at trial certain liability issues but not to consider damages. The Writ Petition has been supported by an amicus brief filed by certain water and utility industry trade groups. The Supreme Court of Appeals will decide whether to accept the Writ Petition by issuing a Rule to Show Cause.

Chattanooga, Tennessee Class Action Litigation

A hearing that had been originally scheduled for October 2022 to address the question of class certification has been postponed to January 2023.

Other Matters

On April 2, 2021, American Water Resources, LLC ("AWR"), which prior to the sale of HOS was one of the indirect, wholly owned subsidiaries comprising the Company's former HOS operations, received a grand jury subpoena in connection with an investigation by the U.S. Attorney's Office for the Eastern District of New York (the "EDNY") regarding AWR's operations and contractor network in the New York City metropolitan area. On September 9, 2022, a former employee of AWR pled guilty in U.S. District Court to two felony charges in connection with the matters being investigated by the EDNY. The Company continues to believe that the investigation is not focused on the Company and is cooperating fully with the investigation. While it is not possible at

this time to predict the outcome of the investigation or determine the amount, if any, of fines, penalties or other liabilities that may be incurred in connection with it, the Company does not currently believe that the investigation will have a material adverse effect on the Company's results of operations, financial condition or liquidity.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report, readers should carefully consider the factors discussed in Part I, Item 1A—Risk Factors in the Form 10-K, and in the Company's other filings with the SEC, which could materially affect the Company's business, financial condition, cash flows or future results. There have been no material changes from the risk factors previously disclosed in Part I, Item 1A—Risk Factors in the Form 10-K.

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

In February 2015, the Board of Directors authorized an anti-dilutive stock repurchase program to mitigate the dilutive effect of shares issued through the Company's dividend reinvestment and direct stock purchase plan and employee stock purchase and executive compensation activities. The program allows the Company to purchase up to 10 million shares of its outstanding common stock over an unrestricted period of time in the open market or through privately negotiated transactions. The program is conducted in accordance with Rule 10b-18 of the Exchange Act, and, to facilitate these repurchases, the Company enters into Rule 10b5-1 stock repurchase plans with a third-party broker, which allow the Company to repurchase shares of its common stock at times when it otherwise might be prevented from doing so under insider trading laws or because of self-imposed trading blackout periods. Subject to applicable regulations, the Company may elect to amend or cancel the program or the stock repurchase parameters at its discretion to manage dilution.

The Company did not repurchase shares of common stock during the three months ended September 30, 2022. From April 1, 2015, the date repurchases under the anti-dilutive stock repurchase program commenced, through September 30, 2022, the Company repurchased an aggregate of 4,860,000 shares of common stock under the program, leaving an aggregate of 5,140,000 shares available for repurchase under this program.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

Amendment and Restatement of Credit Agreement

On October 26, 2022, the parent company and AWCC amended and restated that certain Second Amended and Restated Credit Agreement, dated as of March 21, 2018 (the "Existing Credit Agreement"), by entering into that certain Third Amended and Restated Credit Agreement, by and among the parent company, AWCC, each of the lenders party thereto (each, a "Lender"), Wells Fargo Bank, National Association, as administrative agent, JPMorgan Chase Bank, N.A., as syndication agent, and Mizuho Bank, Ltd., PNC Bank, National Association, and Bank of America, N.A., as co-documentation agents (the "Credit Agreement"), with respect to AWCC's unsecured revolving credit facility thereunder. See Part I, Item 2—Management's Discussion and Analysis of Financial Condition and Results of Operations for additional information about the revolving credit facility.

The parent company has executed the Credit Agreement solely to acknowledge and agree that (i) obligations owing by AWCC under the Credit Agreement will constitute "debt" under that certain Support Agreement, dated as of June 22, 2000, as amended by that First Amendment to Support Agreement dated as of July 26, 2000, by and between the parent company and AWCC (the "Support Agreement"), which serves as a functional equivalent of a guarantee by the parent company of AWCC's payment obligations under the Credit Agreement, and (ii) the Credit Agreement contains representations, warranties and covenants that relate to the parent company and that a breach of any of those representations or warranties, or a failure by AWCC to comply with such covenants, could result in an event of default under the Credit Agreement.

The Credit Agreement increases the total maximum commitments under the Existing Credit Agreement to \$2.75 billion from \$2.25 billion and extends the expiration of the Existing Credit Agreement to October 2027 from March 2025. AWCC may from time to time cause the total maximum commitments under the Credit Agreement to be increased, provided that the aggregate amount of all such commitment increases may not exceed \$500 million. AWCC may also request from the Lenders an extension of the expiration date of the Credit Agreement for up to two one-year periods. Such increases and extensions must satisfy certain conditions and, in the case of a request to extend the expiration date of the Credit Agreement, receive approval of the Required Lenders, all as set forth in the Credit Agreement. As of October 26, 2022, no amounts have been borrowed by AWCC under the Credit Agreement, except with respect to letters of credit previously issued under the Credit Agreement's \$150 million letter of credit sublimit.

The Credit Agreement contains certain representations and warranties made by AWCC and the parent company at the time it was entered into and, under its terms, AWCC must be in compliance with specified covenants, including (i) the requirement that AWCC maintains a ratio of total consolidated debt to consolidated total capitalization of not more than 0.70 to 1.0, computed in accordance with the terms of the Credit Agreement, (ii) a restriction on the incurrence of liens (other than liens permitted by the Credit Agreement) on the assets of the parent company, AWCC or any of the parent company's significant subsidiaries, (iii) restrictions on sale-leaseback transactions by AWCC, the parent company or any of the parent company's significant subsidiaries, (iv) not causing the Support Agreement to be canceled or terminated, or amended in such a way as to adversely affect the rights of the Lenders, and (v) AWCC engaging in any business, operations or activities other than financing activities for and on behalf of the parent company and its other subsidiaries. The Credit Agreement does not include any credit rating triggers. Certain of the financial covenants with respect to the facility were increased to reflect changes in American Water's size, business and operations since the execution and delivery of the Existing Credit Agreement.

The occurrence of an event of default under the Credit Agreement could result in the acceleration of the repayment obligations of AWCC thereunder. The events of default in the Credit Agreement include, but are not limited to (i) the failure of AWCC to pay when due principal or interest under the Credit Agreement, (ii) the failure to observe or perform AWCC's covenants contained in the Credit Agreement (including the covenants described in the preceding paragraph), subject in certain circumstances to grace periods and notice requirements provided in the Credit Agreement, (iii) any representation, warranty, certification or statement made by or on behalf of AWCC under the Credit Agreement or under any loan document or other document delivered pursuant to the Credit Agreement or a loan document being incorrect in any material respect when made, (iv) the failure of AWCC, the parent company or any significant subsidiary of the parent company to pay amounts due under certain other indebtedness, (v) the default of the parent company in the performance or observance of any obligation or condition under specified provisions of the Support Agreement, (vi) the occurrence of certain bankruptcy events, judgments or decrees against AWCC, the parent company or any of the parent company's significant subsidiaries, (vii) the failure of AWCC, the parent company or any of the parent company's significant subsidiaries to pay or otherwise discharge certain monetary judgments, (viii) the occurrence of certain events under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or with respect to certain employee pension benefit plans covered by ERISA, (ix) the unenforceability of any material provision of the Support Agreement, or the assertion by any court or governmental or regulatory body having jurisdiction over the parent company of the unenforceability of any such provision in writing, or the contesting by the parent company of the validity or enforceability of any such provision, (x) the occurrence of a change of control (as defined in the Credit Agreement) involving the parent company, or (xi) the parent company ceasing to own, directly or indirectly, all of the common stock of AWCC.

In the ordinary course of business, certain of the Lenders and their respective affiliates have from time to time engaged, and likely will in the future engage, in transactions with, and from time to time have performed various financial advisory, commercial banking, investment banking, treasury, trustee and other services for, and likely will in the future perform such services for, AWCC and American Water, for which they received, or will continue to receive, customary fees or compensation. In addition, affiliates of certain of the Lenders act as issuing and paying agent or dealer under AWCC's commercial paper program.

The foregoing description of the Credit Agreement does not purport to be complete and is subject to, and is qualified in its entirety by, the full text of the Credit Agreement, which is attached to this Form 10-Q as [Exhibit 10.1](#) and incorporated herein by reference.

Increase in Size of AWCC's Commercial Paper Program

On October 26, 2022, AWCC increased the size of its program to permit the issuance of short-term commercial paper notes by AWCC in an aggregate principal amount not to exceed \$2.60 billion outstanding at any time, an increase from the prior maximum size of \$2.10 billion. The notes issued by AWCC under the commercial paper program are considered "debt" for purposes of the Support Agreement. The offer and sale of the commercial paper notes and related obligations of the parent company under the Support Agreement have not been and will not be registered under the Securities Act in reliance upon the exemption provided by Section 4(a)(2) thereof, and may not be offered or sold absent registration or an applicable exemption from such registration requirements. The information contained in this Form 10-Q shall not constitute an offer to sell or the solicitation of an offer to buy commercial paper

notes issued by AWCC from time to time under its commercial paper program or the related support obligations of the parent company under the Support Agreement.

New 2022 Annual Performance Plan Goals

In alignment with the Company’s commitment to inclusion, diversity and equity, in the first quarter of 2022, two new people-related goals were added to the Company’s 2022 Annual Performance Plan: female percentage of the Company’s overall workforce, and ethnic and racial percentage of the Company’s overall workforce.

ITEM 6. EXHIBITS

Exhibit Number	Exhibit Description
3.1	Restated Certificate of Incorporation of American Water Works Company, Inc. (incorporated by reference to Exhibit 3.1 to American Water Works Company, Inc.’s Quarterly Report on Form 10-Q, File No. 001-34028, filed November 6, 2008).
3.2	Amended and Restated Bylaws of American Water Works Company, Inc. (incorporated by reference to Exhibit 3.1 to the Company’s Current Report on Form 8-K, File No. 001-34028, filed December 10, 2020).
4.1	Indenture, dated as of December 4, 2009, between American Water Capital Corp. and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.’s Current Report on Form 8-K, File No. 001-34028, filed December 3, 2010).
4.2	Officers’ Certificate of American Water Capital Corp., dated May 5, 2022, establishing the terms and authorizing the issuance of the 4.450% Senior Notes due 2032 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.’s Current Report on Form 8-K, File No. 001-34028, filed May 5, 2022).
*10.1	Third Amended and Restated Credit Agreement, dated as of October 26, 2022, by and among American Water Works Company, Inc., American Water Capital Corp., each of the Lenders party thereto, Wells Fargo Bank, National Association, as administrative agent, JPMorgan Chase Bank, N.A., as syndication agent, and Mizuho Bank, Ltd., PNC Bank, National Association, U.S. Bank National Association, and Bank of America, N.A., as co-documentation agents.
22.1	Guaranteed Securities (incorporated by reference to Exhibit 22.1 to American Water Works Company, Inc.’s Quarterly Report on Form 10-Q, File No. 001-34028, filed July 27, 2022).
*31.1	Certification of M. Susan Hardwick, President and Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act.
*31.2	Certification of John C. Griffith, Executive Vice President and Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act.
**32.1	Certification of M. Susan Hardwick, President and Chief Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act.
**32.2	Certification of John C. Griffith, Executive Vice President and Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act.
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101).

* Filed herewith. Certain exhibits to this document have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The Company will furnish the omitted exhibits to the SEC upon request.

** Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 31st day of October, 2022.

AMERICAN WATER WORKS COMPANY, INC.
(REGISTRANT)

By _____ /s/ M. SUSAN HARDWICK

M. Susan Hardwick
President and Chief Executive Officer
(Principal Executive Officer)

By _____ /s/ JOHN C. GRIFFITH

John C. Griffith
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

By _____ /s/ MELISSA K. WIKLE

Melissa K. Wikle
Chief Accounting Officer
(Principal Accounting Officer)

U.S. \$2,750,000,000

THIRD AMENDED AND RESTATED CREDIT AGREEMENT

dated as of October 26, 2022

by and among

AMERICAN WATER CAPITAL CORP.
as Borrower

THE LENDERS

and

WELLS FARGO BANK, NATIONAL ASSOCIATION
as Administrative Agent

and

JPMORGAN CHASE BANK, N.A.
as Syndication Agent

and

MIZUHO BANK, LTD.
PNC BANK, NATIONAL ASSOCIATION
U.S. BANK NATIONAL ASSOCIATION
BANK OF AMERICA, N.A.
as Co-Documentation Agents

WELLS FARGO SECURITIES, LLC
JPMORGAN CHASE BANK, N.A.
MIZUHO BANK, LTD.
PNC CAPITAL MARKETS LLC
U.S. BANK NATIONAL ASSOCIATION
BOFA SECURITIES, INC.
ROYAL BANK OF CANADA
as Joint Lead Arrangers and Joint Bookrunners

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Exhibit F-3 Form of U.S. Tax Compliance Certificate (Participant; Partnership)
Exhibit F-4 Form of U.S. Tax Compliance Certificate (Lender; Partnership)

* The following exhibits to this Agreement have been omitted pursuant to Item 601(a)(5) of Regulation S-K. American Water Works Company, Inc. will furnish the omitted exhibits to the Securities and Exchange Commission upon request.

THIRD AMENDED AND RESTATED CREDIT AGREEMENT

THIS THIRD AMENDED AND RESTATED CREDIT AGREEMENT, dated as of October 26, 2022 (this “*Agreement*”), is by and among **AMERICAN WATER CAPITAL CORP.**, a Delaware corporation (the “*Borrower*”), the Lenders from time to time party hereto (collectively, the “*Lenders*”), and **WELLS FARGO BANK, NATIONAL ASSOCIATION**, a national banking association, as Administrative Agent for the Lenders (in such capacity, together with its successors and assigns, the “*Administrative Agent*”).

WHEREAS, the Borrower, the Lenders and the Administrative Agent are parties to that certain Second Amended and Restated Credit Agreement dated as of March 21, 2018 (as amended and in effect immediately prior to the date hereof, the “Existing Credit Agreement”);

WHEREAS, the Borrower has requested the Lenders and the Administrative Agent amend and restate the Existing Credit Agreement to modify the Existing Credit Agreement in certain respects;

WHEREAS, the Borrower acknowledges and agrees that the Obligations represent, among other things, the amendment, restatement, renewal, extension, consolidation and modification of the Obligations (as defined in the Existing Credit Agreement) arising in connection with the Existing Credit Agreement and other Loan Documents (as defined in the Existing Credit Agreement) executed in connection therewith; and

WHEREAS, the Borrower intends that (a) the provisions of the Existing Credit Agreement and the other Loan Documents (as defined in the Existing Credit Agreement) executed in connection therewith, to the extent restated, renewed, extended, consolidated, amended and modified hereby, be hereby superseded and replaced by the provisions hereof and of the other Loan Documents; and (b) by entering into and performing its Obligations hereunder, this transaction shall not constitute a novation.

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the parties hereto agree that the Existing Credit Agreement is hereby amended and restated, as follows:

ARTICLE I DEFINITIONS

Section 1.01 Certain Defined Terms. The terms defined in this Section 1.01 shall, for all purposes of this Agreement, have the meanings set forth herein:

“*Act*” means the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)), as amended.

“*Adjusted Term SOFR*” means, for purposes of any calculation, the rate per annum equal to (a) Term SOFR for such calculation plus (b) the Term SOFR Adjustment; provided that if Adjusted Term SOFR as so determined shall ever be less than the Floor, then Adjusted Term SOFR shall be deemed to be the Floor.

“*Adjusted Term SOFR Market Index Rate*” means, for purposes of any calculation and with respect to any day, the daily floating rate per annum for one-month Term SOFR plus the Term SOFR Adjustment.

“*Administrative Agent*” has the meaning set forth in the preamble.

“**Affected Financial Institution**” means (a) any EEA Financial Institution or (b) any UK Financial Institution.

“**Affiliate**” means, with respect to any Person, any other Person directly or indirectly controlling (including but not limited to all directors and officers of such Person), controlled by, or under direct or indirect common control with such Person. A Person shall be deemed to control another entity if such Person possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of such entity, whether through the ownership of voting securities, by contract, or otherwise.

“**Agreement**” has the meaning set forth in the preamble.

“**Anti-Corruption Laws**” means all laws, rules, and regulations of any jurisdiction applicable to the Borrower or its Subsidiaries from time to time concerning or relating to bribery or corruption, including, without limitation, the United States Foreign Corrupt Practices Act of 1977, as amended, and the rules and regulations thereunder.

“**Anti-Money Laundering Laws**” means any and all laws, statutes, regulations or obligatory government orders, decrees, ordinances or rules applicable to the Borrower or its Subsidiaries related to terrorism financing or money laundering, including any applicable provision of the Act and The Currency and Foreign Transactions Reporting Act (also known as the “Bank Secrecy Act,” 31 U.S.C. §§ 5311-5330 and 12U.S.C. §§ 1818(s), 1820(b) and 1951-1959).

“**Applicable Percentage**” means, with respect to the Facility Fee or any SOFR Loan, Base Rate Loan or Swingline Loan, at all times during which any Applicable Rating Level set forth below is in effect, the rate per annum for the Facility Fee or such Loan set forth below next to such Applicable Rating Level.

Applicable Rating Level	Applicable Percentage for Facility Fee	Applicable Percentage for SOFR Loans	Applicable Percentage for Base Rate Loans
1	0.060%	0.690%	0.000%
2	0.075%	0.800%	0.000%
3	0.100%	0.900%	0.000%
4	0.125%	1.000%	0.000%
5	0.175%	1.075%	0.075%

The Applicable Percentage shall be determined in accordance with the foregoing table based on the Applicable Rating Level as determined from the Borrower’s then-applicable Moody’s Rating and S&P Rating. Any change in the Applicable Percentages resulting from a change in the Applicable Rating Level shall become effective upon the date of announcement of any change in the Moody’s Rating or the S&P Rating of the Borrower that results in such change in the Applicable Rating Level.

“**Applicable Rating Level**” at any time shall be determined in accordance with the Borrower’s then-

applicable S&P Rating and the Borrower’s then-applicable Moody’s Rating as follows:

S&P Rating/Moody’s Rating	Applicable Rating Level
S&P Rating AA- or higher or Moody’s Rating Aa3 or higher	1
S&P Rating A+ or Moody’s Rating A1	2
S&P Rating A or Moody’s Rating A2	3
S&P Rating A- or Moody’s Rating A3	4
S&P Rating BBB+ or below or Moody’s Rating Baa1 or below	5

The Applicable Rating Level for any day shall be determined based upon the higher of the S&P Rating and the Moody’s Rating of the Borrower in effect on such day. If the S&P Rating and the Moody’s Rating of the Borrower are not the same (*i.e.*, a “split rating”), the higher of such ratings shall control, unless the S&P Rating is below BBB- or the Moody’s Rating is below Baa3, in which case the lower of the two ratings shall control.

“**Approved Fund**” means any Fund that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

“**Assignee**” means the assignee of all or a portion of a Lender’s rights and obligations under this Agreement pursuant to the terms of Section 7.05(b).

“**Assignment and Acceptance**” means an Assignment and Acceptance executed in accordance with Section 7.05(b) in the form attached hereto as Exhibit C.

“**Attributable Debt**” means, on any date of determination, (a) in respect of any Capitalized Lease of any Person, the capitalized amount thereof that would appear on a balance sheet of such Person prepared as of such date in accordance with GAAP, and (b) in respect of any Synthetic Lease, the capitalized amount or principal amount of the remaining lease payments under the relevant lease that would appear on a balance sheet of such Person prepared as of such date in accordance with GAAP if such lease were accounted for as a Capitalized Lease.

“**Available Tenor**” means, as of any date of determination and with respect to the then-current Benchmark, as applicable, (a) if such Benchmark is a term rate, any tenor for such Benchmark (or component thereof) that is or may be used for determining the length of an interest period pursuant to this Agreement or (b) otherwise, any payment period for interest calculated with reference to such Benchmark (or component thereof) that is or may be used for determining any frequency of making payments of interest calculated with reference to such Benchmark, in each case, as of such date and not including any tenor for such Benchmark that is then-removed from the definition of “Interest Period” pursuant to Section 2.18(c)(iv).

“**Bail-In Action**” means the exercise of any Write-Down and Conversion Powers by the applicable Resolution Authority in respect of any liability of an Affected Financial Institution.

“**Bail-In Legislation**” means (a) with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law, regulation, rule or requirement for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule and (b) with respect to the United Kingdom, Part I of the United Kingdom Banking Act 2009 (as amended from time to time) and any other law, regulation or rule applicable in the United Kingdom relating to the resolution of unsound or failing banks, investment firms or other financial institutions or their affiliates (other than through liquidation, administration or other insolvency proceedings).

“**Base Rate**” means, at any time, the highest of (a) the Prime Rate, (b) the Federal Funds Rate plus 0.50% and (c) Adjusted Term SOFR Market Index Rate in effect on such day plus 1.0%; each change in the Base Rate shall take effect simultaneously with the corresponding change or changes in the Prime Rate, the Federal Funds Rate or Adjusted Term SOFR Market Index Rate, as applicable (provided that clause (c) shall not be applicable during any period in which Adjusted Term SOFR Market Index Rate is unavailable or unascertainable). Notwithstanding the foregoing, in no event shall the Base Rate be less than the Floor.

“**Base Rate Loan**” means a loan that bears interest based upon the Base Rate as provided in Section 2.08(a)(i).

“**Benchmark**” means, initially, the Term SOFR Reference Rate; provided that if a Benchmark Transition Event has occurred with respect to the Term SOFR Reference Rate or the then-current Benchmark, then “Benchmark” means the applicable Benchmark Replacement to the extent that such Benchmark Replacement has replaced such prior benchmark rate pursuant to Section 2.18(c)(i).

“**Benchmark Replacement**” means, with respect to any Benchmark Transition Event, the sum of: (a) the alternate benchmark rate that has been selected by the Administrative Agent and the Borrower giving due consideration to (i) any selection or recommendation of a replacement benchmark rate or the mechanism for determining such a rate by the Relevant Governmental Body or (ii) any evolving or then-prevailing market convention for determining a benchmark rate as a replacement to the then-current Benchmark for Dollar-denominated syndicated credit facilities and (b) the related Benchmark Replacement Adjustment; provided that, if such Benchmark Replacement as so determined would be less than the Floor, such Benchmark Replacement will be deemed to be the Floor for the purposes of this Agreement and the other Loan Documents.

“**Benchmark Replacement Adjustment**” means, with respect to any replacement of the then-current Benchmark with an Unadjusted Benchmark Replacement for any applicable Available Tenor, the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected by the Administrative Agent and the Borrower giving due consideration to (a) any selection or recommendation of a spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of such Benchmark with the applicable Unadjusted Benchmark Replacement by the Relevant Governmental Body or (b) any evolving or then-prevailing market convention for determining a spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of such Benchmark with the applicable Unadjusted Benchmark Replacement for Dollar-denominated syndicated credit facilities.

“**Benchmark Replacement Date**” means the earlier to occur of the following events with respect to the then-current Benchmark:

(a) in the case of clause (a) or (b) of the definition of “Benchmark Transition Event,” the later of (i) the date of the public statement or publication of information referenced therein and (ii) the date on which the administrator of such Benchmark (or the published component used in the calculation thereof)

permanently or indefinitely ceases to provide all Available Tenors of such Benchmark (or such component thereof); or

(b) in the case of clause (c) of the definition of “Benchmark Transition Event,” the first date on which such Benchmark (or the published component used in the calculation thereof) has been determined and announced by the regulatory supervisor for the administrator of such Benchmark (or such component thereof) to be non-representative; provided that such non-representativeness will be determined by reference to the most recent statement or publication referenced in such clause (c) and even if any Available Tenor of such Benchmark (or such component thereof) continues to be provided on such date.

For the avoidance of doubt, the “Benchmark Replacement Date” will be deemed to have occurred in the case of clause (a) or (b) with respect to any Benchmark upon the occurrence of the applicable event or events set forth therein with respect to all then-current Available Tenors of such Benchmark (or the published component used in the calculation thereof).

“**Benchmark Transition Event**” means the occurrence of one or more of the following events with respect to the then-current Benchmark:

(a) a public statement or publication of information by or on behalf of the administrator of such Benchmark (or the published component used in the calculation thereof) announcing that such administrator has ceased or will cease to provide all Available Tenors of such Benchmark (or such component thereof), permanently or indefinitely; provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide any Available Tenor of such Benchmark (or such component thereof);

(b) a public statement or publication of information by the regulatory supervisor for the administrator of such Benchmark (or the published component used in the calculation thereof), the FRB, the Federal Reserve Bank of New York, an insolvency official with jurisdiction over the administrator for such Benchmark (or such component), a resolution authority with jurisdiction over the administrator for such Benchmark (or such component) or a court or an entity with similar insolvency or resolution authority over the administrator for such Benchmark (or such component), which states that the administrator of such Benchmark (or such component) has ceased or will cease to provide all Available Tenors of such Benchmark (or such component thereof) permanently or indefinitely; provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide any Available Tenor of such Benchmark (or such component thereof); or

(c) a public statement or publication of information by the regulatory supervisor for the administrator of such Benchmark (or the published component used in the calculation thereof) announcing that all Available Tenors of such Benchmark (or such component thereof) are not, or as of a specified future date will not be, representative.

For the avoidance of doubt, a “Benchmark Transition Event” will be deemed to have occurred with respect to any Benchmark if a public statement or publication of information set forth above has occurred with respect to each then-current Available Tenor of such Benchmark (or the published component used in the calculation thereof).

“**Benchmark Transition Start Date**” means, in the case of a Benchmark Transition Event, the earlier of (a) the applicable Benchmark Replacement Date and (b) if such Benchmark Transition Event is a public statement or publication of information of a prospective event, the 90th day prior to the expected date of such event as of such public statement or publication of information (or if the expected date of

such prospective event is fewer than 90 days after such statement or publication, the date of such statement or publication).

“**Benchmark Unavailability Period**” means the period (if any) (x) beginning at the time that a Benchmark Replacement Date has occurred if, at such time, no Benchmark Replacement has replaced the then-current Benchmark for all purposes hereunder and under any Loan Document in accordance with Section 2.18(c)(i), and (y) ending at the time that a Benchmark Replacement has replaced the then-current Benchmark for all purposes hereunder and under any Loan Document in accordance with Section 2.18(c)(i).

“**Beneficial Ownership Certification**” means a certification regarding beneficial ownership as required by the Beneficial Ownership Regulation.

“**Beneficial Ownership Regulation**” means 31 CFR § 1010.230.

“**Benefit Plan**” means any of (a) an “employee benefit plan” (as defined in ERISA) that is subject to Title I of ERISA, (b) a “plan” as defined in Section 4975 of the Code or (c) any Person whose assets include (for purposes of ERISA Section 3(42) or otherwise for purposes of Title I of ERISA or Section 4975 of the Code) the assets of any such “employee benefit plan” or “plan”.

“**BHC Act Affiliate**” of a party shall mean an “affiliate” (as such term is defined under, and interpreted in accordance with, 12 U.S.C. 1841(k)) of such party.

“**Borrower**” has the meaning set forth in the preamble.

“**Borrower Materials**” has the meaning set forth in Section 5.01.

“**Borrowing**” means a borrowing hereunder consisting of Base Rate Loans or SOFR Loans made to the Borrower.

“**Business Day**” means a day of the year on which banks are not required or authorized to close in New York City or Charlotte, North Carolina.

“**Capitalized Lease**” of any Person means, subject to Section 1.02, the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as finance leases on a balance sheet of such Person under GAAP, and the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP.

“**Cash Collateral Account**” has the meaning set forth in Section 6.02.

“**Cash Collateralize**” means, to pledge and deposit in the Cash Collateral Account, or to pledge and deposit with or deliver to the Administrative Agent, for the benefit of one or more of the LC Issuing Banks, the Swingline Banks or the Lenders, as collateral for Letters of Credit, obligations of Lenders to fund participations in respect of Letters of Credit or for the obligations of Lenders to purchase their respective Pro Rata Shares in respect of Swingline Loans, cash or deposit account balances or, if the Administrative Agent and each applicable LC Issuing Bank or Swingline Bank, as applicable, shall agree in their reasonable discretion, other credit support, in each case pursuant to documentation in form and substance reasonably satisfactory to the Administrative Agent and each applicable LC Issuing Bank or Swingline Bank, as applicable. “**Cash Collateral**” shall have a meaning correlative to the foregoing and shall include the proceeds of such cash collateral and other credit support.

“**CERCLA**” means the Comprehensive Environmental Response Compensation and Liability Act, 42 U.S.C., § 9601, *et seq.*, as amended from time to time, and any regulations promulgated thereunder.

“**Change in Law**” means the occurrence, after the Closing Date (or, if later, on or after the date the Administrative Agent or any Lender becomes the Administrative Agent or a Lender, respectively), of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation, implementation or application thereof by any Governmental Authority or (c) the making or issuance of any request, rule, guideline or directive (whether or not having the force of law) by any Governmental Authority; provided that notwithstanding anything herein to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a “Change in Law”, regardless of the date enacted, adopted or issued.

“**Closing Date**” means the date of this Agreement.

“**Code**” means the Internal Revenue Code of 1986, as amended from time to time, or any successor federal tax code. Any reference to any provision of the Code shall also be deemed to be a reference to any successor provision or provisions thereof.

“**Commitment**” means (i) with respect to each Lender, the commitment of such Lender to make its Pro Rata Percentage of Loans and to participate in Letters of Credit in an aggregate amount up to the amount set forth opposite the name of each Lender on Schedule I, subject to adjustment on account of assignment pursuant to Section 7.05(b), reduction of the Commitment pursuant to Section 2.10 or 2.24(d), or increase in the Commitment pursuant to Section 2.05, and (ii) with respect to the Lenders collectively, the aggregate amount of all such Commitments.

“**Commitment Letter**” means, that Commitment Letter, dated October 3, 2022 by and among the Borrower, the Parent, Wells Fargo, PNC Bank, National Association, and the Joint Lead Arrangers.

“**Common Stock**” means with respect to any Person, the voting securities or equivalent equity interests of such Person having general voting rights, including the right to vote in the election of members of the board of directors (or persons performing similar functions) of such Person.

“**Conforming Changes**” means, with respect to either the use or administration of Term SOFR or the use, administration, adoption or implementation of any Benchmark Replacement, any technical, administrative or operational changes (including changes to the definition of “Base Rate,” the definition of “Business Day,” the definition of “U.S. Government Securities Business Day,” the definition of “Interest Period” or any similar or analogous definition (or the addition of a concept of “interest period”), timing and frequency of determining rates and making payments of interest, timing of borrowing requests or prepayment, conversion or continuation notices, the applicability and length of lookback periods, the applicability of Section 2.13 and other technical, administrative or operational matters) that the Administrative Agent decides may be appropriate to reflect the adoption and implementation of any such rate or to permit the use and administration thereof by the Administrative Agent in a manner substantially consistent with market practice (or, if the Administrative Agent decides that adoption of any portion of such market practice is not administratively feasible or if the Administrative Agent determines that no market practice for the administration of any such rate exists, in such other manner of administration as the Administrative Agent decides is reasonably necessary in connection with the administration of this Agreement and the other Loan Documents).

“**Connection Income Taxes**” means Other Connection Taxes that are imposed on or measured by net income (however denominated) or that are franchise Taxes or branch profits Taxes.

“**Consolidated Tangible Total Assets**” means, as at any applicable time of determination, Consolidated Total Assets less, without duplication, all intangible assets such as goodwill, trademarks, trade names, patents and unamortized debt discount and expense carried as an asset, in each case as set forth in the most recently available consolidated balance sheet of the Parent and its Subsidiaries.

“**Consolidated Total Assets**” means, as at any applicable time of determination, the total assets of Parent and its Subsidiaries as set forth in the most recently available consolidated financial statements of the Parent and its Subsidiaries.

“**Consolidated Total Capitalization**” means at any date of determination with respect to the Parent and its Subsidiaries, determined on a consolidated basis in accordance with GAAP, the sum of (without duplication) (i) Consolidated Total Debt of the Parent and its Subsidiaries, plus (ii) the sum of the capital stock (excluding treasury stock and capital stock subscribed for and unissued) and surplus (including earning surplus, capital surplus, translation adjustment, the balance of the current profit and loss account not transferred to surplus and accumulated other comprehensive income) accounts of the Parent and its Subsidiaries, in each case as shown on the most recent consolidated balance sheet of the Parent and its Subsidiaries delivered pursuant to Section 5.01(a).

“**Consolidated Total Debt**” means at any date of determination with respect to the Parent and its Subsidiaries, determined on a consolidated basis in accordance with GAAP, the sum of (without duplication) all then outstanding Debt of the Parent and its Subsidiaries as shown on the most recent consolidated balance sheet of the Parent delivered pursuant to Section 5.01(a).

“**Continuing Directors**” means the directors of the Parent on the Closing Date and each subsequent director of the Parent, if, in each case, such subsequent director’s election or nomination for election to the board of directors (or equivalent governing body) of the Parent is approved or ratified by at least a majority of the then “Continuing Directors”.

“**Controlled Group**” means, with respect to any Person, all trades or businesses (whether or not incorporated) that, together with such Person, are treated as a single employer under Section 414 of the Code.

“**Convert**”, “**Conversion**”, “**Converted**”, “**Continue**” and “**Continued**” each refers to a conversion of Loans of one Type into Loans of another Type or the selection of a new, or the renewal or continuation of the same, Interest Period for SOFR Loans, as the case may be, pursuant to Section 2.18(b). “**Converting**”, “**Continuing**” and “**Continuation**” have meanings correlative thereto.

“**Covered Entity**” shall mean any of the following: (i) a “covered entity” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 252.82(b); (ii) a “covered bank” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 47.3(b); or (iii) a “covered FSI” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 382.2(b).

“**Current Termination Date**” has the meaning set forth in Section 2.06(b).

“**Debt**” means, for any Person, (without duplication), all (i) indebtedness for borrowed money, (ii) obligations evidenced by bonds, debentures, notes or other similar instruments, (iii) obligations to pay the deferred purchase price of property or service (other than trade payables not overdue by more than 90 days incurred in the ordinary course of business), (iv) the Attributable Debt of such Person with respect to

such Person's obligations in respect of Capitalized Leases (regardless of whether accounted for as indebtedness under GAAP), (v) indebtedness of the type referred to in clauses (i) through (iv) above secured by (or for which the holder of such indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien or encumbrance on, or security interest in, property (including accounts and contract rights) owned by such Person, even though such Person has not assumed or become liable for the payment of such indebtedness, and (vi) all obligations of such Person for indebtedness or obligations of others of the kinds referred to in clauses (i) through (v) above under direct or indirect Guarantees, excluding, in all cases, (a) advances for construction as set forth on the consolidated balance sheet of the Parent and its Subsidiaries, (b) reimbursement obligations (contingent or otherwise) in respect of outstanding letters of credit and (c) the Attributable Debt of such Person with respect to such Person's obligations in respect of Synthetic Leases (regardless of whether accounted for as indebtedness under GAAP).

"Debtor Relief Laws" means the Bankruptcy Code of the United States of America, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief laws of the United States or other applicable jurisdictions from time to time in effect.

"Default" means any condition or event that constitutes an Event of Default or that with the giving of notice or lapse of time or both would, unless cured or waived in writing, become an Event of Default.

"Default Right" shall have the meaning assigned to that term in, and shall be interpreted in accordance with, 12 C.F.R. §§ 252.81, 47.2 or 382.1, as applicable.

"Defaulting Lender" means, subject to Section 2.24(b), any Lender that (a) has failed to (i) fund all or any portion of its Loans within two (2) Business Days of the date such Loans were required to be funded hereunder unless such Lender notifies the Administrative Agent and the Borrower in writing that such failure is the result of such Lender's determination that one or more conditions precedent to funding (each of which conditions precedent, together with any applicable default, shall be specifically identified in such writing) has not been satisfied, or (ii) pay to the Administrative Agent, any LC Issuing Bank, any Swingline Bank or any other Lender any other amount required to be paid by it hereunder (including in respect of its participation in Letters of Credit or Swingline Loans) within two (2) Business Days of the date when due, (b) has notified the Borrower, the Administrative Agent or any LC Issuing Bank or Swingline Bank in writing that it does not intend to comply with its funding obligations hereunder, or has made a public statement to that effect (unless such writing or public statement relates to such Lender's obligation to fund a Loan hereunder and states that such position is based on such Lender's determination that a condition precedent to funding (which condition precedent, together with any applicable default, shall be specifically identified in such writing or public statement) cannot be satisfied), (c) has failed, within three (3) Business Days after written request by the Administrative Agent or the Borrower, to confirm in writing to the Administrative Agent and the Borrower that it will comply with its prospective funding obligations hereunder (provided that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c) upon receipt of such written confirmation by the Administrative Agent and the Borrower), or (d) has, or has a direct or indirect parent company that has, (i) become the subject of a proceeding under any Debtor Relief Law, (ii) had appointed for it a receiver, custodian, conservator, trustee, administrator, assignee for the benefit of creditors or similar Person charged with reorganization or liquidation of its business or assets, including the Federal Deposit Insurance Corporation or any other state or federal regulatory authority acting in such a capacity, (iii) indicated its consent to, approval of or acquiescence in any such proceeding or appointment, or (iv) become the subject of a Bail-In Action; provided that a Lender shall not be a Defaulting Lender solely by virtue of the ownership or acquisition of any equity interest in that Lender or any direct or indirect parent company thereof by a Governmental Authority so long as such ownership interest does not result in or provide such Lender with immunity from the jurisdiction of courts within the United States or from the enforcement of judgments or writs of

attachment on its assets or permit such Lender (or such Governmental Authority) to reject, repudiate, disavow or disaffirm any contracts or agreements made with such Lender. Any determination by the Administrative Agent that a Lender is a Defaulting Lender under any one or more of clauses (a) through (e) above shall be conclusive and binding absent manifest error, and such Lender shall be deemed to be a Defaulting Lender (subject to Section 2.24(b)) upon delivery of written notice of such determination to the Borrower, each LC Issuing Bank, each Swingline Bank and each Lender.

“**Designated Lender**” has the meaning set forth in Section 2.05(a).

“**Dollars**” or “**\$**” means dollars in lawful currency of the United States of America.

“**EEA Financial Institution**” means (a) any credit institution or investment firm established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition, or (c) any financial institution established in an EEA Member Country which is a subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent.

“**EEA Member Country**” means any of the member states of the European Union, Iceland, Liechtenstein, and Norway.

“**EEA Resolution Authority**” means any public administrative authority or any Person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any credit institution or investment firm established in any EEA Member Country.

“**Eligible Assignee**” means (i) a Lender; (ii) an Affiliate of a Lender; (iii) an Approved Fund; and (iv) any bank or financial institution approved by (w) the Administrative Agent, (x) except for any Swingline Bank which is a Lender being replaced pursuant to Section 2.23(b), each Swingline Bank, (y) except for any LC Issuing Bank which (1) is a Lender being replaced pursuant to Section 2.23(b) and (2) has no Letters of Credit issued by it on such date of replacement, each LC Issuing Bank and (z) unless an Event of Default described in Section 6.01(a), 6.01(g) or 6.01(h) has occurred and is continuing at the time any assignment is effected in accordance with Section 7.05, the Borrower (each such approval not to be unreasonably withheld or delayed and such approval to be deemed given by the Borrower if no objection is received by the assigning Lender and the Administrative Agent from the Borrower within ten (10) Business Days after notice of such proposed assignment has been received by the Borrower); provided that (A) the Borrower or any of the Borrower’s Subsidiaries or Affiliates, (B) any Defaulting Lender or any of its Subsidiaries, or any Person who, upon becoming a Lender hereunder, would constitute any of the foregoing Persons described in this clause (B) and (C) any natural Person (or a holding company, investment vehicle or trust for, or owned and operated for the primary benefit of, a natural Person) shall not qualify as an Eligible Assignee.

“**Environmental Liabilities**” means any liabilities, whether accrued, contingent or otherwise, arising from and in any way associated with the compliance or non-compliance with any Environmental Requirement.

“**Environmental Proceedings**” means any judicial or administrative proceedings arising from or in any way associated with any Environmental Requirement.

“**Environmental Requirement**” means, with respect to any Person, any legal requirement relating to health, safety or the environment and applicable to such Person, or the Properties of such Person, including but not limited to any such requirement under CERCLA, RCRA or similar state legislation and all federal, state and local laws, ordinances, regulations, orders, writs, decrees and common law.

“**ERISA**” means the Employee Retirement Income Security Act of 1974, as amended from time to time, or any successor law. Any reference to any provision of ERISA shall also be deemed to be a reference to any successor provision or provisions thereof.

“**Erroneous Payment**” has the meaning assigned thereto in Section 8.10(a).

“**Erroneous Payment Deficiency Assignment**” has the meaning assigned thereto in Section 8.10(d).

“**Erroneous Payment Impacted Class**” has the meaning assigned thereto in Section 8.10(d).

“**Erroneous Payment Return Deficiency**” has the meaning assigned thereto in Section 8.10(d).

“**EU Bail-In Legislation Schedule**” means the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor Person), as in effect from time to time.

“**Event of Default**” has the meaning set forth in Section 6.01.

“**Exchange Act**” means the Securities Exchange Act of 1934, as amended from time to time.

“**Excluded Taxes**” means any of the following Taxes imposed on or with respect to a Recipient or required to be withheld or deducted from a payment to a Recipient, (a) Taxes imposed on or measured by net income (however denominated), franchise Taxes, and branch profits Taxes, in each case, (i) imposed as a result of such Recipient being organized under the laws of, or having its principal office or, in the case of any Lender, its applicable lending office located in, the jurisdiction imposing such Tax (or any political subdivision thereof) or (ii) that are Other Connection Taxes, (b) in the case of a Lender, U.S. federal withholding Taxes imposed on amounts payable to or for the account of such Lender with respect to an applicable interest in a Loan or Commitment pursuant to a law in effect on the date on which (i) such Lender acquires such interest in the Loan or Commitment (other than pursuant to an assignment request by the Borrower under Section 2.23(b)) or (ii) such Lender changes its lending office, except in each case to the extent that, pursuant to Section 2.17, amounts with respect to such Taxes were payable either to such Lender’s assignor immediately before such Lender became a party hereto or to such Lender immediately before it changed its lending office, (c) Taxes attributable to such Recipient’s failure to comply with Section 2.17(g), and (d) any U.S. federal withholding Taxes imposed under FATCA.

“**Existing Credit Agreement**” has the meaning set forth in the recitals.

“**Existing Letters of Credit**” means the letters of credit set forth on Schedule 2.04(k).

“**Extension of Credit**” means (i) the making of a Loan or (ii) the issuance of a Letter of Credit or the amendment of any Letter of Credit having the effect of extending the stated termination date thereof or increasing the maximum amount to be drawn thereunder.

“**Extension Request**” has the meaning specified in Section 2.06(b).

“**Facility Fee**” has the meaning set forth in Section 2.09(a).

“**FATCA**” means Sections 1471 through 1474 of the Code, as of the Closing Date (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future regulations or official interpretations thereof, any agreements entered into pursuant to Section 1471(b)(1) of the Code, and any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code.

“**Federal Funds Rate**” means, for any day, the rate per annum equal to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day, provided that if such rate is not so published for any day which is a Business Day, the Federal Funds Rate for such day shall be the average of the quotation for such day on such transactions received by the Administrative Agent from three federal funds brokers of recognized standing selected by the Administrative Agent. Notwithstanding the foregoing, if the Federal Funds Rate shall be less than zero, such rate shall be deemed to be zero for purposes of this Agreement.

“**Fee Letter**” means each of those certain fee letters, dated October 3, 2022, among the Borrower and each of the Joint Lead Arrangers and the other parties thereto.

“**Financial Officer**” of any Person means the chief financial officer, principal accounting officer, treasurer, assistant treasurer, controller or assistant controller of such Person.

“**Financial Services Agreement**” means any Financial Services Agreement between the Borrower and one or more of the Parent and the Operating Utilities, each in substantially the form of Exhibit E; provided that for purposes of Section 3.01(c)(i), the term “Financial Services Agreement” means the Financial Services Agreement dated as of June 15, 2000, between the Borrower and the Parent.

“**Fiscal Quarter**” means any fiscal quarter of the Borrower or the Parent, as applicable.

“**Fiscal Year**” means any fiscal year of the Borrower or the Parent, as applicable.

“**Floor**” means a rate of interest equal to 0%.

“**Foreign Lender**” means a Lender that is not a U.S. Person.

“**FRB**” means the Board of Governors of the Federal Reserve System of the United States.

“**Fronting Exposure**” means, at any time there is a Defaulting Lender, (a) with respect to any LC Issuing Bank, such Defaulting Lender’s Pro Rata Percentage of the LC Outstandings with respect to Letters of Credit issued by such LC Issuing Bank other than LC Outstandings as to which such Defaulting Lender’s participation obligation has been reallocated to Non-Defaulting Lenders or Cash Collateralized in accordance with the terms hereof, and (b) with respect to any Swingline Bank, such Defaulting Lender’s Pro Rata Percentage of outstanding Swingline Loans made by such Swingline Bank other than Swingline Loans as to which such Defaulting Lender’s participation obligation has been reallocated to Non-Defaulting Lenders or Cash Collateralized in accordance with the terms hereof.

“**Fund**” means any Person (other than a natural Person) that is engaged in making, purchasing, holding or otherwise investing in commercial loans, bonds and similar extensions of credit in the ordinary course of its business.

“**GAAP**” means generally accepted accounting principles in the United States of America in effect from time to time.

“**Governmental Authority**” means the government of the United States of America or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank).

“**Guarantee**” means, with respect to any Person, any obligation, contingent or otherwise, of such Person directly or indirectly guaranteeing any Debt or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (i) to secure, purchase or pay (or advance or supply funds) for the purchase or payment of such Debt or other obligation (whether arising by virtue of partnership arrangements, by agreement to keep well, to purchase assets, goods, securities or services, to provide collateral security or to maintain financial statement conditions or otherwise) or (ii) entered into for the purpose of assuring in any other manner the obligee of such Debt or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); provided that the term “Guarantee” shall not include endorsements for collection or deposit in the ordinary course of business. The amount of any Guarantee shall be deemed to be the lower of (x) an amount equal to the stated or determinable amount of the obligation in respect of which such Guarantee is made and (y) the maximum amount for which such Person may be liable pursuant to the terms of the instrument embodying such Guarantee, unless such obligation and the maximum amount for which such Person may be liable are not stated or determinable, in which case the amount of such Guarantee shall be such Person’s maximum reasonably anticipated liability in respect thereof as determined by the Borrower in good faith. The term “Guarantee” used as a verb has a corresponding meaning.

“**Hazardous Materials**” means (i) solid or hazardous waste, as defined in the RCRA, or in any applicable state or local law or regulation, (ii) “hazardous substance”, “pollutant” or “contaminant” as defined in CERCLA, or in any applicable state or local law or regulation, (iii) gasoline, or any other petroleum product or by-product, including crude oil or any fraction thereof, (iv) “toxic substances”, as defined in the Toxic Substances Control Act of 1976, or in any applicable state or local law or regulation and (v) “insecticides”, “fungicides” or “rodenticides”, as defined in the Federal Insecticide, Fungicide, and Rodenticide Act of 1975 or in any applicable state or local law or regulation.

“**Indemnified Taxes**” means (a) Taxes, other than Excluded Taxes, imposed on or with respect to any payment made by or on account of any obligation of the Borrower under any Loan Document and (b) to the extent not otherwise described in clause (a), Other Taxes.

“**Indemnitee**” has the meaning set forth in Section 7.03(b).

“**Interest Period**” means, for each SOFR Loan, the period commencing on the date such SOFR Loan is disbursed or converted to or continued as a SOFR Loan and ending on the last day of the period selected by the Borrower pursuant to the provisions below and, thereafter, each subsequent period commencing on the last day of the immediately preceding Interest Period and ending on the last day of the period selected by the Borrower pursuant to the provisions below. In the case of a SOFR Loan, the duration of each such Interest Period shall be one, three, or six months, in each case as the Borrower may select by notice to the Administrative Agent pursuant to Section 2.02(a) or 2.18(b); provided, that:

- (1) the Borrower may not select any Interest Period that ends after the stated Termination Date;

(2) whenever the last day of any Interest Period would otherwise occur on a day other than a Business Day, the last day of such Interest Period shall be extended to occur on the next succeeding Business Day; provided, in the case of any Interest Period for a SOFR Loan, that if such extension would cause the last day of such Interest Period to occur in the next following calendar month, the last day of such Interest Period shall occur on the next preceding Business Day;

(3) any Interest Period for a SOFR Loan that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the appropriate subsequent calendar month) shall end on the last Business Day of the appropriate subsequent calendar month at the end of such Interest Period;

(4) the Interest Period shall commence on the date of Loan of or Conversion to any SOFR Loan and, in the case of immediately successive Interest Periods, each successive Interest Period shall commence on the date on which the immediately preceding Interest Period expires; and

(5) there shall be no more than twelve (12) Interest Periods in effect at any time.

“*Investment Company Act*” has the meaning set forth in Section 4.08.

“*IRS*” means the United States Internal Revenue Service.

“*Joint Lead Arranger*” means each of Wells Fargo Securities, LLC, JPMorgan Chase Bank, N.A., Mizuho Bank, Ltd., PNC Capital Markets LLC, U.S. Bank National Association, BofA Securities, Inc., and Royal Bank of Canada, and their respective successors, in their capacity as joint lead arrangers and joint bookrunners.

“*LC Commitment*” means in the case of (a) an LC Issuing Bank described in clause (a) of the definition of such term, the amount set forth on Schedule 2.04 opposite such LC Issuing Bank’s name and (b) any other LC Issuing Bank, the amount set forth in the agreement executed by the Borrower, such relevant LC Issuing Bank and acknowledged (to evidence its consent as to the identity of such LC Issuing Bank) by the Administrative Agent, in each case, subject to adjustment on account of a reduction in the LC Commitments pursuant to Section 2.10. The aggregate LC Commitments of all the LC Issuing Banks on the Closing Date shall be \$150,000,000. The LC Commitment of each LC Issuing Bank shall be a part of and not in addition to such LC Issuing Bank’s Commitment as a Lender.

“*LC Disbursement*” has the meaning set forth in Section 2.04(e).

“*LC Fee*” has the meaning set forth in Section 2.09(b).

“*LC Issuing Bank*” means, as to any Letter of Credit, (a) each Lender listed on Schedule 2.04 and (b) any other Lender appointed by the Borrower and approved by the Administrative Agent (such approval not to be unreasonably withheld or delayed) that agrees pursuant to Section 2.04 to act as an LC Issuing Bank hereunder.

“*LC Notice Date*” has the meaning set forth in Section 2.04(f).

“*LC Outstandings*” means, on any date of determination, (i) the undrawn stated amounts of all Letters of Credit that are outstanding on such date, plus (ii) the aggregate principal amount of all unpaid Reimbursement Obligations on such date with respect to payments made by any LC Issuing Bank under any Letter of Credit.

“**LC Payment Notice**” has the meaning set forth in Section 2.04(f).

“**LC Reimbursement Due Date**” has the meaning set forth in Section 2.04(e).

“**Lenders**” means each of the Lenders identified on the signature pages hereto, and their successors and permitted assigns.

“**Lending Office**” means, with respect to any Lender, the office of such Lender maintaining such Lender’s Extensions of Credit.

“**Letter of Credit**” means any letter of credit issued by an LC Issuing Bank pursuant to Section 2.04.

“**Lien**” means, with respect to any asset, any mortgage, leasehold mortgage, lien, pledge, charge, security interest, hypothecation or encumbrance of any kind in respect of such asset. For the purposes of this Agreement, a Person shall be deemed to own subject to a Lien any asset which it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, Capitalized Lease or other title retention agreement relating to such asset.

“**Loan**” means a Base Rate Loan, a SOFR Loan, or a Swingline Loan, and “**Loans**” means Base Rate Loans, SOFR Loans, or Swingline Loans, or any or all of them, as the context shall require.

“**Loan Documents**” means this Agreement, the Support Agreement, each Fee Letter, the Notes and any other document evidencing, relating to or securing the Loans, and any other document or instrument delivered from time to time in connection with this Agreement, the Notes or the Loans.

“**Margin Regulations**” means Regulations T, U and X of the FRB, as in effect from time to time, together with all official rulings and interpretations issued thereunder.

“**Margin Stock**” has the meaning assigned to that term in the Margin Regulations.

“**Material Adverse Change**” means any (i) material adverse change with respect to the Properties, business, condition (financial or otherwise) or operations of the Borrower or of the Parent and its Subsidiaries, taken as a whole, or (ii) material adverse effect on the legality, validity or enforceability of the Loan Documents or on the ability of the Borrower or the Parent to perform its obligations thereunder.

“**Moody’s**” means Moody’s Investors Service, Inc.

“**Moody’s Rating**” means, with respect to any Person, on any date of determination, the debt rating most recently announced by Moody’s with respect to the senior unsecured, non-credit enhanced debt issued by such Person.

“**Multiemployer Plan**” means a plan as described in Section 4001(a)(3) of ERISA to which the Borrower, the Parent, any Significant Subsidiary of the Parent or any other member of the Controlled Group of the foregoing contributes or has an obligation to contribute.

“**Non-Consenting Lender**” has the meaning set forth in Section 7.04(b).

“**Non-Defaulting Lender**” means, at any time, each Lender that is not a Defaulting Lender at such time.

“**Non-Extending Lender**” has the meaning set forth in Section 2.06(b).

“**Note**” or “**Notes**” means each of the promissory notes of the Borrower, evidencing the obligation of the Borrower to repay the Loans to the Lenders substantially in the form of Exhibit D.

“**Notice of Borrowing**” has the meaning set forth in Section 2.02(a).

“**Notice of Swingline Borrowing**” has the meaning set forth in Section 2.03(a).

“**Obligations**” means, in each case, whether now in existence or hereafter arising: (a) the principal of and interest on (including interest accruing after the filing of any bankruptcy or similar petition) the Loans, (b) the LC Outstandings and any interest thereon and (c) all other fees (including reasonable and documented attorneys’ fees), charges, indebtedness, loans, liabilities, financial accommodations, obligations, covenants and duties owing by the Borrower to the Lenders, the LC Issuing Banks or the Administrative Agent, in each case under any Loan Document, with respect to any Loan or Letter of Credit of every kind, nature and description, direct or indirect, absolute or contingent, due or to become due, contractual or tortious, liquidated or unliquidated, and whether or not evidenced by any note and including interest and fees that accrue after the commencement by or against the Borrower or the Parent of any proceeding under any federal bankruptcy laws (as now or hereafter in effect) or under any other laws, domestic or foreign, relating to bankruptcy, insolvency, reorganization, winding up or adjustment of debts, naming such Person as the debtor in such proceeding, regardless of whether such interest and fees are allowed claims in such proceeding.

“**OFAC**” means the U.S. Department of the Treasury’s Office of Foreign Assets Control.

“**Operating Lease**” means, as to any Person as determined in accordance with GAAP, any lease of Property (whether real, personal or mixed) by such Person as lessee which is not a Capitalized Lease.

“**Operating Utilities**” means, as of any date of determination, those Subsidiaries of the Parent that are operating water and/or wastewater utilities and that are party to a Financial Services Agreement with the Borrower and the Parent.

“**Other Connection Taxes**” means, with respect to any Recipient, Taxes imposed as a result of a present or former connection between such Recipient and the jurisdiction imposing such Tax (other than connections arising from such Recipient having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced any Loan Document, or sold or assigned an interest in any Loan or Loan Document).

“**Other Taxes**” means all present or future stamp, court or documentary, intangible, recording, filing or similar Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, any Loan Document, except any such Taxes that are Other Connection Taxes imposed with respect to an assignment (other than an assignment made pursuant to Section 2.23).

“**Outstanding Credits**” means, on any date of determination, an amount equal to the sum of (i) the aggregate principal amount of all Loans outstanding on such date plus (ii) the LC Outstandings on such date. The “Outstanding Credits” of any Lender means, on any date of determination, an amount equal to such Lender’s Pro Rata Share of the aggregate Outstanding Credits on such date.

“**Parent**” means American Water Works Company, Inc., a Delaware corporation.

“Parent Change of Control” means the occurrence of either of the following: (i) any entity, person (within the meaning of Section 14(d) of the Exchange Act) or group (within the meaning of Section 13(d) of the Exchange Act), that theretofore was beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act) of less than 45% of the Parent’s then outstanding Common Stock acquires direct or indirect beneficial ownership of shares of Common Stock of the Parent, in a transaction or series of transactions, that results in such entity, person or group directly or indirectly owning beneficially 45% or more of the Parent’s then outstanding Common Stock; or (ii) a majority of the board of directors (or equivalent governing body) of the Parent shall not be Continuing Directors.

“Participant” has the meaning set forth in Section 7.05(e).

“Participant Register” has the meaning set forth in Section 7.05(e).

“Participation Interest” means a purchase by a Lender of a participation in Loans as provided in Section 2.22.

“Payment Date” means each March 31, June 30, September 30 and December 31 and the Termination Date.

“Payment Recipient” has the meaning assigned thereto in Section 8.10(a).

“PBGC” means the Pension Benefit Guaranty Corporation pursuant to Subtitle A or Title IV of ERISA or any entity succeeding to any or all of its functions under ERISA.

“Permitted Liens” means:

(i) Liens existing, or created pursuant to the terms of agreements existing, on the Closing Date;

(ii) Liens consisting of (A) pledges or deposits in the ordinary course of business to secure obligations under workmen’s compensation laws or similar legislation, (B) deposits in the ordinary course of business to secure or in lieu of surety, appeal or customs bonds to which the Borrower, the Parent or a Significant Subsidiary of the Parent is a party, (C) Liens created by or resulting from any litigation or legal proceeding which is currently being contested in good faith by appropriate proceedings diligently conducted, (D) pledges or deposits in the ordinary course of business to secure performance in connection with bids, tenders or contracts (other than contracts for the payment of money) or (E) materialmen’s, mechanics’, carriers’, workmen’s, repairmen’s or other like Liens incurred in the ordinary course of business for sums not yet due or currently being contested in good faith by appropriate proceedings diligently conducted;

(iii) Liens created to secure tax-exempt Debt or any other tax-exempt indebtedness, in connection with the financing or refinancing of the purchase, lease or construction of Properties or other assets;

(iv) Liens on Properties or assets (A) of any Person existing at the time such Person is merged or consolidated with or into, or such asset is acquired by, the Borrower, the Parent or a Subsidiary of the Parent and (B) of the Borrower, the Parent or a Subsidiary of the Parent existing at the time such tangible property or tangible assets are purchased or otherwise acquired by the Borrower, the Parent or such Subsidiary; provided that, with respect to each of the foregoing clauses (A) and (B), (1) such Liens are not incurred in connection with, or in anticipation of, such event, purchase or other acquisition, and (2) such Liens do not attach to any other Property or asset of the

Borrower, the Parent or any such Subsidiary; and provided further that, with respect to the foregoing clause (B), (1) such Liens are applicable only to specific Property or assets, and (2) such Liens are not “blanket” or all asset Liens;

- (v) Liens created to secure sales of accounts receivable and other receivables;
- (vi) licenses of intellectual property granted by the Borrower, the Parent or a Subsidiary of the Parent in the ordinary course of business and not interfering in any material respect with the ordinary conduct of business;
- (vii) Liens of landlords arising under real property leases to the extent such Liens arise in the ordinary course of business and do not secure any past due obligation for the payment of money;
- (viii) any interest or title of a lessor or sublessor under any lease permitted by this Agreement;
- (ix) Liens, securing Debt which has neither been assumed by the Borrower, the Parent or a Subsidiary of the Parent nor upon which it customarily pays interest charges, existing upon real property, or rights in or relating thereto, which real property or rights were acquired for right-of-way purposes;
 - (x) zoning laws and ordinances;
 - (xi) Capitalized Leases;
 - (xii) easements, rights-of-way, restrictions, conditions and other similar encumbrances, minor defects or irregularities of title, and alleys, streets and highways, which in the aggregate do not materially impair the usefulness of the mortgaged property in the present business of the Borrower, the Parent or any Subsidiary of the Parent;
 - (xiii) leases of the Properties and other assets of the Borrower, the Parent or a Subsidiary of the Parent, in each case entered into in the ordinary course of business and that do not, individually or in the aggregate, (A) interfere in any material respect with the ordinary course of business or (B) materially impair the value of the property subject thereto;
 - (xiv) Liens arising out of conditional sale, title retention, consignment or similar arrangements for the sale of goods entered into by the Borrower, the Parent or a Subsidiary of the Parent in the ordinary course of business in accordance with the past practices of the Borrower, the Parent or such Subsidiary of the Parent;
 - (xv) bankers’ Liens, rights of setoff and other similar Liens existing solely with respect to cash and cash equivalents on deposit in one or more accounts maintained by the Borrower, the Parent or any Subsidiary of the Parent, in each case granted in the ordinary course of business in favor of the financial institution or institutions with which such accounts are maintained, securing amounts owing to such financial institution(s) with respect to cash management and operating account arrangements, including those involving pooled accounts and netting arrangements; provided that, unless such Liens are non-consensual and arise by operation of law, in no case shall any such Liens secure (either directly or indirectly) the repayment of any Debt;

(xvi) Liens for taxes, assessments or governmental charges or levies not yet delinquent and which may subsequently be paid without interest or penalties and Liens for taxes, assessments or governmental charges or levies which are being contested in good faith by appropriate proceedings for which reserves have been established to the extent required by GAAP;

(xvii) purchase money Liens upon or in any fixed or capital assets, or other property created, acquired or constructed for use in connection therewith or related thereto, to secure the purchase price or the cost of construction or improvement of such fixed or capital assets or such other property or to secure Debt incurred solely for the purpose of financing the acquisition, construction or improvement of such fixed or capital assets or such other property (including Liens securing any Capitalized Leases) or Liens on any such assets or property existing at the time of acquisition thereof; provided, that (i) such Lien attaches to such asset or property prior to, concurrently or within 180 days (or within one year thereafter pursuant to a binding commitment for financing entered into with a lender or investor within such 180-day period) after the acquisition, improvement or completion of the construction thereof; (ii) such Lien does not extend to any other asset theretofore owned by the Borrower, the Parent or any Subsidiary of the Parent except (w) unimproved real property on which the property so constructed or the improvement is located, (x) other property (or improvement thereon) which is an improvement to or is acquired or constructed for use in connection therewith or related thereto, (y) any right and interest under any agreement or other document relating to the property being so constructed or improved or such other property and (z) the stock of any Subsidiary of the Parent created or maintained for the primary purpose of owning the property so constructed or improved; and (iii) the Debt secured thereby does not exceed the cost of acquiring, constructing or improving such fixed or capital assets or such other property;

(xviii) Liens not permitted by the foregoing subsections (i) through (xvii) securing Debt or other obligations in the aggregate principal amount not to exceed 15% of Consolidated Tangible Total Assets;

(xix) Liens created for the sole purpose of refinancing, extending, renewing or replacing in whole or in part Debt or other obligations secured by any Lien, mortgage or security interest referred to in the foregoing subsections (i) through (xviii); provided that the principal amount of Debt or obligations secured thereby shall not exceed the principal amount of Debt or obligations so secured at the time of such refinancing, extension, renewal or replacement and the Lien securing such refinancing, extension, renewal or replacement, as the case may be, shall be limited to all or a part of the Property or assets that secured the Debt or other obligations so extended, renewed or replaced (and any improvements on such Property or assets); and

(xx) (i) Liens created pursuant to the Loan Documents (other than the Support Agreement) and (ii) Liens granted in favor of the Administrative Agent, the Swingline Banks and/or the LC Issuing Banks to Cash Collateralize any LC Issuing Bank's or Swingline Bank's Fronting Exposure.

“Person” means an individual, a corporation, a partnership (including a joint venture), an unincorporated association, a limited liability company, a trust or any other entity or organization, including, but not limited to, a government or political subdivision or an agency or instrumentality thereof.

“Plan” means at any time an employee pension benefit plan (other than a Multiemployer Plan) that is subject to the provisions of Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code and is maintained by a member of the Controlled Group for employees of a member of the Controlled Group.

“**Platform**” has the meaning set forth in Section 5.01.

“**Prime Rate**” means, at any time, the rate of interest per annum publicly announced from time to time by the Administrative Agent as its prime rate. Each change in the Prime Rate shall be effective as of the opening of business on the day specified in the public announcement of such change. The parties hereto acknowledge that the rate announced publicly by the Administrative Agent as its prime rate is an index or base rate and shall not necessarily be its lowest or best rate charged to its customers or other banks.

“**Pro Rata Percentage**” or “**Pro Rata Share**” means for each Lender, a fraction (expressed as a decimal) the numerator of which is the Commitment of such Lender at such time and the denominator of which is the aggregate Commitment of the Lenders at such time. The initial Pro Rata Percentages are set out on Schedule I. Notwithstanding the foregoing, if the Termination Date has occurred, the “Pro Rata Percentage” or “Pro Rata Share” shall be determined based upon the Commitments most recently in effect, giving effect to any assignments.

“**Properties**” means, with respect to, any Person, all real property owned, leased or otherwise used or occupied by such Person wherever located.

“**Proposed Change**” has the meaning set forth in Section 7.04(b).

“**PTE**” means a statutory prohibited transaction exemption, or a prohibited transaction class exemption issued by the U.S. Department of Labor, as any such exemption may be amended from time to time.

“**Public Lender**” has the meaning set forth in Section 5.01.

“**OFC**” has the meaning assigned to the term “qualified financial contract” in, and shall be interpreted in accordance with, 12 U.S.C. 5390(c)(8)(D).

“**QFC Credit Support**” shall have the meaning assigned to such term in Section 7.18.

“**RCRA**” means the Resource Conservation and Recovery Act, 42 U.S.C. §6901, et seq., as amended from time to time, and any regulations promulgated thereunder.

“**Recipient**” means (a) the Administrative Agent, (b) any Lender, (c) any Swingline Bank and (d) any LC Issuing Bank, as applicable.

“**Register**” has the meaning set forth in Section 7.05(c).

“**Reimbursement Obligation**” means the obligation of the Borrower to reimburse an LC Issuing Bank pursuant to Section 2.04(d) for amounts drawn under Letters of Credit issued by such LC Issuing Bank.

“**Related Parties**” means, with respect to any Person, such Person’s Affiliates and the directors, officers, employees, agents, and advisors of such Person and of such Person’s Affiliates.

“**Relevant Governmental Body**” means the FRB or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the FRB or the Federal Reserve Bank of New York, or any successor thereto.

“**Request for Issuance**” means a request made pursuant to Section 2.04 in the form of Exhibit B.

“**Required Lenders**” means, at any time, Lenders holding in the aggregate more than 50% of the Outstanding Credits and unutilized Commitments at such time; provided that the Outstanding Credits of any Defaulting Lender shall be disregarded in determining Required Lenders at any time, provided, further that the amount of any participation in any Swingline Loan or Letter of Credit that such Defaulting Lender has failed to fund that has not been reallocated to and funded by another Lender, to the extent such Lender shall have been required to fund its participation in the outstanding Swingline Loan or Letter of Credit and failed to do so, shall be deemed to be held by the Lender that is the applicable Swingline Bank or LC Issuing Bank, as the case may be, in making such determination.

“**Resignation Effective Date**” has the meaning set forth in Section 8.08(a).

“**Resolution Authority**” means an EEA Resolution Authority or, with respect to any UK Financial Institution, a UK Resolution Authority.

“**Responsible Officer**” means the chief executive officer, chief operating officer, president or any other Financial Officer of the Parent or the Borrower, and any other officer of the Parent or the Borrower with responsibility for the administration of the obligations of the Parent or the Borrower under this Agreement.

“**S&P**” means S&P Global Ratings, a subsidiary of S&P Global, Inc., or any successor thereto.

“**S&P Rating**” means, with respect to any Person, on any date of determination, the debt rating most recently announced by S&P with respect to the senior unsecured, non-credit enhanced debt issued by such Person.

“**Sale and Leaseback Transaction**” means, with respect to the Borrower, the Parent or any Subsidiary of the Parent, any arrangement (including any series of related arrangements), whereby it shall sell or transfer any Property (real or personal) to any other Person (other than the Borrower, the Parent or any Subsidiary of the Parent), and thereafter rent or lease such Property or portion thereof that it intends to use for substantially the same purpose or purposes as the Property sold or transferred.

“**Sanctioned Country**” means at any time, a country, region or territory which is itself the subject or target of any Sanctions.

“**Sanctioned Person**” means, at any time, (a) any Person listed in any Sanctions-related list of designated Persons maintained by OFAC (including OFAC’s Specially Designated Nationals and Blocked Persons List and OFAC’s Consolidated Non-SDN List), the U.S. Department of State, the United Nations Security Council, the European Union, any European member state, His Majesty’s Treasury, or other relevant sanctions authority, (b) any Person operating, organized or resident in a Sanctioned Country, (c) any Person owned or controlled by, or acting for, any such Person or Persons described in clauses (a) and (b), including a Person that is deemed by OFAC to be a Sanctions target based on the ownership of such legal entity by Sanctioned Person(s) or (d) any Person otherwise a target of Sanctions, including vessels and aircraft, that are designated under any such Sanctions program.

“**Sanctions**” means any economic or financial sanctions, sectoral sanctions, secondary sanctions, trade embargoes and restrictions and anti-terrorism laws, including but not limited to those imposed, administered or enforced from time to time by the U.S. government (including those administered by OFAC or the U.S. Department of State), the United Nations Security Council, the European Union, any European member state, His Majesty’s Treasury, or other relevant sanctions authority in any jurisdiction in which (a) the Borrower or any of its Subsidiaries or Affiliates is located or conducts business, (b) in which any of the proceeds of the Extensions of Credit will be used, or (c) from which repayment of the Extensions of Credit will be derived.

“**SEC**” means the Securities and Exchange Commission, or any Governmental Authority succeeding to any of its principal functions.

“**Significant Subsidiary**” means the Borrower and with respect to any other Person, a Subsidiary of such Person that is a “significant subsidiary” (within the meaning of Regulation S-X of the SEC). Each Significant Subsidiary of the Parent is set forth on Schedule II (as such Schedule may be updated pursuant to and in accordance with Section 5.01(c)(v)).

“**SOFR**” means a rate equal to the secured overnight financing rate as administered by the SOFR Administrator.

“**SOFR Administrator**” means the Federal Reserve Bank of New York (or a successor administrator of the secured overnight financing rate).

“**SOFR Loan**” means a loan that bears interest based upon Adjusted Term SOFR as provided in Section 2.08(a)(ii).

“**Subsidiary**” means, with respect to any Person, any corporation or unincorporated entity of which more than 50% of the outstanding capital stock (or comparable interest) having ordinary voting power (irrespective of whether at the time capital stock (or comparable interest) of any other class or classes of such corporation or entity shall or might have voting power upon the occurrence of any contingency) is at any time directly or indirectly owned by said Person (whether directly or through one or more of the other Subsidiaries). In the case of an unincorporated entity, a Person shall be deemed to have more than 50% of interests having ordinary voting power only if such Person’s vote in respect of such interests comprises more than 50% of the total voting power of all such interests in the unincorporated entity.

“**Support Agreement**” means that certain Support Agreement, dated June 22, 2000, between the Parent and the Borrower, as amended by that certain First Amendment to Support Agreement dated as of July 26, 2000.

“**Swingline Bank**” means as to any Swingline Loan, (a) each Lender listed on Schedule 2.03 and (b) any other Lender appointed by the Borrower and approved by the Administrative Agent (such approval not to be unreasonably withheld or delayed) that agrees pursuant to Section 2.03 to act as a Swingline Bank hereunder.

“**Swingline Borrowing**” means a borrowing hereunder consisting of Swingline Loans made to the Borrower.

“**Swingline Commitment**” means the commitment of each Swingline Bank to make Swingline Loans, in the case of (a) a Swingline Bank described in clause (a) of the definition of such term, in the amount of the unutilized Commitment of each such Swingline Bank as a Lender, and (b) any other Swingline Bank, in the amount set forth in the agreement executed by the Borrower, such relevant Swingline Bank and acknowledged (to evidence its consent as to the identity of such Swingline Bank) by the Administrative Agent, in each case, subject to adjustment on account of a reduction in the Swingline Commitments pursuant to Section 2.10. The Swingline Commitment of each Swingline Bank shall be a part of and not in addition to such Swingline Bank’s Commitment as a Lender.

“**Swingline Loan**” means a loan that bears interest as provided in Section 2.08(a)(iii).

“**Synthetic Lease**” means any synthetic lease, tax retention operating lease, off-balance sheet loan or similar off-balance sheet financing product where such transaction is considered borrowed money indebtedness for tax purposes but is classified as an Operating Lease in accordance with GAAP.

“**Taxes**” means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

“**Termination Date**” means the earliest to occur of (a) with respect to any Lender, October 26, 2027, unless, with respect to such Lender, such date is otherwise extended pursuant to Section 2.06, (b) the date of termination of the aggregate Commitments by the Borrower pursuant to Section 2.10, or (c) the date of termination of the aggregate Commitments pursuant to Section 6.01.

“**Term SOFR**” means,

(a) for any calculation with respect to a SOFR Loan, the Term SOFR Reference Rate for a tenor comparable to the applicable Interest Period on the day (such day, the “**Periodic Term SOFR Determination Day**”) that is two (2) U.S. Government Securities Business Days prior to the first day of such Interest Period, as such rate is published by the Term SOFR Administrator; provided, however, that if as of 5:00 p.m. on any Periodic Term SOFR Determination Day the Term SOFR Reference Rate for the applicable tenor has not been published by the Term SOFR Administrator and a Benchmark Replacement Date with respect to the Term SOFR Reference Rate has not occurred, then Term SOFR will be the Term SOFR Reference Rate for such tenor as published by the Term SOFR Administrator on the first preceding U.S. Government Securities Business Day for which such Term SOFR Reference Rate for such tenor was published by the Term SOFR Administrator so long as such first preceding U.S. Government Securities Business Day is not more than three (3) U.S. Government Securities Business Days prior to such Periodic Term SOFR Determination Day, and

(b) for any calculation with respect to a Base Rate Loan or a Swingline Loan on any day, the Term SOFR Reference Rate for a tenor of one month on the day (such day, the “**Base Rate Term SOFR Determination Day**”) that is two (2) U.S. Government Securities Business Days prior to such day, as such rate is published by the Term SOFR Administrator; provided, however, that if as of 5:00 p.m. on any Base Rate Term SOFR Determination Day the Term SOFR Reference Rate for the applicable tenor has not been published by the Term SOFR Administrator and a Benchmark Replacement Date with respect to the Term SOFR Reference Rate has not occurred, then Term SOFR will be the Term SOFR Reference Rate for such tenor as published by the Term SOFR Administrator on the first preceding U.S. Government Securities Business Day for which such Term SOFR Reference Rate for such tenor was published by the Term SOFR Administrator so long as such first preceding U.S. Government Securities Business Day is not more than three (3) U.S. Government Securities Business Days prior to such Base Rate Term SOFR Determination Day.

“**Term SOFR Adjustment**” means a percentage equal to 0.10% per annum.

“**Term SOFR Administrator**” means CME Group Benchmark Administration Limited (CBA) (or a successor administrator of the Term SOFR Reference Rate selected by the Administrative Agent in its reasonable discretion).

“**Term SOFR Reference Rate**” means the forward-looking term rate based on SOFR.

“**Type**” with respect to a Loan (other than a Swingline Loan), means any of the following, each of which shall be deemed to be a different “**Type**” of Loan: a Base Rate Loan and each SOFR Loan having the same Interest Period.

“**UK Financial Institution**” means any BRRD Undertaking (as such term is defined under the PRA Rulebook (as amended from time to time) promulgated by the United Kingdom Prudential Regulation Authority) or any person falling within IFPRU 11.6 of the FCA Handbook (as amended from time to time) promulgated by the United Kingdom Financial Conduct Authority, which includes certain credit institutions and investment firms, and certain affiliates of such credit institutions or investment firms.

“**UK Resolution Authority**” means the Bank of England or any other public administrative authority having responsibility for the resolution of any UK Financial Institution.

“**Unadjusted Benchmark Replacement**” means the applicable Benchmark Replacement excluding the related Benchmark Replacement Adjustment.

“**U.S. Government Securities Business Day**” means any day except for (a) a Saturday, (b) a Sunday or (c) a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in United States government securities; provided, that for purposes of notice requirements in Sections 2.02, 2.12, and 2.19, in each case, such day is also a Business Day.

“**U.S. Person**” means any Person that is a “United States person” as defined in Section 7701(a)(30) of the Code.

“**U.S. Tax Compliance Certificate**” has the meaning assigned to such term in Section 2.17(g).

“**Wells Fargo**” means Wells Fargo Bank, National Association, a national banking association, and its successors.

“**Withdrawal Liability**” means a liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as described in Part I of Subtitle E of Title IV of ERISA.

“**Withholding Agent**” means the Borrower and the Administrative Agent.

“**Write-Down and Conversion Powers**” means (a) with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule and (b) with respect to the United Kingdom, any powers of the applicable Resolution Authority under the Bail-In Legislation to cancel, reduce, modify or change the form of a liability of any UK Financial Institution or any contract or instrument under which that liability arises, to convert all or part of that liability into shares, securities or obligations of that person or any other person, to provide that any such contract or instrument is to have effect as if a right had been exercised under it or to suspend any obligation in respect of that liability or any of the powers under that Bail-In Legislation that are related to or ancillary to any of those powers.

Section 1.02 Accounting Terms and Determinations. Unless otherwise specified herein, all terms of an accounting character used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared in accordance with GAAP; provided that, if the Borrower notifies the Administrative Agent that the Borrower requests an amendment to any provision (including any definition) hereof to eliminate the effect

of any change occurring after the date hereof in GAAP or in the application thereof on the operation of such provision occasioned by the promulgation of rules, regulations, pronouncements and opinions by or required by the Financial Accounting Standards Board or the American Institute of Certified Public Accounts (or successors thereto or agencies with similar functions), and such change affects the calculation of any component of any financial covenant, standard or term found in this Agreement (or if the Administrative Agent notifies the Borrower that the Required Lenders request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith, and the Borrower and the Lenders agree to enter into negotiations in order to amend such provisions (with the agreement of the Required Lenders or, if required by Section 7.04, all of the Lenders) so as to equitably reflect such changes with the desired result that the criteria for evaluating any of the Parent and its Subsidiaries' financial condition shall be the same after such changes as if such changes had not been made; provided, further that (a) all obligations of any Person that are or would have been treated as operating leases for purposes of GAAP prior to the effectiveness of FASB ASC 842 shall continue to be accounted for as operating leases for purposes of all financial definitions and calculations for purpose of this Agreement (whether or not such operating lease obligations were in effect on such date) notwithstanding the fact that such obligations are required in accordance with FASB ASC 842 (on a prospective or retroactive basis or otherwise) to be treated as a Capitalized Lease in the financial statements and (b) all financial statements delivered to the Administrative Agent hereunder shall contain a schedule showing the modifications necessary to reconcile the adjustments made pursuant to clause (a) above with such financial statements. Notwithstanding the foregoing, the determination of compliance with any covenant contained herein (including the computation of any amounts and ratios) shall be made without giving effect to any election under FASB ASC Topic 825 and FASB ASC 470-20 (or any other Financial Accounting Standard having a similar result or effect) to value any Debt or other liabilities of the Borrower, the Parent or any of its Subsidiaries at "fair value", as defined therein, and Debt shall be measured at the outstanding principal amount thereof.

Section 1.03 Use of Defined Terms. All terms defined in this Agreement shall have the same meanings when used in any of the other Loan Documents (other than the Support Agreement), unless otherwise defined therein or unless the context shall otherwise require.

Section 1.04 Other Definitions and Provisions. With reference to this Agreement and each other Loan Document, unless otherwise specified herein or in such other Loan Document: (a) the definitions of terms herein shall apply equally to the singular and plural forms of the terms defined, (b) whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms, (c) the words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation", (d) the word "will" shall be construed to have the same meaning and effect as the word "shall", (e) any reference herein to any Person shall be construed to include such Person's successors and assigns, (f) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (g) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement, (h) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights, and (i) in the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including;" the words "to" and "until" each mean "to but excluding;" and the word "through" means "to and including".

Section 1.05 References to Agreement and Laws. Unless otherwise expressly provided herein, (a) references to formation documents, governing documents, agreements (including the Loan Documents) and other contractual instruments shall be deemed to include all subsequent amendments,

restatements, extensions, supplements and other modifications thereto, but only to the extent that such amendments, restatements, extensions, supplements and other modifications are not prohibited by any Loan Document; and (b) references to any applicable law shall include all statutory and regulatory provisions consolidating, amending, replacing, supplementing or interpreting such applicable law.

Section 1.06 Letter of Credit Amounts. Unless otherwise specified, all references herein to the amount of a Letter of Credit at any time shall be deemed to mean the maximum face amount of such Letter of Credit after giving effect to all increases thereof contemplated by such Letter of Credit (at the time specified therefor in such applicable Letter of Credit and as such amount may be reduced by (a) any permanent reduction of such Letter of Credit or (b) any amount which is drawn, reimbursed and no longer available under such Letter of Credit).

Section 1.07 Times of Day. Unless otherwise specified, all references herein to times of day shall be references to Eastern time (daylight or standard, as applicable).

Section 1.08 Rates. The Administrative Agent does not warrant or accept any responsibility for, and shall not have any liability with respect to, (a) the continuation of, administration of, submission of, calculation of or any other matter related to the Term SOFR Reference Rate, Adjusted Term SOFR or Term SOFR, or any component definition thereof or rates referred to in the definition thereof, or with respect to any alternative, successor or replacement rate thereto (including any Benchmark Replacement), including whether the composition or characteristics of any such alternative, successor or replacement rate (including any Benchmark Replacement), as it may or may not be adjusted pursuant to Section 2.18(c), will be similar to, or produce the same value or economic equivalence of, or have the same volume or liquidity as, the Term SOFR Reference Rate, Adjusted Term SOFR, Term SOFR or any other Benchmark prior to its discontinuance or unavailability, or (b) the effect, implementation or composition of any Conforming Changes. The Administrative Agent and its Affiliates or other related entities may engage in transactions that affect the calculation of the Term SOFR Reference Rate, Adjusted Term SOFR, Term SOFR, any alternative, successor or replacement rate (including any Benchmark Replacement) or any relevant adjustments thereto and such transactions may be adverse to the Borrower. The Administrative Agent may select information sources or services in its reasonable discretion to ascertain the Term SOFR Reference Rate, Adjusted Term SOFR or Term SOFR, or any other Benchmark, any component definition thereof or rates referred to in the definition thereof, in each case pursuant to the terms of this Agreement, and shall have no liability to the Borrower, any Lender or any other person or entity for damages of any kind, including direct or indirect, special, punitive, incidental or consequential damages, costs, losses or expenses (whether in tort, contract or otherwise and whether at law or in equity), for any error or calculation of any such rate (or component thereof) provided by any such information source or service.

Section 1.09 Divisions. For all purposes under the Loan Documents, in connection with any division or plan of division under Delaware law (or any comparable event under a different jurisdiction's laws): (a) if any asset, right, obligation or liability of any Person becomes the asset, right, obligation or liability of a different Person, then it shall be deemed to have been transferred from the original Person to the subsequent Person, and (b) if any new Person comes into existence, such new Person shall be deemed to have been organized on the first date of its existence by the holders of its equity interests at such time.

ARTICLE II EXTENSIONS OF CREDIT

Section 2.01 Commitment to Extend Credit.

(a) Each Lender severally agrees, on the terms and conditions set forth herein, to make its Pro Rata Share of Loans (other than Swingline Loans) in Dollars to the Borrower from time to time before the Termination Date; provided that, immediately after each such Loan is made, (i) with respect to each Lender individually, the Outstanding Credits of such Lender shall not exceed such Lender's Commitment, and (ii) with respect to the Lenders collectively, the aggregate Outstanding Credits shall not exceed the Lenders' aggregate Commitment.

(b) Each Swingline Bank severally agrees, on the terms and conditions set forth herein, to make Swingline Loans in Dollars to the Borrower from time to time before the Termination Date; provided that, immediately after each such Swingline Loan is made: (i) the outstanding aggregate principal amount of the Swingline Loans made by such Swingline Bank shall not exceed such Swingline Bank's Swingline Commitment, (ii) the outstanding aggregate principal amount of the Swingline Loans shall not exceed \$200,000,000, (iii) the outstanding aggregate principal amount of the Swingline Loans made by such Swingline Bank, together with the Outstanding Credits (other than Swingline Loans) of the applicable Lender acting as a Swingline Bank shall not exceed such Lender's Commitment, (iv) with respect to each Lender individually, the Outstanding Credits of such Lender shall not exceed such Lender's Commitment, and (v) with respect to the Lenders collectively, the aggregate Outstanding Credits shall not exceed the Lenders' aggregate Commitment.

(c) Within the foregoing limits, the Borrower may borrow under this Section, repay or, to the extent permitted by Section 2.12, prepay Loans and reborrow under this Section at any time before the Termination Date.

Section 2.02 Method of Borrowing.

(a) Each Borrowing shall be made on a Business Day, upon notice from the Borrower to the Administrative Agent, given (i) in the case of a Borrowing that is a Base Rate Loan, not later than 1:00 P.M. on the date of the proposed Borrowing and (ii) in the case of a Borrowing that is a SOFR Loan, not later than 11:00 A.M. on the third U.S. Government Securities Business Day prior to the date of the proposed Borrowing. Each such notice of a Borrowing (a "**Notice of Borrowing**") by the Borrower shall be in substantially the form of Exhibit A, specifying therein the requested (A) date of such Borrowing, (B) Type of Loan to be made in connection with such Borrowing, (C) aggregate amount of such Borrowing and (D) in the case of a Borrowing comprising SOFR Loans, initial Interest Period for each such Loan. The Administrative Agent shall give notice to each Lender promptly upon receipt of each Notice of Borrowing pursuant to this Section 2.02(a), the contents thereof and each such Lender's Pro Rata Share of any Borrowing to be made pursuant thereto. Each Lender shall, before 1:00 P.M. on the date of such Borrowing (or 3:00 P.M. on the date of such Borrowing with respect to Base Rate Loans), make available to the Administrative Agent for the account of the Borrower in same day funds, the proceeds of such Borrowing. Such Borrowing will then be made available to the Borrower by the Administrative Agent by crediting the account of the Borrower on the books of such office with the aggregate of the amounts made available to the Administrative Agent by the Lenders and in like funds as received by the Administrative Agent (or at such other location as may be agreed by the Borrower and the Administrative Agent).

(b) Each Notice of Borrowing shall be irrevocable and binding on the Borrower. In the case of any Borrowing that the related Notice of Borrowing specifies is to comprise SOFR Loans, the Borrower shall indemnify the applicable Lender against any loss, cost or expense incurred by such Lender as a result of any failure of the Borrower to fulfill on or before the date specified in such Notice of Borrowing for such Loans, the applicable conditions set forth in Article III, including any loss (excluding loss of anticipated profits), cost or expense incurred by reason of the liquidation or redeployment of deposits or other funds acquired by such Lender as part of such Borrowing when such Loan is not made on such date.

(c) Each Borrowing (whether for a Base Rate Loan or a SOFR Loan) shall be in an aggregate principal amount of \$5,000,000 or any multiple of \$1,000,000 in excess thereof (except that any such Borrowing may be in the aggregate amount of the unutilized Commitment on such date).

Section 2.03 Method of Swingline Borrowing.

(a) Each Swingline Borrowing shall be made on a Business Day, upon notice from the Borrower to the Administrative Agent and a Swingline Bank, given not later than 1:00 P.M. on the date of the proposed Swingline Borrowing. Each such notice of a Swingline Borrowing (a “**Notice of Swingline Borrowing**”) by the Borrower shall be in substantially the form of Exhibit A, specifying therein (i) the requested date of such Swingline Borrowing, (ii) the requested aggregate amount of such Swingline Borrowing and (iii) whether the interest rate for such Swingline Borrowing is to be based on the Base Rate or Adjusted Term SOFR Market Index Rate. The applicable Swingline Bank shall, before 3:00 P.M. on the date of such Swingline Borrowing, make available to the Administrative Agent for the account of the Borrower in same day funds, the proceeds of such Swingline Borrowing. Such Swingline Borrowing will then be made available to the Borrower by the Administrative Agent by crediting the account of the Borrower on the books of such office with the aggregate of the amounts made available to the Administrative Agent by such Swingline Bank and in like funds as received by the Administrative Agent. For purposes of determining the amount of Outstanding Credits of any Lender and the amount of unutilized Commitments, each Swingline Borrowing made by a Swingline Bank will be deemed to comprise outstanding Loans of the Lenders made in accordance with their Pro Rata Percentages. In addition to the Swingline Banks listed on Schedule 2.03, the Borrower may from time to time appoint one or more other Lenders (with the consent of such Lender (which consent may be withheld in the sole discretion of such Lender) and the Administrative Agent (such consent not to be unreasonably withheld or delayed)) to act as a Swingline Bank hereunder. Any such appointment and the terms thereof (including the Swingline Commitment of such Swingline Bank) shall be evidenced by a separate written agreement executed by the Borrower and such Swingline Bank and acknowledged (to evidence its consent as to the identity of such Swingline Bank) by the Administrative Agent. The Administrative Agent shall give prompt notice of any such appointment to the Lenders. Upon such appointment, if and for so long as such Lender shall have any obligation to make Swingline Loans hereunder or any Swingline Loan shall remain outstanding, such Lender shall be deemed to be, and shall have all the rights and obligations of, a “Swingline Bank” under this Agreement.

(b) Each Swingline Borrowing shall be in the aggregate principal amount of \$1,000,000 or any multiple of \$500,000 in excess thereof, or such lesser amount as shall be equal to the aggregate amount of the unutilized Commitment on such date.

(c) Notwithstanding anything in this Section 2.03 above to the contrary:

(i) the aggregate amount of the Swingline Loans outstanding at any time shall not exceed \$200,000,000;

(ii) the aggregate amount of the Swingline Loans of a Swingline Bank outstanding at any time shall not exceed the Swingline Commitment of such Swingline Bank;

(iii) no more than one Swingline Loan may be made on the same Business Day; and

(iv) each Swingline Loan shall be paid in full by the Borrower on the earlier to occur of (x) the fourteenth (14th) Business Day after the date the Swingline Loan is made and (y) the Termination Date; provided, that such payment shall not be made from the proceeds of any other Swingline Loans.

(d) Any Swingline Bank that has made a Swingline Loan may, at any time and from time to time in its sole and absolute discretion, on behalf of the Borrower (which hereby irrevocably directs the applicable Swingline Bank to act on its behalf), by written notice given no later than 11:00 a.m. on any Business Day request each Lender to make, and each Lender hereby agrees to make, a Base Rate Loan in an amount equal to such Lender's Pro Rata Percentage of the aggregate amount of the Swingline Loan outstanding on the date of such notice, to repay the applicable Swingline Bank. Each Lender shall make the amount of such Base Rate Loan available to the Administrative Agent in immediately available funds at the Administrative Agent's office not later than 1:00 p.m. on the day specified in such notice. The proceeds of such Base Rate Loan shall be immediately made available by the Administrative Agent to the applicable Swingline Bank for application by the Swingline Bank to the repayment of the Swingline Loan. No Lender's obligation to fund its respective Pro Rata Percentage of a Swingline Loan shall be affected by any other Lender's failure to fund its Pro Rata Percentage of a Swingline Loan, nor shall any Lender's Pro Rata Percentage be increased as a result of any such failure of any other Lender to fund its Pro Rata Percentage of a Swingline Loan.

(e) On each date a Swingline Loan is made, each Lender shall be deemed to have purchased a risk participation in such Swingline Loan from the applicable Swingline Bank in an amount equal to such Lender's Pro Rata Percentage of such Swingline Loan. If for any reason any Swingline Loan cannot be refinanced with a Base Rate Loan pursuant to Section 2.03(d), upon request by a Swingline Bank with an outstanding Swingline Loan, and notwithstanding whether a Default or Event of Default shall have occurred and be continuing, each other Lender shall fund its risk participation in such Swingline Loan by making available to the Administrative Agent for the account of such Swingline Bank, by deposit to the Administrative Agent's account, in same day funds, an amount equal to its risk participation therein. If and to the extent that any Lender shall not have so made the amount of its risk participation in such Swingline Loan available to the Administrative Agent, such Lender agrees to pay to the Administrative Agent forthwith on demand such amount together with interest thereon, for each day from the date of demand by the applicable Swingline Bank until the date such amount is paid to the Administrative Agent, at the Federal Funds Rate; provided, that if payment is not made within three (3) Business Days of demand, interest thereon shall accrue at the Base Rate plus the Applicable Percentage for Swingline Loans for each day thereafter until paid. If such Lender shall pay to the Administrative Agent such amount for the account of the applicable Swingline Bank, such amount so paid in respect of principal shall constitute a Swingline Loan by such Lender for purposes of this Agreement, and the outstanding principal amount of the Swingline Loan made by such Swingline Bank shall be reduced by such amount.

(f) Any Swingline Bank may and, if such Swingline Bank is a Lender being replaced pursuant to Section 2.23(b), such Swingline Bank shall, resign at any time by giving written notice thereof to the Administrative Agent, the Lenders and the Borrower, with any such resignation to become effective (i) if such Swingline Bank is the Administrative Agent and the Administrative Agent has given notice of its resignation or has been removed in accordance with Section 8.08, on the Resignation Effective Date or Removal Effective Date, as applicable, (ii) if such Swingline Bank is party to an Assignment and Acceptance whereby it intends to assign all of its Loans and Commitment to an Eligible Assignee pursuant to Section 2.23(b) or 7.05(b), on the effective date of such assignment or (iii) otherwise, on the later of (x) 30 days after delivery of such notice or (y) such date as agreed by such Swingline Bank; provided that if such resigning Swingline Bank is the only remaining Swingline Bank at the time of its resignation and there is no Administrative Agent, the Borrower shall have the right to appoint a successor Swingline Bank, which shall be a Lender or an Eligible Assignee reasonably acceptable to the Required Lenders. If no successor Swingline Bank shall have been so appointed by the Borrower, and shall have accepted such appointment, within 30 days after the retiring Swingline Bank's giving of notice of resignation, then the retiring Swingline Bank may, on behalf of the Borrower and the Lenders, appoint a successor Swingline Bank, which shall be a Lender or an Eligible Assignee acceptable to the Borrower. Upon the acceptance of any appointment as a Swingline Bank hereunder by a successor Swingline Bank, such successor Swingline Bank shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Swingline Bank.

(g) Each Lender's obligation to make a Base Rate Loan pursuant to Section 2.03(d) or to purchase and fund risk participations in Swingline Loans pursuant to Section 2.03(e) shall be absolute and unconditional and shall not be affected by any circumstance, including (A) any setoff, counterclaim, recoupment, defense or other right which such Lender may have against the applicable Swingline Bank, the Borrower or any other Person for any reason whatsoever, (B) the occurrence or continuance of an Event of Default, or (C) any other occurrence, event or condition, whether or not similar to any of the foregoing; provided, however, that each Lender's obligation to make Base Rate Loans pursuant to Section 2.03(d) is subject to the conditions set forth in Section 3.02. No such funding of risk participations shall relieve or otherwise impair the obligation of the Borrower to repay Swingline Loans, together with interest as provided herein.

Section 2.04 Letters of Credit.

(a) In addition to the LC Issuing Banks listed on Schedule 2.04, the Borrower may from time to time appoint one or more other Lenders (with the consent of any such Lender (which consent may be withheld in the sole discretion of such Lender) and the Administrative Agent (such consent not to be unreasonably withheld or delayed)) to act as an LC Issuing Bank hereunder. Any such appointment and the terms thereof shall be evidenced in a separate written agreement executed by the Borrower and the relevant LC Issuing Bank and acknowledged (to evidence its consent as to the identity of such LC Issuing Bank) by the Administrative Agent. The Administrative Agent shall give prompt notice of any such appointment to the other Lenders. Upon such appointment, if and for so long as such Lender shall have any obligation to issue any Letters of Credit hereunder or any Letter of Credit issued by such Lender shall remain outstanding, such Lender shall be deemed to be, and shall have all the rights and obligations of, an "LC Issuing Bank" under this Agreement.

(b) Subject to the terms and conditions hereof, each Letter of Credit shall be issued (or the stated maturity thereof extended or terms thereof modified or amended) on not less than one (1) Business Day's prior notice thereof by delivery of (x) a Request for Issuance to the Administrative Agent (which shall promptly distribute copies thereof to the Lenders) and the relevant LC Issuing Bank, and (y) if requested by such LC Issuing Bank, a letter of credit application or other standard form required by the relevant LC Issuing Bank to such LC Issuing Bank. Each Letter of Credit shall be issued in a form acceptable to the relevant LC Issuing Bank. Each Request for Issuance shall specify (i) the identity of the relevant LC Issuing Bank, (ii) the date (which shall be a Business Day) of issuance of such Letter of Credit (or the date of effectiveness of such extension, modification or amendment) and the stated expiry date thereof (which shall not be later than the earlier of (A) one year after the date of issuance of such Letter of Credit and (B) unless cash collateralized (in accordance with the procedures set forth in Section 2.25) in an amount equal to 102% of the LC Outstandings for such Letter of Credit prior to five (5) Business Days prior to the stated Termination Date for the applicable LC Issuing Bank, the fifth Business Day preceding such Termination Date); provided that a Letter of Credit may, upon the request of the Borrower, include a provision whereby such Letter of Credit shall be renewed automatically for additional consecutive periods of one year or less (but not beyond the date specified in clause (B) above) unless the relevant LC Issuing Bank notifies the Borrower and the beneficiary thereof at least 30 days prior to the then-applicable expiration date that such Letter of Credit will not be renewed, (iii) the proposed stated amount of such Letter of Credit, (iv) the name and address of the beneficiary of such Letter of Credit and (v) a statement of drawing conditions applicable to such Letter of Credit, and if such Request for Issuance relates to an amendment or modification of a Letter of Credit, it shall be accompanied by the consent of the beneficiary of the Letter of Credit thereto. Each Request for Issuance shall be delivered by the Borrower no later than 11:00 A.M. on the Business Day immediately prior to the proposed date of issuance (or effectiveness) specified therein. Not later than 2:00 P.M. on the proposed date of issuance (or effectiveness) specified in such Request for Issuance, and upon fulfillment of the

applicable conditions precedent and the other requirements set forth herein, the relevant LC Issuing Bank shall issue (or extend, amend or modify) such Letter of Credit and provide notice and a copy thereof to the Administrative Agent, which shall promptly furnish copies thereof to the Lenders; provided that the relevant LC Issuing Bank shall not issue or amend any Letter of Credit if such LC Issuing Bank has received notice from the Administrative Agent that the applicable conditions precedent have not been satisfied.

(c) No Letter of Credit shall be requested or issued hereunder if, after the issuance thereof, (i) the Outstanding Credits would exceed the aggregate Commitments, (ii) with respect to each Lender individually, the Outstanding Credits of such Lender would exceed such Lender's Commitment, (iii) the LC Outstandings would exceed \$150,000,000, or (iv) the LC Outstandings for all Letters of Credit issued by such LC Issuing Bank would exceed the LC Commitment of such LC Issuing Bank.

(d) By the issuance of a Letter of Credit (or an amendment to a Letter of Credit increasing the amount or extending the expiration date thereof), and without any further action on the part of the applicable LC Issuing Bank or the Lenders, such LC Issuing Bank hereby grants to each Lender, and each Lender hereby acquires from such LC Issuing Bank, a participation in such Letter of Credit equal to such Lender's Pro Rata Percentage of the aggregate amount available to be drawn under such Letter of Credit. Each Lender acknowledges and agrees that its obligation to acquire participations pursuant to this paragraph in respect of Letters of Credit is absolute, unconditional and irrevocable and shall not be affected by any circumstance whatsoever, including any amendment, extension, reinstatement or renewal of any Letter of Credit or the occurrence and continuance of a Default or Event of Default or reduction or termination of the Commitments. Each Lender further acknowledges and agrees that its participation in each Letter of Credit will be automatically adjusted to reflect such Lender's Pro Rata Percentage of the aggregate amount available to be drawn under such Letter of Credit at each time such Lender's Commitment is amended pursuant to the operation of Section 2.05 or Section 2.06, or as a result of an assignment in accordance with Section 7.05 or otherwise pursuant to this Agreement.

(e) The Borrower hereby agrees to pay (through the proceeds of a Borrowing or otherwise) to the Administrative Agent for the account of each LC Issuing Bank and each participating Lender, if applicable, no later than (i) if the Borrower shall have received notice of such LC Issuing Bank's payment pursuant to any Letter of Credit issued by it (such payment, an "**LC Disbursement**") not later than 11:00 A.M. on the date of such payment, on such date, or (ii) if such notice has not been received by the Borrower prior to such time on such date, on the Business Day immediately following the day that the Borrower receives such notice (such date referred to in clause (i) or such Business Day referred to in clause (ii)), the "**LC Reimbursement Due Date**"), a sum equal to the amount of the LC Disbursement plus interest on such amount from the date so paid by such LC Issuing Bank until repayment to such LC Issuing Bank in full at a fluctuating interest rate per annum equal to the interest rate applicable to Base Rate Loans plus, if any amount paid by such LC Issuing Bank under a Letter of Credit is not reimbursed by the Borrower on the LC Reimbursement Due Date, 2%, unless refinanced with a Loan.

(f) If any LC Issuing Bank shall not have been reimbursed in full for any LC Disbursement on the date payment is due from the Borrower pursuant to Section 2.04(e), such LC Issuing Bank shall give the Administrative Agent prompt notice thereof (an "**LC Payment Notice**") no later than 11:00 A.M. on the Business Day immediately succeeding such payment date (such date, the "**LC Notice Date**"). The Administrative Agent shall forward to each Lender no later than 1:00 P.M. on an LC Notice Date, the applicable LC Payment Notice. Each Lender severally agrees to fund its participation in the Reimbursement Obligation of the Borrower to such LC Issuing Bank by paying to the Administrative Agent for the account of such LC Issuing Bank an amount equal to such Lender's participation, plus interest, if applicable, on such amount at a rate per annum equal to the Federal Funds Rate from the LC Reimbursement Due Date to the date of payment to such LC Issuing Bank by such Lender. Each such

payment by a Lender shall be made not later than 3:00 P.M. on the applicable LC Notice Date. Each Lender's obligation to make each such payment to the Administrative Agent for the account of such LC Issuing Bank shall be several and shall not be affected by the occurrence or continuance of a Default or the failure of any other Lender to make any payment under this Section 2.04(f). Each Lender further agrees that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever.

(g) The failure of any Lender to make any payment to the Administrative Agent for the account of any LC Issuing Bank in accordance with paragraph (f) above shall not relieve any other Lender of its obligation to make payment, but no Lender shall be responsible for the failure of any other Lender.

(h) The payment obligations of each Lender under Section 2.04(f) and of the Borrower under this Agreement in respect of any payment under any Letter of Credit shall be unconditional and irrevocable, and shall be paid strictly in accordance with the terms of this Agreement under all circumstances, including the following circumstances:

(i) any lack of validity or enforceability of this Agreement or any other agreement or instrument relating thereto or to such Letter of Credit;

(ii) any amendment or waiver of, or any consent to departure from, the terms of this Agreement or such Letter of Credit;

(iii) the existence of any claim, set-off, defense or other right that the Borrower may have at any time against any beneficiary, or any transferee, of such Letter of Credit (or any Persons for whom any such beneficiary or any such transferee may be acting), any LC Issuing Bank, or any other Person, whether in connection with this Agreement, the transactions contemplated hereby, thereby or by such Letter of Credit, or any unrelated transaction;

(iv) any statement or any other document presented under such Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;

(v) payment in good faith by any LC Issuing Bank under the Letter of Credit issued by such LC Issuing Bank against presentation of a draft or certificate that does not comply with the terms of such Letter of Credit;

(vi) the use that may be made of any Letter of Credit by, or any act or omission of, the beneficiary of any Letter of Credit (or any Person for which the beneficiary may be acting); or

(vii) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing.

(i) Without limiting any other provision of this Section 2.04, for purposes of this Section 2.04, any LC Issuing Bank may rely upon any oral, telephonic, telegraphic, facsimile, electronic, written or other communication believed in good faith to have been authorized by the Borrower, whether or not given or signed by an authorized Person of the Borrower.

(j) The Borrower assumes all risks of the acts and omissions of any beneficiary or transferee of any Letter of Credit. Neither any LC Issuing Bank, the Lenders nor any of their respective Related Parties shall be liable or responsible for (i) the use that may be made of such Letter of Credit or any acts or omissions of any beneficiary or transferee thereof in connection therewith; (ii) the validity, sufficiency

or genuineness of documents, or of any endorsement thereon, even if such documents should prove to be in any or all respects invalid, insufficient, fraudulent or forged; (iii) payment by any LC Issuing Bank against presentation of documents that do not comply with the terms of such Letter of Credit, including failure of any documents to bear any reference or adequate reference to such Letter of Credit; or (iv) any other circumstances whatsoever in making or failing to make payment under such Letter of Credit, except that the Borrower and each Lender shall have the right to bring suit against each LC Issuing Bank, and each LC Issuing Bank shall be liable to the Borrower and any Lender, to the extent of any direct, as opposed to consequential, damages suffered by the Borrower or such Lender that the Borrower or such Lender proves were caused by such LC Issuing Bank's willful misconduct or gross negligence as determined by a court of competent jurisdiction in a final and non-appealable judgment, including, in the case of the Borrower, such LC Issuing Bank's (x) failure to exercise care when determining whether drafts and other documents presented under a Letter of Credit comply with the terms thereof or (y) failure to make timely payment under such Letter of Credit following the presentation to it by the beneficiary thereof of a draft and accompanying certificate(s) that strictly comply with the terms and conditions of such Letter of Credit. In furtherance and not in limitation of the foregoing, each LC Issuing Bank may accept sight drafts and accompanying certificates presented under the Letter of Credit issued by such LC Issuing Bank that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary, and payment against such documents shall not constitute willful misconduct or gross negligence by such LC Issuing Bank. Notwithstanding the foregoing, no Lender (in its capacity as a Lender) shall be obligated to indemnify the Borrower for damages caused by any LC Issuing Bank's willful misconduct or gross negligence.

(k) Notwithstanding anything to the contrary set forth herein, on the Closing Date, the Existing Letters of Credit shall be deemed to be "Letters of Credit" issued hereunder, resulting in Extensions of Credit on such date hereunder.

(l) Any LC Issuing Bank may and, if such LC Issuing Bank is a Lender being replaced pursuant to Section 2.23(b), such LC Issuing Bank shall, resign at any time by giving written notice thereof to the Administrative Agent, the Lenders and the Borrower, with any such resignation to become effective (i) if such LC Issuing Bank is the Administrative Agent and the Administrative Agent has given notice of its resignation or has been removed in accordance with Section 8.08, on the Resignation Effective Date or Removal Effective Date, as applicable, (ii) if such LC Issuing Bank is party to an Assignment and Acceptance whereby it intends to assign all of its Loans and Commitment to an Eligible Assignee pursuant to Section 2.23(b) or 7.05(b), on the effective date of such assignment or (iii) otherwise, on the later of (x) 30 days after delivery of such notice and (y) such date as agreed by such LC Issuing Bank; provided that if such resigning LC Issuing Bank is the only LC Issuing Bank at the time of its resignation and there is no Administrative Agent, the Borrower shall have the right to appoint a successor LC Issuing Bank, which shall be a Lender or an Eligible Assignee reasonably acceptable to the Required Lenders. If no successor LC Issuing Bank shall have been so appointed by the Borrower, and shall have accepted such appointment, within 30 days after the retiring LC Issuing Bank's giving of notice of resignation, then the retiring LC Issuing Bank may, on behalf of the Borrower and Lenders, appoint a successor LC Issuing Bank, which shall be a Lender or an Eligible Assignee acceptable to the Borrower. Except as provided in the immediately succeeding sentence, upon the acceptance of any appointment as an LC Issuing Bank hereunder by a successor LC Issuing Bank, such successor LC Issuing Bank shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring LC Issuing Bank. Except as provided in Section 8.08(d) with respect to any LC Issuing Bank which is a resigning Administrative Agent, after the effective date of the resignation of an LC Issuing Bank hereunder, the retiring LC Issuing Bank shall remain a party hereto and shall continue to have all the rights and obligations of an LC Issuing Bank under this Agreement and the other Loan Documents with respect to Letters of Credit issued by it prior to such resignation, but shall no longer have an LC Commitment and shall not be required to issue additional Letters of Credit or to extend, renew or increase any existing Letter of Credit.

(m) No LC Issuing Bank shall be under any obligation to issue any Letter of Credit if the issuance of such Letter of Credit would violate such LC Issuing Bank's internal policies.

Section 2.05 Increase of the Commitments.

(a) After the Closing Date, the Borrower may on one or more occasions, by written notice to the Administrative Agent and executed by the Borrower and one or more financial institutions (any such financial institution referred to in this paragraph (a) being called a "**Designated Lender**"), which may include, in the Borrower's sole discretion, any Lender, cause new Commitments to be extended by the Designated Lenders (or cause the Commitments of the Designated Lenders to be increased, as the case may be); provided that (i) at no time shall the aggregate amount of all extensions of new Commitments and increases in existing Commitments effected pursuant to this paragraph (a) exceed \$500,000,000, (ii) each such requested increase shall be in a minimum principal amount of \$50,000,000, (iii) each Designated Lender shall (A) be subject to the approval of the Administrative Agent, each LC Issuing Bank and each Swingline Bank (which approval shall not be unreasonably withheld or delayed) and (B) if not an existing Lender, execute all such documentation as the Administrative Agent shall reasonably specify to evidence the Commitment or Commitments of such Designated Lender and/or its status as a Lender hereunder, (iv) immediately prior to and immediately after giving effect to such proposed increase, no Default or Event of Default shall have occurred and be continuing, and (v) the Borrower shall have delivered the documents and certificates required by clauses (1) – (3) below. Extensions of new Commitments and increases in existing Commitments pursuant to this paragraph (a) shall become effective on the date specified in the applicable notice delivered by the Borrower. The Borrower shall deliver (1) a certificate signed by a duly authorized officer of the Borrower to the Administrative Agent, dated as of the effective date of such additional Commitments, stating that all representations and warranties of the Borrower set forth in Article IV (other than the representations and warranties set forth in Sections 4.04 and 4.05(b)) (with all references in such Article to a Borrowing or Swingline Borrowing being deemed to be references to the increase of the Commitments) are true in all material respects as if made on and as of such effective date (other than with respect to any representation and warranty that expressly relates to an earlier date, in which case such representation and warranty shall be true in all material respects as of such earlier date, and except for any representation and warranty that is qualified by materiality or reference to Material Adverse Change, in which case such representation and warranty shall be true in all respects as of such earlier date), (2) evidence of appropriate corporate authorization on the part of the Borrower with respect to the increase in the Commitments and (3) if requested by a Designated Lender, such opinions of counsel for the Borrower with respect to the increase in the Commitments as the Administrative Agent may reasonably request. Any Lender or any other financial institution offered or approached to provide all or a portion of any increase in the Commitment pursuant to this paragraph (a) may elect or decline, in its sole discretion, to provide such Commitment.

(b) The Outstanding Credits will be reallocated on the effective date of such increase among the Lenders in accordance with their revised Pro Rata Shares (and, with respect to any outstanding Loans, the Lenders agree to make all payments and adjustments necessary to effect the reallocation and the Borrower shall pay any and all costs required pursuant to Section 2.13 in connection with such reallocation as if such reallocation were a repayment). Prepayments made under this paragraph (b) shall not be subject to the notice or minimum amount requirements of Section 2.12.

(c) Promptly following the effective date of any Commitment increase pursuant to this Section 2.05, the Administrative Agent shall distribute an amended Schedule I to this Agreement (which shall thereafter be incorporated into this Agreement) to reflect any changes in Lenders, the Commitments and each Lender's Pro Rata Percentage as of such effective date.

Section 2.06 Maturity of Loans; Extension and Termination of Commitment.

(a) Each outstanding Loan (other than Swingline Loans) shall mature, and the principal amount thereof shall be due and payable in full, and the Commitments and the Swingline Commitments shall terminate, on the Termination Date. Each Swingline Loan shall mature, and the principal amount thereof shall be due and payable in full, on the earlier to occur of (i) the fourteenth (14th) Business Day after the date the Swingline Loan is made and (ii) the Termination Date.

(b) The Borrower may request up to two one-year extensions of the Termination Date in effect on the date of any such request (the "**Current Termination Date**") (notice of the exercise of which shall be given by the Borrower to the Administrative Agent in writing at least 30 days prior to any anniversary of the Closing Date). Upon the delivery of such a written request by an authorized officer of the Borrower (an "**Extension Request**"), the Administrative Agent promptly shall deliver a copy of such Extension Request to each of the Lenders. Each Lender, acting in its sole discretion, shall by notice made in writing and delivered to the Administrative Agent on a Business Day not more than 30 days following the date of such Extension Request, advise the Administrative Agent whether such Lender agrees to such extension (each Lender agreeing to an Extension Request within such timeframe being referred to herein as an "**Extending Lender**", and each Lender declining to agree to an Extension Request within such timeframe being referred to herein as a "**Non-Extending Lender**"). Any Lender which has not provided written notice to the Administrative Agent indicating whether such Lender agrees to the requested Extension Request prior to the 30th day following the date of such Extension Request shall be deemed to be a Non-Extending Lender. The election of any Lender to agree to such extension shall not obligate any other Lender to agree.

(c) If Lenders constituting the Required Lenders shall not have agreed to the Extension Request on or prior to the 30th day following the date of such Extension Request, then the Current Termination Date shall not be so extended, the principal amount of all Loans and all other amounts payable under this Agreement shall be payable in full and the Commitment shall terminate on the Current Termination Date.

(d) If Lenders constituting the Required Lenders shall have agreed to the Extension Request on or prior to the 30th day following the date of such Extension Request (such date, the "**Extension Date**"), then the Termination Date applicable to Extending Lenders shall be extended to be the day that is one year after the Current Termination Date; provided, that the Termination Date shall in no event extend beyond the fifth anniversary of the Extension Date. In the event of such extension, (w) the Commitments of each Non-Extending Lender shall terminate on the Current Termination Date, (x) the principal amount of all Loans and other amounts payable to each Non-Extending Lender under this Agreement shall be payable in full on the Current Termination Date, (y) the Lenders' aggregate Commitment shall be reduced by the amount of the Commitment of each Non-Extending Lender unless such Non-Extending Lender is replaced pursuant to paragraph (e) below and (z) the outstanding Reimbursement Obligations will be reallocated on the Current Termination Date among the Extending Lenders in accordance with their revised Pro Rata Shares (and the Lenders agree to make all payments and adjustments necessary to effect the reallocation). Prepayments made under this paragraph (d) shall not be subject to the notice or minimum amount requirements of Section 2.12.

(e) In the event that the Termination Date is extended under paragraph (d) above, the Borrower shall have the right, on or before the Current Termination Date, at the Borrower's sole expense and effort, to require any Non-Extending Lender to assign to one or more Eligible Assignees all of its rights and obligations under this Agreement; provided, that such assignment shall be in accordance with, and subject to the requirements and restrictions contained in Section 7.05.

(f) Notwithstanding any of the foregoing provisions of this Section 2.06, no extension of the Termination Date shall become effective for any Lender unless, on the Extension Date, (i) the conditions set forth in Sections 3.02(b) and 3.02(c) (with all references in such Sections to a Borrowing or Swingline Borrowing being deemed to be references to the extension of the Termination Date) shall be satisfied, and the Administrative Agent shall have received a certificate to that effect, dated the Extension Date and executed on behalf of the Borrower by a Responsible Officer of the Borrower, and (ii) the Administrative Agent shall have received copies (certified to be true and complete by a Responsible Officer of the Borrower) of all governmental approvals (if any) required for each of the Borrower and the Parent in connection with such extension.

Section 2.07 Evidence of Loans.

(a) Each Lender shall maintain an account or accounts evidencing each Loan made by such Lender to the Borrower from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time under this Agreement. Each Lender will make reasonable efforts to maintain the accuracy of its account or accounts, and to update promptly its account or accounts from time to time, as necessary.

(b) The Administrative Agent shall maintain the Register pursuant to Section 7.05(c) and a subaccount for each Lender, in which Register and subaccounts (taken together) shall be recorded (i) the date, amount and Interest Period, if applicable, of each Loan, and whether such Loan is a Base Rate Loan, a SOFR Loan or a Swingline Loan, (ii) the amount of any principal or interest due and payable or to become due and payable to each Lender hereunder and (iii) the amount of any sum received by the Administrative Agent hereunder from or for the account of the Borrower and each Lender's percentage share thereof. The Administrative Agent will make reasonable efforts to maintain the accuracy of the subaccounts referred to in the preceding sentence and to update promptly such subaccounts from time to time, as necessary.

(c) The entries made in the Register and subaccounts maintained pursuant to Section 2.07(b), and the account or accounts maintained by the Lenders pursuant to Section 2.07(a) to the extent permitted by applicable law shall be prima facie evidence of the existence and amounts of such obligations of the Borrower therein recorded and shall be conclusive absent manifest error. The failure of the Administrative Agent or any Lender to maintain any such Register, subaccount or account, as applicable, or any error therein, shall not in any manner affect the obligations of the Borrower to repay the Loans in accordance with the terms thereof. In the event of any conflict between the accounts and records maintained by any Lender and the accounts and records of the Administrative Agent in respect of such matters, the accounts and records of the Administrative Agent shall control in the absence of manifest error.

(d) Upon the request of any Lender, which request shall be made through the Administrative Agent to the Borrower, the Borrower shall deliver to such Lender a duly executed Note in the form of Exhibit D.

Section 2.08 Interest Rates.

(a) The Borrower shall pay interest on the unpaid principal amount of each Loan from and including the date of such Loan to but excluding the date such Loan shall be paid in full (provided, that if the principal amount of any Loan is borrowed and repaid on the same day, the Borrower shall pay interest on such principal amount at the applicable interest rate for such day), at the following rates per annum:

(i) if such Loan is a Base Rate Loan, a variable rate per annum equal at all times to the Base Rate in effect from time to time plus the Applicable Percentage, payable quarterly in arrears on each Payment Date while such Base Rate Loan is outstanding, on the date of each prepayment to the extent required by Section 2.11(a) or 2.12, as applicable, and on the date such Base Rate Loan shall be Converted or paid in full;

(ii) if such Loan is a SOFR Loan, a fixed rate per annum during each Interest Period for such SOFR Loan equal to Adjusted Term SOFR for such Interest Period plus the Applicable Percentage, payable on the last day of the Interest Period (and, in the case of any Interest Period of more than three months' duration, on each day that occurs during such Interest Period every three months after the first day of such Interest Period), on the date of each prepayment to the extent required by Section 2.11(a) or 2.12, as applicable, and on the date such SOFR Loan shall be Converted or paid in full (provided that Adjusted Term SOFR shall not be available until three (3) U.S. Government Securities Business Days after the Closing Date unless the Borrower has delivered to the Administrative Agent a letter in form and substance reasonably satisfactory to the Administrative Agent indemnifying the Lenders in the manner set forth in Section 2.13 of this Agreement; and

(iii) if such Loan is a Swingline Loan, at the election of the Borrower, a variable rate per annum equal to (A) the Adjusted Term SOFR Market Index Rate plus the Applicable Percentage for SOFR Loans or (B) the Base Rate in effect from time to time plus the Applicable Percentage for Base Rate Loans, in each case, payable quarterly in arrears on each Payment Date while such Swingline Loan is outstanding, on the date of each prepayment to the extent required by Section 2.11(b) or 2.12, as applicable, and on the date such Swingline Loan shall be paid in full.

(b) Subject to Section 7.02, (i) immediately upon the occurrence and during the continuance of an Event of Default under Section 6.01(a), 6.01(g) or 6.01(h) (in the case of Section 6.01(g) and 6.01(h), with respect to the Borrower and the Parent only), or (ii) at the election of the Required Lenders, upon the occurrence and during the continuance of any other Event of Default, (A) the Borrower shall no longer have the option to request SOFR Loans, Swingline Loans, or Letters of Credit, (B) all outstanding SOFR Loans shall bear interest at a rate per annum of two percent (2%) in excess of the rate (including the Applicable Percentage) then applicable to SOFR Loans until the end of the applicable Interest Period and thereafter at a rate equal to two percent (2%) in excess of the rate (including the Applicable Percentage) then applicable to Base Rate Loans, (C) all outstanding Base Rate Loans and other Obligations shall bear interest at a rate per annum equal to two percent (2%) in excess of the rate (including the Applicable Percentage) then applicable to Base Rate Loans or such other Obligations and (D) all accrued and unpaid interest shall be due and payable on demand of the Administrative Agent. Interest shall continue to accrue on the Obligations after the filing by the Borrower (as to itself) or against the Borrower (as a debtor) of any petition seeking any relief in bankruptcy or under any act or law pertaining to insolvency or debtor relief, whether state, federal or foreign.

(c) Term SOFR Conforming Changes. In connection with the use or administration of Term SOFR, the Administrative Agent will have the right to make Conforming Changes from time to time and, notwithstanding anything to the contrary herein or in any other Loan Document, any amendments implementing such Conforming Changes will become effective without any further action or consent of any other party to this Agreement or any other Loan Document. The Administrative Agent will promptly notify the Borrower and the Lenders of the effectiveness of any Conforming Changes in connection with the use or administration of Term SOFR.

Section 2.09 Fees.

(a) Except as set forth in Section 2.24, the Borrower shall pay the Administrative Agent, for the ratable benefit of the Lenders, a facility fee (the "**Facility Fee**") equal to the product of (i) the daily amount of the Commitments (regardless of usage), multiplied by (ii) a per annum percentage equal to the Applicable Percentage in effect from time to time. The Facility Fee shall accrue from and including the Closing Date to but excluding the Termination Date and shall be payable in arrears on each Payment Date. Subject to Section 2.24(a)(iii), the Administrative Agent shall, promptly following its receipt thereof, distribute to each Lender all Facility Fees received pursuant to this Section 2.09(a) in accordance with their respective Pro Rata Percentages.

(b) Except as set forth in Section 2.24, the Borrower shall pay to the Administrative Agent for the account of each Lender a fee (the “*LC Fee*”) with respect to each Letter of Credit in the amount equal to the daily amount available to be drawn under such Letter of Credit multiplied by the Applicable Percentage with respect to SOFR Loans (determined on a per annum basis), payable in arrears on each Payment Date. Subject to Section 2.24(a)(iii), the Administrative Agent shall, promptly following its receipt thereof, distribute to each Lender all LC Fees received pursuant to this Section 2.09(b) in accordance with their respective Pro Rata Percentages.

(c) The Borrower shall pay to each LC Issuing Bank such normal and customary costs and expenses as are incurred or charged by such LC Issuing Bank in issuing, effecting payment under, amending or otherwise administering any letter of credit as may be separately agreed between the Borrower and such LC Issuing Bank.

(d) In addition to the fees provided for in paragraphs (a) through (c) above, the Borrower shall pay to the Administrative Agent, for the account of the Administrative Agent and the Joint Lead Arrangers, and to each LC Issuing Bank party thereto such other fees as are provided for in the Fee Letters.

Section 2.10 Termination or Reduction of Commitment.

(a) The Borrower may, upon at least three (3) Business Days’ notice to the Lenders, terminate at any time, or reduce from time to time, in each case without premium or penalty, by an aggregate amount of at least \$5,000,000 (and integrals of \$1,000,000 in excess thereof), the Commitment, the LC Commitment or the Swingline Commitment. If, after giving effect to any reduction of the Commitment, the aggregate LC Commitment, any LC Issuing Bank’s LC Commitment, or any Swingline Commitment exceeds the amount of the Commitment, such aggregate LC Commitment, LC Issuing Bank’s LC Commitment, or Swingline Commitment shall be automatically reduced by the amount of such excess.

(b) All accrued Facility Fees (as provided under Section 2.09) on the Commitment (in the case of a termination of the Commitment) or on the portion of the Commitment being reduced (in the case of a reduction of the Commitment) under this Section 2.10 shall be payable on the effective date of such reduction or termination.

(c) The Borrower hereby agrees to repay the outstanding principal amount of (i) all Loans in full on the Termination Date, (ii) all Swingline Loans in accordance with Section 2.03(c)(iv) (but, in any event, no later than the Termination Date) and (iii) all other Obligations in full on the Termination Date, together with, in each case, without duplication, all accrued but unpaid interest thereon in accordance with this Agreement.

Section 2.11 Mandatory Prepayments.

(a) On each date on which the Commitment is reduced pursuant to Section 2.10, the Borrower shall repay or prepay such principal amount of the outstanding Loans, if any (together with accrued interest thereon to the date of prepayment and any compensation payable pursuant to Section 2.13), and/or deposit funds in the Cash Collateral Account (in accordance with the procedures set forth in Section 2.25) in respect of undrawn Letters of Credit outstanding on such date, as may be necessary so that after such payment and/or deposit, the Outstanding Credits do not exceed the amount of the Commitment as then reduced.

(b) On each date on which any Swingline Commitment is reduced pursuant to Section 2.10, the Borrower shall repay or prepay such principal amount of the outstanding Swingline Loans, if any (together with accrued interest thereon to the date of prepayment), as may be necessary so that after such payment the aggregate unpaid principal amount of Swingline Loans does not exceed the amount of any Swingline Bank's Swingline Commitment as then reduced.

(c) On each date on which the LC Commitments are reduced pursuant to Section 2.10, the Borrower shall provide Cash Collateral (in accordance with the procedures set forth in Section 2.25) for each LC Issuing Bank in an amount equal to the amount by which the LC Outstandings for all Letters of Credit issued by such LC Issuing Bank exceeds the LC Commitment of such LC Issuing Bank as then reduced, if any.

Section 2.12 Optional Prepayments. The Borrower may, upon notice delivered to the Administrative Agent not later than 11:00 A.M. (a) on the date of prepayment in the case of any Base Rate Loan or Swingline Loan, and (b) at least three (3) U.S. Government Securities Business Days prior to such date in the case of any SOFR Loan, prepay any such Loan, without premium or penalty, in whole at any time, or from time to time in part in amounts aggregating at least \$5,000,000 (and integrals of \$1,000,000 in excess thereof) by paying the principal amount to be prepaid together with accrued interest thereon to the date of prepayment and any compensation payable pursuant to Section 2.13.

Section 2.13 Compensation after Prepayment or Conversion. The Borrower shall, upon the demand of any Lender, pay to such Lender any amounts which are required to compensate such Lender for any losses (excluding losses of anticipated profits), costs or expenses incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund or maintain any SOFR Loan, or from fees payable to terminate the deposits from which such funds were obtained, which may arise as a result of the optional or mandatory prepayment or Conversion of any SOFR Loan, on any date other than the last day of the applicable Interest Period, or the failure to prepay any Loan on the date of prepayment specified in any notice of prepayment, except if arising in connection with a Lender becoming a Defaulting Lender and the replacement of such Lender pursuant to Section 2.23(b), or the termination of the Commitment of such Lender pursuant to Section 2.24(d). The amount of such loss or expense shall be determined, in the applicable Lender's sole discretion, based upon the assumption that such Lender funded its Pro Rata Share of the SOFR Loans in the London interbank market and using any reasonable attribution or averaging methods which such Lender deems appropriate and practical. A certificate of such Lender setting forth in reasonable detail the basis for determining such amount or amounts necessary to compensate such Lender delivered by such Lender to the Administrative Agent no later than twelve (12) months after the event giving rise to the claim for compensation (except that, if the Change in Law giving rise to such claim is retroactive, then the twelve-month period referred to above shall be extended to include the period of retroactive effect thereof) shall be promptly forwarded to the Borrower through the Administrative Agent and shall be conclusively presumed to be correct save for manifest error. Unless otherwise provided herein, the amount specified in the written statement of any Lender shall (unless the subject of a good faith dispute by the Borrower) be payable within fifteen (15) days after demand and receipt by the Borrower of such written statement, unless such Lender shall have failed to timely give notice of such claim for compensation as provided herein, in which event the Borrower shall not have any obligation to pay such claim.

Section 2.14 General Provisions as to Payments.

(a) The Borrower shall make each payment of principal of, and interest on, the Loans, the LC Fee and the Facility Fees hereunder in Dollars not later than 1:00 P.M. on the date when due in federal or

other funds immediately available without setoff or counterclaim to the Administrative Agent for the account of each Lender at its Lending Office. Upon receipt by the Administrative Agent of each such payment, the Administrative Agent shall distribute to each Lender, at its Lending Office, its Pro Rata Share of such payment, including each Lender's Pro Rata Share of Swingline Loans purchased by such Lender in accordance with Section 2.03(d). If and to the extent that the Administrative Agent shall not have so distributed to any Lender, at its Lending Office, its Pro Rata Share of such payment, the Administrative Agent agrees to pay to such Lender forthwith on demand such amount together with interest thereon, for each day from the date of demand by such Lender until the date such amount is paid to such Lender, at the Federal Funds Rate.

(b) Subject to the qualifications set forth in the definition of "Interest Period", whenever any payment of principal of, or interest on, the Loans or of Facility Fees or the LC Fee payable hereunder shall be due on a day that is not a Business Day, the date for payment thereof shall be extended to the next succeeding Business Day. If the date for any payment of principal is extended by operation of law or otherwise, interest thereon shall be payable for such extended time.

Section 2.15 Computation of Interest and Fees. All computations of interest for Base Rate Loans and Swingline Loans determined by reference to the Base Rate, in each case when the Base Rate is determined by the Prime Rate shall be made on the basis of a year of 365 or 366 days, as the case may be, and actual days elapsed. All other computations of fees and interest provided hereunder shall be made on the basis of a 360-day year and actual days elapsed.

Section 2.16 Compensation, Additional Interest.

(a) Increased Costs Generally. If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or credit extended or participated in by, any Lender (except any reserve requirement reflected in SOFR), any Swingline Bank or any LC Issuing Bank;

(ii) subject any Recipient to any Taxes (other than (A) Indemnified Taxes, (B) Taxes described in clauses (b) through (d) of the definition of "Excluded Taxes" and (C) Connection Income Taxes) on its loans, loan principal, letters of credit, commitments, or other obligations, or its deposits, reserves, other liabilities or capital attributable thereto; or

(iii) impose on any Lender, any Swingline Bank or any LC Issuing Bank or the London interbank market any other condition, cost or expense (other than Taxes) affecting this Agreement or Loans made by such Lender, Swingline Bank or any Letter of Credit or participation therein;

and the result of any of the foregoing shall be to increase the cost to such Lender, Swingline Bank or such other Recipient of making, Converting to, Continuing or maintaining any Loan or of maintaining its obligation to make any such Loan, or to increase the cost to such Lender, such Swingline Bank, such LC Issuing Bank or such other Recipient of participating in, issuing or maintaining any Letter of Credit (or of maintaining its obligation to participate in or to issue any Letter of Credit), or to reduce the amount of any sum received or receivable by such Lender, Swingline Bank, LC Issuing Bank or other Recipient hereunder with respect to such Loan or Letter of Credit (whether of principal, interest or any other amount) then, upon request of such Lender, Swingline Bank, LC Issuing Bank or other Recipient, the Borrower will pay to such Lender, Swingline Bank, LC Issuing Bank or other Recipient, as the case may be, such additional amount or amounts as will compensate such Lender, Swingline Bank, LC Issuing Bank or other Recipient, as the case may be, for such additional costs incurred or reduction suffered.

(b) **Capital Requirements.** If any Lender, Swingline Bank or LC Issuing Bank determines that any Change in Law affecting such Lender, Swingline Bank, or LC Issuing Bank or any lending office of such Lender, such Swingline Bank or such Lender's, Swingline Bank's or LC Issuing Bank's holding company, if any, regarding capital or liquidity requirements, has or would have the effect of reducing the rate of return on such Lender's, Swingline Bank's or LC Issuing Bank's capital or on the capital of such Lender's, Swingline Bank's or LC Issuing Bank's holding company, if any, as a consequence of this Agreement, the Commitments of such Lender, the Swingline Commitment of such Swingline Bank or the Loans made by, or participations in Letters of Credit or Swingline Loan held by, such Lender, or the Letters of Credit issued by any LC Issuing Bank, to a level below that which such Lender, Swingline Bank or LC Issuing Bank or such Lender's, Swingline Bank's or LC Issuing Bank's holding company could have achieved but for such Change in Law (taking into consideration such Lender's, Swingline Bank's or LC Issuing Bank's policies and the policies of such Lender's, Swingline Bank's or LC Issuing Bank's holding company with respect to capital adequacy), then from time to time the Borrower will pay to such Lender, Swingline Bank or LC Issuing Bank, as the case may be, such additional amount or amounts as will compensate such Lender, Swingline Bank or LC Issuing Bank or such Lender's, Swingline Bank's or LC Issuing Bank's holding company for any such reduction suffered.

(c) **Certificates for Reimbursement.** A certificate of a Lender, Swingline Bank, LC Issuing Bank or other Recipient setting forth in reasonable detail the basis, method and calculations upon which such Lender, Swingline Bank, LC Issuing Bank or other Recipient determined the amount or amounts necessary to compensate such Lender, Swingline Bank, LC Issuing Bank, other Recipient or its holding company, as the case may be, as specified in paragraph (a) or (b) of this Section and delivered to the Borrower, shall be conclusive absent manifest error. The Borrower shall pay such Lender, Swingline Bank or LC Issuing Bank, as the case may be, the amount shown as due on any such certificate within 15 days after receipt thereof.

(d) **Delay in Requests.** Failure or delay on the part of any Lender, Swingline Bank, LC Issuing Bank or other Recipient to demand compensation pursuant to this Section shall not constitute a waiver of such Lender's, Swingline Bank's, LC Issuing Bank's or other Recipient's right to demand such compensation; provided that the Borrower shall not be required to compensate a Lender, Swingline Bank, LC Issuing Bank or other Recipient pursuant to this Section for any increased costs incurred or reductions suffered more than four (4) months prior to the date that such Person notifies the Borrower of the Change in Law giving rise to such increased costs or reductions, and of such Person's intention to claim compensation therefor (except that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the four-month period referred to above shall be extended to include the period of retroactive effect thereof).

(e) Subject to the requirements of Section 7.05(e), the provisions of this Section 2.16 shall be applicable with respect to any Participant or Assignee, and any calculations required by such provisions shall be based upon the circumstances of such Participant or Assignee.

Section 2.17 Taxes.

(a) **Defined Terms.** For purposes of this Section 2.17, the term "Lender" includes any LC Issuing Bank and the term "applicable law" includes FATCA.

(b) **Payments Free of Taxes.** Any and all payments by or on account of any obligation of the Borrower under any Loan Document shall be made without deduction or withholding for any Taxes, except as required by applicable law. If any applicable law (as determined in the good faith discretion of an applicable Withholding Agent) requires the deduction or withholding of any Tax from any such payment by a Withholding Agent, then the applicable Withholding Agent shall be entitled to make such deduction or withholding and shall timely pay the full amount deducted or withheld to the relevant

Governmental Authority in accordance with applicable law and, if such Tax is an Indemnified Tax, then the sum payable by the Borrower shall be increased as necessary so that after such deduction or withholding has been made (including such deductions and withholdings applicable to additional sums payable under this Section) the applicable Recipient receives an amount equal to the sum it would have received had no such deduction or withholding been made.

(c) Payment of Other Taxes by the Borrower. The Borrower shall timely pay to the relevant Governmental Authority in accordance with applicable law, or at the option of the Administrative Agent timely reimburse it for the payment of, any Other Taxes.

(d) Indemnification by the Borrower. The Borrower shall indemnify each Recipient, within 15 days after demand therefor, for the full amount of any Indemnified Taxes (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this Section) payable or paid by such Recipient or required to be withheld or deducted from a payment to such Recipient and any reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate (together with a copy of the applicable documents from the Governmental Authority imposing such Indemnified Taxes) as to the amount of such payment or liability and setting forth in reasonable detail the basis for such payment or liability delivered to the Borrower by a Lender (with a copy to the Administrative Agent), or by the Administrative Agent on its own behalf or on behalf of a Lender, shall be conclusive absent manifest error.

(e) Indemnification by the Lenders. Each Lender shall severally indemnify the Administrative Agent, within 10 days after demand therefor, for (i) any Indemnified Taxes attributable to such Lender (but only to the extent that the Borrower has not already indemnified the Administrative Agent for such Indemnified Taxes and without limiting the obligation of the Borrower to do so), (ii) any Taxes attributable to such Lender's failure to comply with the provisions of Section 7.05(e) relating to the maintenance of a Participant Register and (iii) any Excluded Taxes attributable to such Lender, in each case, that are payable or paid by the Administrative Agent in connection with any Loan Document, and any reasonable expenses arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to any Lender by the Administrative Agent shall be conclusive absent manifest error. Each Lender hereby authorizes the Administrative Agent to set off and apply any and all amounts at any time owing to such Lender under any Loan Document or otherwise payable by the Administrative Agent to the Lender from any other source against any amount due to the Administrative Agent under this paragraph (e).

(f) Evidence of Payments. As soon as practicable after any payment of Taxes by the Borrower to a Governmental Authority pursuant to this Section 2.17, the Borrower shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(g) Status of Lenders. (i) Any Lender that is entitled to an exemption from or reduction of withholding Tax with respect to payments made under any Loan Document shall deliver to the Borrower and the Administrative Agent, at the time or times reasonably requested by the Borrower or the Administrative Agent, such properly completed and executed documentation reasonably requested by the Borrower or the Administrative Agent as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender, if reasonably requested by the Borrower or the Administrative Agent, shall deliver such other documentation prescribed by applicable law or reasonably requested by the Borrower or the Administrative Agent as will enable the Borrower or the Administrative

Agent to determine whether or not such Lender is subject to backup withholding or information reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation (other than such documentation set forth in Sections 2.17(g)(ii)(A), 2.17(g)(ii)(B) and 2.17(g)(ii)(D)) shall not be required if in the Lender's reasonable judgment such completion, execution or submission would subject such Lender to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Lender.

(ii) Without limiting the generality of the foregoing:

(A) any Lender that is a U.S. Person shall deliver to the Borrower and the Administrative Agent on or prior to the date on which such Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), executed copies of IRS Form W-9 certifying that such Lender is exempt from U.S. federal backup withholding tax;

(B) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), whichever of the following is applicable:

(1) in the case of a Foreign Lender claiming the benefits of an income tax treaty to which the United States is a party (x) with respect to payments of interest under any Loan Document, executed copies of IRS Form W-8BEN-E establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "interest" article of such tax treaty and (y) with respect to any other applicable payments under any Loan Document, IRS Form W-8BEN-E establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "business profits" or "other income" article of such tax treaty;

(2) executed copies of IRS Form W-8ECI;

(3) in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under Section 881(c) of the Code, (x) a certificate substantially in the form of Exhibit F-1 to the effect that such Foreign Lender is not a "bank" within the meaning of Section 881(c)(3)(A) of the Code, a "10 percent shareholder" of the Borrower within the meaning of Section 881(c)(3)(B) of the Code, or a "controlled foreign corporation" described in Section 881(c)(3)(C) of the Code (a "**U.S. Tax Compliance Certificate**") and (y) executed copies of IRS Form W-8BEN-E; or

(4) to the extent a Foreign Lender is not the beneficial owner, executed copies of IRS Form W-8IMY, accompanied by IRS Form W-8ECI, IRS Form W-8BEN-E, a U.S. Tax Compliance Certificate substantially in the form of Exhibit F-2 or Exhibit F-3, IRS Form W-9, and/or other certification documents from each beneficial owner, as applicable; provided that if the Foreign Lender is a partnership and one or more direct or indirect partners of such Foreign Lender are claiming the portfolio interest exemption, such Foreign Lender may provide a U.S. Tax Compliance Certificate substantially in the form of Exhibit F-4 on behalf of each such direct and indirect partner;

(C) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), executed copies of any other form prescribed by applicable law as a basis for claiming exemption from or a reduction in U.S. federal withholding Tax, duly completed, together with such supplementary documentation as may be prescribed by applicable law to permit the Borrower or the Administrative Agent to determine the withholding or deduction required to be made; and

(D) if a payment made to a Lender under any Loan Document would be subject to U.S. federal withholding Tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to the Borrower and the Administrative Agent at the time or times prescribed by law and at such time or times reasonably requested by the Borrower or the Administrative Agent such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Borrower or the Administrative Agent as may be necessary for the Borrower and the Administrative Agent to comply with their obligations under FATCA and to determine that such Lender has complied with such Lender's obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this clause (D), "FATCA" shall include any amendments made to FATCA after the Closing Date.

Each Lender agrees that if any form or certification it previously delivered expires or becomes obsolete or inaccurate in any respect, it shall update such form or certification or promptly notify the Borrower and the Administrative Agent in writing of its legal inability to do so.

(h) Treatment of Certain Refunds. If any party determines, in its sole discretion exercised in good faith, that it has received a refund of any Taxes as to which it has been indemnified pursuant to this Section 2.17 (including by the payment of additional amounts pursuant to this Section 2.17), it shall pay to the indemnifying party an amount equal to such refund (but only to the extent of indemnity payments made under this Section with respect to the Taxes giving rise to such refund), net of all reasonable out-of-pocket expenses (including Taxes) of such indemnified party and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund). Such indemnifying party, upon the request of such indemnified party, shall repay to such indemnified party the amount paid over pursuant to this paragraph (h) (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) in the event that such indemnified party is required to repay such refund to such Governmental Authority. Notwithstanding anything to the contrary in this paragraph (h), in no event will the indemnified party be required to pay any amount to an indemnifying party pursuant to this paragraph (h) the payment of which would place the indemnified party in a less favorable net after-Tax position than the indemnified party would have been in if the Tax subject to indemnification and giving rise to such refund had not been deducted, withheld or otherwise imposed and the indemnification payments or additional amounts with respect to such Tax had never been paid. This paragraph shall not be construed to require any indemnified party to make available its Tax returns (or any other information relating to its Taxes that it deems confidential) to the indemnifying party or any other Person.

(i) Survival. Each party's obligations under this Section 2.17 shall survive the resignation or replacement of the Administrative Agent or any assignment of rights by, or the replacement of, a Lender, Swingline Bank or LC Issuing Bank, the termination of the Commitments, Swingline Commitment and LC Commitments, and the repayment, satisfaction or discharge of all obligations under any Loan Document.

Section 2.18 Changed Circumstances.

(a) Circumstances Affecting Benchmark Availability. Subject to clause (c) below, in connection with any request for a SOFR Loan or a conversion to or continuation thereof or otherwise, if for any reason (i) the Administrative Agent shall determine (which determination shall be conclusive and binding absent manifest error) that reasonable and adequate means do not exist for ascertaining Adjusted Term SOFR for the applicable Interest Period with respect to a proposed SOFR Loan on or prior to the first day of such Interest Period or (ii) the Required Lenders shall determine (which determination shall be conclusive and binding absent manifest error) that Adjusted Term SOFR does not adequately and fairly reflect the cost to such Lenders of making or maintaining such Loans during such Interest Period and, in the case of clause (ii), the Required Lenders have provided notice of such determination to the Administrative Agent, then, in each case, the Administrative Agent shall promptly give notice thereof to the Borrower. Upon notice thereof by the Administrative Agent to the Borrower, any obligation of the Lenders to make SOFR Loans, and any right of the Borrower to convert any Loan to or continue any Loan as a SOFR Loan, shall be suspended (to the extent of the affected SOFR Loans or the affected Interest Periods) until the Administrative Agent (with respect to clause (ii), at the instruction of the Required Lenders) revokes such notice. Upon receipt of such notice, (A) the Borrower may revoke any pending request for a borrowing of, conversion to or continuation of SOFR Loans (to the extent of the affected SOFR Loans or the affected Interest Periods) or, failing that, the Borrower will be deemed to have converted any such request into a request for a borrowing of or conversion to Base Rate Loans in the amount specified therein and (B) any outstanding affected SOFR Loans will be deemed to have been converted into Base Rate Loans at the end of the applicable Interest Period. Upon any such prepayment or conversion, the Borrower shall also pay accrued interest on the amount so prepaid or converted, together with any additional amounts required pursuant to Section 2.13.

(b) Laws Affecting SOFR Availability. If, after the date hereof, the introduction of, or any change in, any applicable law or any change in the interpretation or administration thereof by any Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any of the Lenders (or any of their respective Lending Offices) with any request or directive (whether or not having the force of law) of any such Governmental Authority, central bank or comparable agency, shall make it unlawful or impossible for any of the Lenders (or any of their respective Lending Offices) to honor its obligations hereunder to make or maintain any SOFR Loan, or to determine or charge interest based upon SOFR, the Term SOFR Reference Rate, Adjusted Term SOFR or Term SOFR, such Lender shall promptly give notice thereof to the Administrative Agent and the Administrative Agent shall promptly give notice to the Borrower and the other Lenders (an "Illegality Notice"). Thereafter, until each affected Lender notifies the Administrative Agent and the Administrative Agent notifies the Borrower that the circumstances giving rise to such determination no longer exist, (i) any obligation of the Lenders to make SOFR Loans, and any right of the Borrower to convert any Loan to a SOFR Loan or continue any Loan as a SOFR Loan, shall be suspended and (ii) if necessary to avoid such illegality, the Administrative Agent shall compute the Base Rate without reference to clause (c) of the definition of "Base Rate". Upon receipt of an Illegality Notice, the Borrower shall, if necessary to avoid such illegality, upon demand from any Lender (with a copy to the Administrative Agent), prepay or, if applicable, convert all SOFR Loans to Base Rate Loans (in each case, if necessary to avoid such illegality, the Administrative Agent shall compute the Base Rate without reference to clause (c) of the definition of "Base Rate"), on the last day of the Interest Period therefor, if all affected Lenders may lawfully continue to maintain such SOFR Loans to such day, or immediately, if any Lender may not lawfully continue to maintain such SOFR Loans to such day. Upon any such prepayment or conversion, the Borrower shall also pay accrued interest on the amount so prepaid or converted, together with any additional amounts required pursuant to Section 2.13.

(c) Benchmark Replacement Setting.

(i) Benchmark Replacement.

(A) Notwithstanding anything to the contrary herein or in any other Loan Document, upon the occurrence of a Benchmark Transition Event, the Administrative Agent and the Borrower may amend this Agreement to replace the then-current Benchmark with a Benchmark Replacement. Any such amendment with respect to a Benchmark Transition Event will become effective at 5:00 p.m. on the fifth (5th) Business Day after the Administrative Agent has posted such proposed amendment to all affected Lenders and the Borrower so long as the Administrative Agent has not received, by such time, written notice of objection to such amendment from Lenders comprising the Required Lenders. No replacement of a Benchmark with a Benchmark Replacement pursuant to this Section 2.18(c)(i)(A) will occur prior to the applicable Benchmark Transition Start Date.

(ii) Benchmark Replacement Conforming Changes. In connection with the use, administration, adoption or implementation of a Benchmark Replacement, the Administrative Agent will have the right to make Conforming Changes from time to time and, notwithstanding anything to the contrary herein or in any other Loan Document, any amendments implementing such Conforming Changes will become effective without any further action or consent of any other party to this Agreement or any other Loan Document.

(iii) Notices; Standards for Decisions and Determinations. The Administrative Agent will promptly notify the Borrower and the Lenders of (A) the implementation of any Benchmark Replacement and (B) the effectiveness of any Conforming Changes in connection with the use, administration, adoption or implementation of a Benchmark Replacement. The Administrative Agent will promptly notify the Borrower of the removal or reinstatement of any tenor of a Benchmark pursuant to Section 2.18(c)(i)(A). Any determination, decision or election that may be made by the Administrative Agent or, if applicable, any Lender (or group of Lenders) pursuant to this Section 2.18(c)(i)(A), including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection, will be conclusive and binding absent manifest error and may be made in its or their sole discretion and without consent from any other party to this Agreement or any other Loan Document, except, in each case, as expressly required pursuant to this Section 2.18(c)(i)(A).

(iv) Unavailability of Tenor of Benchmark. Notwithstanding anything to the contrary herein or in any other Loan Document, at any time (including in connection with the implementation of a Benchmark Replacement), (A) if the then-current Benchmark is a term rate (including the Term SOFR Reference Rate) and either (1) any tenor for such Benchmark is not displayed on a screen or other information service that publishes such rate from time to time as selected by the Administrative Agent in its reasonable discretion or (2) the regulatory supervisor for the administrator of such Benchmark has provided a public statement or publication of information announcing that any tenor for such Benchmark is not or will not be representative, then the Administrative Agent may modify the definition of "Interest Period" (or any similar or analogous definition) for any Benchmark settings at or after such time to remove such unavailable or non-representative tenor and (B) if a tenor that was removed pursuant to clause (A) above either (1) is subsequently displayed on a screen or information service for a Benchmark (including a Benchmark Replacement) or (2) is not, or is no longer, subject to an announcement that it is not or will not be representative for a Benchmark (including a Benchmark Replacement), then the Administrative Agent may modify the definition of "Interest Period" (or any similar or analogous definition) for all Benchmark settings at or after such time to reinstate such previously removed tenor.

(v) Benchmark Unavailability Period. Upon the Borrower's receipt of notice of the commencement of a Benchmark Unavailability Period, (A) the Borrower may revoke any pending request for a borrowing of, conversion to or continuation of SOFR Loans to be made, converted or continued during any Benchmark Unavailability Period and, failing that, the Borrower will be deemed to have converted any such request into a request for a borrowing of or conversion to Base Rate Loans and (B) any outstanding affected SOFR Loans will be deemed to have been converted to Base Rate Loans at the end of the applicable Interest Period. During any Benchmark Unavailability Period or at any time that a tenor for the then-current Benchmark is not an Available Tenor, the component of the Base Rate based upon the then-current Benchmark or such tenor for such Benchmark, as applicable, will not be used in any determination of the Base Rate.

Section 2.19 Conversion of Loans.

(a) The Borrower may on any Business Day, upon notice given to the Administrative Agent not later than 11:00 A.M. on the third U.S. Government Securities Business Day prior to the date of any proposed Conversion into or Continuation as SOFR Loans and on the Business Day of any proposed Conversion into Base Rate Loans subject to the provisions of Section 2.18, Convert all Loans of one Type into Loans of another Type or Types or Continue Loans of the same Type having the same or a new Interest Period; provided that no Loan shall be Converted to or Continued as a SOFR Loan if any Event of Default shall have occurred and be continuing. Each such notice of a Conversion or Continuation shall, within the restrictions specified above, specify (i) the date of such Conversion or Continuation, (ii) the Loans to be Converted or Continued and (iii) with respect to any Continuation, or if such Conversion is into, or with respect to SOFR Loans, the duration of the Interest Period for each such Loan.

(b) If the Borrower shall fail to select the Type of any Loan or the duration of any Interest Period for any SOFR Loan in accordance with the provisions contained in the definition of "Interest Period" and Section 2.19(a), or if any proposed Conversion of a Loan to a SOFR Loan upon Conversion shall not occur as a result of the circumstances described in Section 2.18 or 2.19(c), such Loan will automatically, on the last day of the then-existing Interest Period therefor, Convert into a Base Rate Loan.

(c) Each notice of Conversion or Continuation given pursuant to Section 2.19(a) shall be irrevocable and binding on the Borrower. In the case of any Loan that is to be Converted to a SOFR Loan, the Borrower shall indemnify the Lenders against any loss, cost or expense incurred by the Lenders as a result of any failure to fulfill on the date specified for such Conversion the applicable conditions set forth in Article III, including any loss (excluding loss of anticipated profits), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund such SOFR Loan, upon such Conversion, when such Conversion, as a result of such failure, does not occur. The Borrower's obligations under this paragraph (c) shall survive the repayment of all other amounts owing to the Lenders under this Agreement and the other Loan Documents and the termination of the Commitment.

(d) References in this Section 2.18(b) to "Loans" and "Types of Loans" shall not include the Swingline Loans.

Section 2.20 Setoff. Each Lender, Swingline Bank and LC Issuing Bank may at any time upon or after the occurrence and during the continuance of an Event of Default, and without notice to the Borrower, set-off against the Obligations of the Borrower under this Agreement the whole or any portion or portions of any or all deposits and other sums credited by or due from such Lender, Swingline Bank or LC Issuing Bank to the Borrower or subject to withdrawal by the Borrower, whether or not any other Person or Persons could also withdraw money therefrom; provided that in the event that any Defaulting Lender shall exercise any such right of setoff, (x) all amounts so set off shall be paid over immediately to the Administrative Agent for further application in accordance with the provisions of Section 2.24 and, pending such payment, shall be segregated by such Defaulting Lender from its other funds and deemed held in trust for the benefit of the Administrative Agent, the LC Issuing Banks, the Swingline Banks and the Lenders, and (y) the Defaulting Lender shall provide promptly to the Administrative Agent a statement describing in reasonable detail the obligations owing to such Defaulting Lender pursuant to this Agreement as to which it exercised such right of setoff. The rights of each Lender, Swingline Bank and LC Issuing Bank under this Section are in addition to other rights and remedies (including other rights of setoff) that such Lender or LC Issuing Bank may have in law or in equity. Each Lender, Swingline Bank and LC Issuing Bank agrees to notify the Borrower and the Administrative Agent promptly after any such setoff and application; provided that the failure to give such notice shall not affect the validity of such setoff and application.

Section 2.21 Pro Rata Treatment. Except to the extent otherwise provided herein:

(a) Each payment or prepayment of principal of any Loan, and each payment of interest on the Loans, shall be allocated first, to the payment or prepayment of principal of, or interest on, the Swingline Loans (x) initially, if such payment is to satisfy the requirements of Section 2.03(c)(iv), to the applicable Swingline Bank in accordance with Section 2.03(c)(iv) and (y) then, pro rata among the Swingline Banks in accordance with the respective principal amounts of their outstanding Swingline Loans; and second, pro rata among the Lenders in accordance with the respective principal amounts of their outstanding Loans. Each payment of the Facility Fee and the LC Fee, each reduction of the Commitments and each Conversion or extension of any Loan shall be allocated pro rata among the Lenders in accordance with their Pro Rata Percentages.

(b) Unless the Administrative Agent shall have been notified in writing by any Lender prior to a Borrowing that such Lender will not make the amount that would constitute its Pro Rata Share of such Borrowing available to the Administrative Agent, the Administrative Agent may assume that such Lender is making such amount available to the Administrative Agent, and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Borrowing available to the Administrative Agent, then the applicable Lender and the Borrower severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount with interest thereon, for each day from and including the date such amount is made available to the Borrower to but excluding the date of payment to the Administrative Agent, at (A) in the case of a payment to be made by such Lender, the greater of the Federal Funds Rate and a rate reasonably determined by the Administrative Agent in accordance with banking industry rules on interbank compensation and (B) in the case of a payment to be made by the Borrower, the interest rate applicable to the Loans made in connection with such Borrowing. If the Borrower and such Lender shall pay such interest to the Administrative Agent for the same or an overlapping period, the Administrative Agent shall promptly remit to the Borrower the amount of such interest paid by the Borrower for such period. If such Lender pays its share of the applicable Borrowing to the Administrative Agent, then the amount so paid shall constitute such Lender's Loan included in such Borrowing. Any payment by the Borrower shall be without prejudice to any claim the Borrower may have against a Lender that shall have failed to make such payment to the Administrative Agent.

(c) The obligations of the Lenders under this Agreement to make Loans and issue or participate in Letters of Credit are several and are not joint or joint and several. The failure of any Lender to make available its Pro Rata Share of any Loan requested by the Borrower shall not relieve it or any other Lender of its obligation, if any, hereunder to make its Pro Rata Share of such Loan available on the borrowing date, but no Lender shall be responsible for the failure of any other Lender to make its Pro Rata Share of such Loan available on the borrowing date.

Section 2.22 Sharing of Payments. The Lenders agree among themselves that, in the event that any Lender shall obtain payment in respect of any Loan or any other obligation owing to such Lender under this Agreement through the exercise of a right of set-off, banker's lien or counterclaim, or pursuant to a secured claim under Section 506 of Title 11 of the United States Code or other security or interest arising from, or in lieu of, such secured claim, received by such Lender under any applicable bankruptcy, insolvency or other similar law or otherwise, or by any other means, in excess of its Pro Rata Share of such payment as provided for in this Agreement, such Lender shall promptly purchase from the other Lenders a Participation Interest in such Loans and other obligations in such amounts, and make such other adjustments from time to time, as shall be equitable to the end that all Lenders share such payment in accordance with their respective ratable shares as provided for in this Agreement. The Lenders further agree among themselves that if payment to a Lender obtained by such Lender through the exercise of a right of set-off, banker's lien, counterclaim or other event as aforesaid shall be rescinded or must otherwise be restored, each Lender which shall have shared the benefit of such payment shall, by repurchase of a Participation Interest theretofore sold, return its share of that benefit (together with its share of any accrued interest payable with respect thereto) to each Lender whose payment shall have been rescinded or otherwise restored. The Borrower agrees that any Lender so purchasing such a Participation Interest may, to the fullest extent permitted by law, exercise all rights of payment, including set-off, banker's lien or counterclaim, with respect to such Participation Interest as fully as if such Lender were a holder of such Loan or other obligation in the amount of such Participation Interest. Except as otherwise expressly provided in this Agreement, if any Lender or the Administrative Agent shall fail to remit to the Administrative Agent or any other Lender an amount payable by such Lender or the Administrative Agent to the Administrative Agent or such other Lender pursuant to this Agreement on the date when such amount is due, such payments shall be made together with interest thereon for each date from the date such amount is due until the date such amount is paid to the Administrative Agent or such other Lender at a rate per annum equal to the Federal Funds Rate. If under any applicable bankruptcy, insolvency or other similar law, any Lender receives a secured claim in lieu of a set-off to which this Section 2.22 applies, such Lender shall, to the extent practicable, exercise its rights in respect of such secured claim in a manner consistent with the rights of the Lenders under this Section 2.22 to share in the benefits of any recovery on such secured claim. The provisions of this Section 2.22 shall not be construed to apply to (A) any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement (including the application of funds arising from the existence of a Defaulting Lender), (B) the application of Cash Collateral provided for in Section 2.25 or (C) any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans or participations in Swingline Loans and Letters of Credit to any assignee or participant.

Section 2.23 Mitigation of Obligations; Replacement of Lenders.

(a) Designation of a Different Lending Office. If any Lender requests compensation under Section 2.16, or requires the Borrower to pay any Indemnified Taxes or additional amounts to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.17, or any Lender delivers notice pursuant to Section 2.18(b), then such Lender shall (at the request of the Borrower) use reasonable efforts to designate a different lending office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable

pursuant to Section 2.16 or 2.17, as the case may be, in the future, or would eliminate or reduce the effect of any Change in Law that resulted in such notice having been delivered by such Lender pursuant to Section 2.18(b), and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) Replacement of Lenders. If any Lender requests compensation under Section 2.16, or if the Borrower is required to pay any Indemnified Taxes or additional amounts to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.17 and, in each case, such Lender has declined or is unable to designate a different lending office in accordance with Section 2.23(a), or if any Lender is a Defaulting Lender or a Non-Consenting Lender, then the Borrower may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in, and consents required by, Section 7.05(b)), all of its interests, rights (other than its existing rights to payments pursuant to Section 2.16 or 2.17) and obligations under this Agreement and the related Loan Documents to an Eligible Assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment); provided that:

(i) the Borrower shall have paid (or caused to be paid) to the Administrative Agent the assignment fee (if any) specified in Section 7.05(b)(iv);

(ii) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans and participations in Letters of Credit, accrued interest thereon, accrued fees and all other amounts payable to it hereunder and under the other Loan Documents (including any amounts under Section 2.13 as though such assignment were a prepayment) from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts);

(iii) in the case of any such assignment resulting from a claim for compensation under Section 2.16 or payments required to be made pursuant to Section 2.17, such assignment will result in a reduction in such compensation or payments thereafter;

(iv) such assignment does not conflict with applicable law; and

(v) in the case of any assignment resulting from a Lender becoming a Non-Consenting Lender, the applicable assignee shall have consented to the applicable amendment, waiver or consent.

A Lender shall not be required to make any such assignment or delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply.

Section 2.24 Defaulting Lenders.

(a) Defaulting Lender Adjustments. Notwithstanding anything to the contrary contained in this Agreement, if any Lender becomes a Defaulting Lender, then, until such time as such Lender is no longer a Defaulting Lender, to the extent permitted by applicable law:

(i) Waivers and Amendments. Such Defaulting Lender's right to approve or disapprove any amendment, waiver or consent with respect to this Agreement shall be restricted as set forth in the definition of "Required Lenders" and Section 7.04.

(ii) *Defaulting Lender Waterfall.* Any payment of principal, interest, fees or other amounts received by the Administrative Agent for the account of such Defaulting Lender (whether voluntary or mandatory, at maturity, pursuant to Article VI or otherwise, and including any amounts made available to the Administrative Agent by such Defaulting Lender pursuant to Section 2.20) shall be applied at such time or times as may be determined by the Administrative Agent as follows: first, to the payment of any amounts owing by such Defaulting Lender to the Administrative Agent hereunder; second, to the payment on a pro rata basis of any amounts owing by such Defaulting Lender to any LC Issuing Bank or Swingline Bank hereunder; third, subject to Section 2.24(a)(v), if so determined by the Administrative Agent or requested by any LC Issuing Bank or Swingline Bank, to Cash Collateralize the LC Issuing Banks' and Swingline Bank's Fronting Exposure with respect to such Defaulting Lender in accordance with Section 2.25; fourth, as the Borrower may request (so long as no Default or Event of Default exists), to the funding of any Loan in respect of which such Defaulting Lender has failed to fund its portion thereof as required by this Agreement, as determined by the Administrative Agent; fifth, if so determined by the Administrative Agent and the Borrower, to be held in a non-interest bearing deposit account and released pro rata in order to (x) satisfy such Defaulting Lender's potential future funding obligations with respect to Loans under this Agreement and (y) Cash Collateralize the LC Issuing Banks' future Fronting Exposure with respect to such Defaulting Lender with respect to future Letters of Credit issued under this Agreement, in accordance with Section 2.25; sixth, to the payment of any amounts owing to the Lenders, the LC Issuing Banks or the Swingline Banks as a result of any judgment of a court of competent jurisdiction obtained by any Lender, any LC Issuing Bank or any Swingline Bank against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; seventh, so long as no Default or Event of Default exists, to the payment of any amounts owing to the Borrower as a result of any judgment of a court of competent jurisdiction obtained by the Borrower against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; and eighth, to such Defaulting Lender or as otherwise directed by a court of competent jurisdiction; provided that if (x) such payment is a payment of the principal amount of any Loans or LC Disbursements in respect of which such Defaulting Lender has not fully funded its appropriate share, and (y) such Loans were made or the related Letters of Credit were issued at a time when the conditions set forth in Section 3.02 were satisfied or waived, such payment shall be applied solely to pay the Loans of and LC Disbursements owed to, all Non-Defaulting Lenders on a pro rata basis prior to being applied to the payment of any Loans of, or LC Disbursements owed to, such Defaulting Lender. Any payments, prepayments or other amounts paid or payable to a Defaulting Lender that are applied (or held) to pay amounts owed by a Defaulting Lender or to post Cash Collateral pursuant to this Section 2.24(a)(ii) shall be deemed paid to and redirected by such Defaulting Lender, and each Lender irrevocably consents hereto.

(iii) *Certain Fees.*

(A) Such Defaulting Lender shall be entitled to receive a Facility Fee for any period during which that Lender is a Defaulting Lender only to extent allocable to the sum of (1) the aggregate outstanding principal amount of the Base Rate Loans and SOFR Loans funded by it, and (2) its Pro Rata Percentage of the stated amount of Letters of Credit and Swingline Loans for which it has provided Cash Collateral pursuant to Section 2.25 or Section 2.24(a)(ii).

(B) Such Defaulting Lender shall be entitled to receive LC Fees for any period during which that Lender is a Defaulting Lender only to the extent allocable to its Pro Rata Percentage of the stated amount of Letters of Credit for which it has provided Cash Collateral pursuant to Section 2.25 or Section 2.24(a)(ii).

(C) With respect to any Facility Fee or LC Fee not required to be paid to any Defaulting Lender pursuant to sub-clause (A) or (B) above, the Borrower shall (x) pay to each Non-Defaulting Lender that portion of any such fee otherwise payable to such Defaulting Lender with respect to such Defaulting Lender's participation in LC Disbursements or Swingline Loans that has been reallocated to such Non-Defaulting Lender pursuant to clause (iv) below, (y) pay to each LC Issuing Bank and Swingline Bank, as applicable, the amount of any such fee otherwise payable to such Defaulting Lender to the extent allocable to such LC Issuing Bank's or Swingline Bank's Fronting Exposure with respect to such Defaulting Lender, and (z) not be required to pay the remaining amount of any such fee.

(iv) *Reallocation of Participations to Reduce Fronting Exposure.* For purposes of computing the amount of each Non-Defaulting Lender's obligation to acquire, purchase, refinance or fund participations in Letters of Credit or Swingline Loans pursuant to Sections 2.03 and 2.04, the "Pro Rata Percentage" and "Pro Rata Share" of each such Non-Defaulting Lender shall be computed without giving effect to the Commitment of any Defaulting Lender; provided, that, each such reallocation shall be given effect only to the extent that the aggregate amount of each Non-Defaulting Lender's obligation to acquire, purchase, refinance or fund participations in Letters of Credit and Swingline Loans shall not exceed the positive difference, if any, of (1) the Commitment of such Non-Defaulting Lender minus (2) the Outstanding Credits of such Non-Defaulting Lender at such time.

(v) *Cash Collateral, Repayment of Swingline Loans.* If the reallocation described in clause (iv) above cannot, or can only partially, be effected, the Borrower shall, without prejudice to any right or remedy available to it hereunder or under law, (x) first, at the Borrower's election, (A) prepay Swingline Loans in an amount equal to the Swingline Banks' Fronting Exposure or (B) Cash Collateralize the Swingline Banks' Fronting Exposure in accordance with the procedures set forth in Section 2.25 and (y) second, Cash Collateralize the LC Issuing Banks' Fronting Exposure in accordance with the procedures set forth in Section 2.25.

(b) Defaulting Lender Cure. If the Borrower, the Administrative Agent, each Swingline Bank and each LC Issuing Bank agree in writing that a Lender is no longer a Defaulting Lender, the Administrative Agent will so notify the parties hereto, whereupon as of the effective date specified in such notice and subject to any conditions set forth therein (which may include arrangements with respect to any Cash Collateral), that Lender will, to the extent applicable, purchase at par that portion of outstanding Loans of the other Lenders or take such other actions as the Administrative Agent may determine to be necessary to cause the Loans and funded and unfunded participations in Letters of Credit and Swingline Loans to be held pro rata by the Lenders in accordance with their Pro Rata Percentages (without giving effect to Section 2.24(a)(iv)), whereupon such Lender will cease to be a Defaulting Lender; provided that no adjustments will be made retroactively with respect to fees accrued or payments made by or on behalf of the Borrower while that Lender was a Defaulting Lender; and provided, further, that except to the extent otherwise expressly agreed by the affected parties, no change hereunder in any Lender's status from Defaulting Lender to Non-Defaulting Lender will constitute a waiver or release of any claim of any party hereunder arising from that Lender's having been a Defaulting Lender.

(c) New Swingline Loans/Letters of Credit. So long as any Lender is a Defaulting Lender, (i) no Swingline Bank shall be required to fund any Swingline Loans unless it is satisfied that it will have no Fronting Exposure after giving effect to such Swingline Loan and (ii) no LC Issuing Bank shall be required to issue, extend, renew or increase any Letter of Credit unless it is satisfied that it will have no Fronting Exposure after giving effect thereto.

(d) **Termination of Defaulting Lenders.** The Borrower may terminate the unused amount of the Commitment of any Defaulting Lender upon not less than three (3) Business Days' prior notice to the Administrative Agent (which shall promptly notify the Lenders thereof), and in such event the provisions of Section 2.24(a)(ii) will apply to all amounts thereafter paid by the Borrower for the account of such Defaulting Lender under this Agreement (whether on account of principal, interest, fees, indemnity or other amounts); provided that such termination shall not be deemed to be a waiver or release of any claim the Borrower, the Administrative Agent, any LC Issuing Bank, any Swingline Bank or any other Lender may have against such Defaulting Lender.

(e) **No Waiver.** The rights and remedies against, and with respect to, a Defaulting Lender under this Section 2.24 are in addition to, and cumulative and not in limitation of, all other rights and remedies that the Administrative Agent and each Lender, each LC Issuing Bank, each Swingline Bank or the Borrower may at any time have against, or with respect to, such Defaulting Lender. In particular, subject to Section 7.15, no reallocation under Section 2.24(a)(iv) shall constitute a waiver or release of any claim the Borrower, the Administrative Agent, any LC Issuing Bank, any Swingline Bank or any Lender may have against a Defaulting Lender arising from such Lender having become a Defaulting Lender, including any claim of a Non-Defaulting Lender as a result of such Non-Defaulting Lender's increased Outstanding Credits following such reallocation.

Section 2.25 Cash Collateral.

(a) **Defaulting Lenders Generally.** At any time that there shall exist a Defaulting Lender, within two (2) Business Days following the written request of the Administrative Agent, any LC Issuing Bank (with a copy to the Administrative Agent), or any Swingline Bank (with a copy to the Administrative Agent), the Borrower shall Cash Collateralize the LC Issuing Banks' Fronting Exposure or the Swingline Bank's Fronting Exposure, as applicable, with respect to such Defaulting Lender (determined after giving effect to Section 2.24(a)(iv)) and any Cash Collateral provided by such Defaulting Lender) in an amount equal to 100% of such Fronting Exposure.

(b) **Grant of Security Interest.** Each of the Borrower, and to the extent provided by any Defaulting Lender, such Defaulting Lender, hereby grants to the Administrative Agent, for the benefit of the LC Issuing Banks and the Swingline Banks, as applicable, and agrees to maintain, a first priority security interest in all such Cash Collateral as security for the Defaulting Lenders' obligations to fund participations in respect of Letters of Credit and for the Defaulting Lenders' obligations to purchase their respective Pro Rata Shares in respect of Swingline Loans, as applicable, to be applied pursuant to paragraph (c) below. If at any time the Administrative Agent determines that Cash Collateral is subject to any right or claim of any Person other than the Administrative Agent, the Swingline Banks and/or the LC Issuing Banks as herein provided, or that the total amount of such Cash Collateral is less than the outstanding Fronting Exposure, the Borrower or the applicable Defaulting Lender will, promptly upon demand by the Administrative Agent, pay or provide to the Administrative Agent additional Cash Collateral in an amount sufficient to eliminate such deficiency (in the case of the Borrower, after giving effect to any Cash Collateral provided by the Defaulting Lender).

(c) **Application.** Notwithstanding anything to the contrary contained in this Agreement, Cash Collateral provided under this Section 2.25 or Section 2.24 in respect of Letters of Credit shall be applied to the satisfaction of the applicable Defaulting Lender's obligation to fund participations in respect of Letters of Credit (including, as to Cash Collateral provided by a Defaulting Lender, any interest accrued on such obligation) for which the Cash Collateral was so provided, prior to any other application of such property as may otherwise be provided for herein. Notwithstanding anything to the contrary contained in this Agreement, Cash Collateral provided under this Section 2.25 or Section 2.24 in respect of Swingline Loans shall be applied to the payment of the applicable Defaulting Lender's Pro Rata Percentage purchase of Swingline Loans (including, as to Cash Collateral provided by a Defaulting Lender, any interest accrued on such obligation) for which the Cash Collateral was so provided, prior to any other application of such property as may otherwise be provided for herein.

(d) Termination of Requirement. Cash Collateral (or the appropriate portion thereof) provided to reduce any LC Issuing Bank's Fronting Exposure or Swingline Bank's Fronting Exposure shall be promptly released following (i) the elimination of the applicable Fronting Exposure, including by the termination of Defaulting Lender status of the applicable Lender (or, as applicable, its assignee following compliance with Section 7.05(b)(vi)), or (ii) the determination by the Administrative Agent and each LC Issuing Bank or Swingline Bank, as applicable, that there exists excess Cash Collateral; provided that, subject to Section 2.24 the Person providing Cash Collateral and each LC Issuing Bank or Swingline Bank, as applicable, may agree that Cash Collateral shall be held to support future anticipated Fronting Exposure or other obligations.

ARTICLE III CONDITIONS TO EXTENSIONS OF CREDIT

Section 3.01 *Conditions Precedent to Initial Extension of Credit*. The obligation of the Lenders to make Loans on the occasion of the initial Borrowing, of any Swingline Bank to make the initial Swingline Loan and of any LC Issuing Bank to issue the first Letter of Credit (including the deemed issuance of the Existing Letters of Credit hereunder) is subject to the condition that, on or prior to the date of such first Extension of Credit, the Administrative Agent shall have received the following, each dated as of the same date (unless otherwise indicated), and each in form and substance reasonably satisfactory to the Administrative Agent:

- (a) this Agreement, duly executed by the Borrower, each of the Lenders and the Administrative Agent and acknowledged by the Parent;
- (b) if requested by any Lender, a Note, payable to such Lender, duly completed and executed by the Borrower;
- (c) all documents that the Administrative Agent and the Lenders may reasonably request relating to the existence of the Borrower and the Parent, the corporate authority for and the validity of this Agreement and the other Loan Documents and any other matters relevant hereto, all in form and substance reasonably satisfactory to the Administrative Agent and the Lenders, including a certificate of incumbency of each of the Borrower and the Parent, signed by the Secretary or an Assistant Secretary of the Borrower and the Parent, certifying as to the names, true signatures and incumbency of the officer or officers authorized to execute and deliver the Loan Documents (other than the Support Agreement) to which each is a party and attaching certified copies of the following items: (i) the Support Agreement and the Financial Services Agreement, (ii) the Borrower's and the Parent's Certificates of Incorporation, (iii) the Borrower's and the Parent's bylaws, (iv) the actions taken by the board of directors of the Borrower and the Parent authorizing the Borrower's and the Parent's execution, delivery and performance of this Agreement and the other Loan Documents (other than the Support Agreement) to which each is a party, and (v) all governmental and other third party consents or approvals (if any) required in connection with the execution, delivery and performance of the Loan Documents (other than the Support Agreement) by the Borrower and the Parent;
- (d) an opinion of Morgan, Lewis & Bockius LLP, counsel for the Borrower and the Parent;
- (e) certificates of the Secretary of State of Delaware as to the good standing of the Borrower and the Parent as Delaware corporations;

(f) (i) the unaudited balance sheet of the Borrower as of December 31, 2021 and the related unaudited statements of income and cash flows for the Fiscal Year then ended, and (ii) the audited financial statements referenced in Section 4.05(a).

(g) payment of all (i) fees due to the Administrative Agent, the Joint Lead Arrangers and the Lenders set forth in the Fee Letters and (ii) reasonable and documented fees and expenses of counsel to the Administrative Agent (directly to such counsel if requested by the Administrative Agent) to the extent accrued and unpaid and invoiced to the Borrower prior to or on the Closing Date;

(h) at least five (5) Business Days prior to the Closing Date, all documentation and other information requested by the Administrative Agent or any Lender or required by regulatory authorities in order for the Administrative Agent and the Lenders to comply with requirements of any Anti-Money Laundering Laws, including the Act and any applicable “know your customer” rules and regulations, to the extent reasonably requested by the Administrative Agent or any Lender at least ten (10) Business Days prior to the Closing Date;

(i) at least five (5) Business Days prior to the Closing Date, to the Administrative Agent and directly to any Lender requesting the same, a Beneficial Ownership Certification in relation to the Borrower (or a certification that such Borrower qualifies for an express exclusion from the “legal entity customer” definition under the Beneficial Ownership Regulations), to the extent reasonably requested by the Administrative Agent or any Lender at least ten (10) Business Days prior to the Closing Date; and

(j) such other documents, approvals, and opinions as may be mutually agreed by the Borrower and the Administrative Agent.

Without limiting the generality of the provisions of Section 8.04, for purposes of determining compliance with the conditions specified in this Section 3.01, each Lender that has signed this Agreement shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter required hereunder to be consented to or approved by or acceptable or satisfactory to a Lender unless the Administrative Agent shall have received notice from such Lender prior to the Closing Date specifying its objection thereto.

Section 3.02 Conditions to All Extensions of Credit. The obligation of the Lenders to make (but not Continue or Convert) Loans on the occasion of each Borrowing, of each Swingline Bank to make a Swingline Loan and of each LC Issuing Bank to issue, extend or increase the stated amount of Letters of Credit, including the first Extension of Credit (including the deemed issuance of the Existing Letters of Credit hereunder), is subject to the satisfaction of the following conditions:

(a) the Administrative Agent shall have received a Notice of Borrowing, Notice of Swingline Borrowing or Request for Issuance, as applicable;

(b) all representations and warranties of the Borrower contained in Article IV (other than the representations and warranties set forth in Sections 4.04 and 4.05(b)) which shall only be made and need only be true on the Closing Date) shall be true in all material respects as if made on and as of the date of such Extension of Credit (except that (i) with respect to any representation and warranty that expressly relates to an earlier date, in which case such representation and warranty shall be true in all material respects as of such earlier date, and (ii) with respect to any representation and warranty that is qualified by materiality or reference to Material Adverse Change, in which case such representation and warranty shall be true in all respects as of such date (or earlier date, as applicable);

(c) immediately prior to and immediately after such Extension of Credit, no Default or Event of Default under this Agreement shall have occurred and be continuing; and

(d) immediately after such Extension of Credit, the Outstanding Credits will not exceed the aggregate Commitment.

The making of each Extension of Credit (other than any Conversion or Continuation of a Loan) shall be deemed to be a representation and warranty by the Borrower on the date of such Extension of Credit that the conditions specified in paragraphs (b), (c) and (d) above have been satisfied.

ARTICLE IV REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants that:

Section 4.01 Corporate Existence and Status. Each of the Borrower, the Parent and each Significant Subsidiary of the Parent has been duly organized, is validly existing and in good standing under the laws of the jurisdiction of its incorporation and is duly qualified to transact business in every jurisdiction where, by the nature of its business, such qualification is necessary, except where the failure to be so qualified would not reasonably be expected to result in a Material Adverse Change. Each of the Borrower, the Parent and each Significant Subsidiary of the Parent has all corporate power and authority to own or lease and operate its properties and to carry on its business as now conducted and as proposed to be conducted.

Section 4.02 Corporate Power and Authority; Enforceability. The execution, delivery and performance by the Borrower and the Parent of this Agreement and the other Loan Documents to which the Borrower or the Parent is a party (i) are within the Borrower's and the Parent's respective corporate powers and (ii) have been duly authorized by all necessary corporate action. This Agreement and the other Loan Documents to which the Borrower or the Parent is a party constitute valid and binding agreements of the Borrower and the Parent, as the case may be, enforceable in accordance with their respective terms, and the Notes, if and when executed and delivered in accordance with this Agreement, will constitute valid and binding obligations of the Borrower, enforceable in accordance with their respective terms, except, in each case, as the enforceability hereof and thereof may be affected by bankruptcy, insolvency, reorganization, moratorium or similar laws applicable to creditors' rights or the collection of debtors' obligations generally and equitable principles of general applicability.

Section 4.03 Non-Violation.

(a) The execution, delivery and performance by the Borrower and the Parent of this Agreement and the other Loan Documents to which the Borrower or the Parent is a party (i) do not conflict with, result in a breach of or constitute a default under any provision of the certificate of incorporation or bylaws (or other analogous formation documents) of the Borrower or the Parent, (ii) do not conflict with, result in a breach of or constitute a default under any provision of any material contract, agreement, judgment, injunction, order, decree or other instrument binding upon the Borrower or the Parent, except to the extent such conflict, breach or default would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Change and (iii) do not result in the creation or imposition of any Lien on any asset of the Borrower, the Parent or any Significant Subsidiary of the Parent (other than Permitted Liens).

(b) The execution and delivery by the Borrower and the Parent of this Agreement and the other Loan Documents to which the Borrower or the Parent is a party, the incurring and repayment by the Borrower of the Obligations, and the performance by the Parent of the Support Agreement do not violate any law, rule or regulation applicable to the Borrower or the Parent, as applicable.

(c) The performance by the Borrower of its other obligations under this Agreement and the other Loan Documents to which it is a party does not violate any law, rule or regulation applicable to the Borrower except where such violation would not reasonably be expected to have a Material Adverse Change.

Section 4.04 Litigation. There are no pending or, to the knowledge of the Borrower, threatened actions or proceedings (including any Environmental Proceedings) affecting the Borrower, the Parent or any Subsidiary of the Parent before any court, governmental agency or arbitrator, that, individually or in the aggregate, would reasonably be expected to result in a Material Adverse Change.

Section 4.05 Financial Information.

(a) The consolidated balance sheet of the Parent and its Subsidiaries, as of December 31, 2021, and the related statements of income and cash flows for the Fiscal Year then ended, reported on by independent public accountants of nationally recognized standing (copies of which have been delivered to the Lenders), fairly present, in conformity with GAAP, the consolidated financial position of the Parent and its Subsidiaries, as of such date, and of their results of operations and cash flows for such period stated.

(b) Since December 31, 2021, there has been no Material Adverse Change.

Section 4.06 Approvals. The execution, delivery and performance by the Borrower and the Parent of this Agreement and the other Loan Documents to which the Borrower or the Parent is a party require no action by or in respect of, or filing with, any governmental body, agency or official or any other Person except where the failure to obtain such approval or such violation would not reasonably be expected to result in a Material Adverse Change.

Section 4.07 Use of Proceeds. The proceeds of the Loans and the Letters of Credit will be used by the Borrower for working capital and other general corporate purposes of the Parent and its Subsidiaries. The Borrower and its Subsidiaries shall not use the proceeds of the Loans and the Letters of Credit (a) in violation of any Anti-Corruption Laws or Anti-Money Laundering Laws, (b) for the purpose of funding, financing or facilitating any activities, business or transaction of or with any Sanctioned Person, or in any Sanctioned Country or (c) in any manner that results in the violation of any Sanctions applicable to any party hereto.

Section 4.08 Investment Company Act; Margin Regulations. Each of Parent and the Borrower is either not an “investment company” under the Investment Company Act of 1940 (the “*Investment Company Act*”) or is exempt from all provisions of the Investment Company Act. Neither the Borrower, the Parent nor any Subsidiary of the Parent will apply the proceeds of any of the Loans, directly or indirectly, for the purpose, either immediate, incidental or ultimate, of purchasing or carrying any Margin Stock, except in compliance with Section 5.02(d).

Section 4.09 Compliance with Laws. Each of the Borrower, the Parent and each Subsidiary of the Parent is in compliance with all applicable laws, regulations and similar requirements of Governmental Authorities (including the Act, Anti-Corruption Laws, Anti-Money Laundering Laws, applicable Sanctions and all Environmental Requirements), except where the failure to be in compliance would not reasonably be expected to result in a Material Adverse Change.

Section 4.10 Compliance with ERISA.

(a) Except as would not reasonably be expected to result in a Material Adverse Change, the Borrower, the Parent, each Significant Subsidiary of the Parent and each other member of the Controlled Group of the foregoing have fulfilled their respective obligations under the minimum funding standards of ERISA and the Code with respect to each Plan and are in compliance in all material respects with the presently applicable provisions of ERISA and the Code with respect to each Plan and have not incurred any liability to the PBGC (other than for current premiums, which have been paid when due) or a Plan under Title IV of ERISA (other than liabilities for benefits and administration and operational expenses incurred in the ordinary course of Plan operations). As of the valuation date immediately preceding the Closing Date, no Plan of the Borrower, the Parent, any Significant Subsidiary of the Parent or any other member of the Controlled Group of the foregoing has been determined to be in “at risk” status (within the meaning of Section 430 of the Code or Section 303 of ERISA), and as of the Closing Date, no such Plan is reasonably expected to become an “at-risk” plan. No Multiemployer Plan is, or is expected to be, insolvent (within the meaning of ERISA Section 4245) or in “critical” status (within the meaning of ERISA Section 304).

(b) All contributions (if any) that the Borrower, the Parent, any Significant Subsidiary of the Parent or any other member of the Controlled Group of the foregoing have been required to make to a Multiemployer Plan have been duly and timely made and none of Borrower, Parent, any Significant Subsidiary of the Parent or any other member of the Controlled Group of the foregoing has incurred any material liability with respect to any Multiemployer Plan other than to make contributions as and when due. None of the Borrower, the Parent, any Significant Subsidiary of the Parent nor any member of the Controlled Group of the foregoing has incurred any Withdrawal Liability that has not been fully paid.

Section 4.11 Environmental Matters. Neither the Borrower, the Parent nor any Significant Subsidiary of the Parent is subject to any Environmental Liability that, individually or in the aggregate, would reasonably be expected to result in a Material Adverse Change.

Section 4.12 Taxes. There have been filed on behalf of the Borrower, the Parent and each Significant Subsidiary of the Parent all United States federal, state, provincial and local income, excise, property and other material tax returns that are required to be filed by the Borrower, the Parent and such Significant Subsidiary of the Parent, and all taxes shown to be due pursuant to such returns or pursuant to any assessment received by or on behalf of the Borrower, the Parent and such Significant Subsidiary of the Parent have been, or within the times required by law will be, paid except (i) where the amount or validity thereof currently is being contested in good faith by appropriate proceedings and reserves in conformity with GAAP with respect thereto have been provided on the books of the Borrower, the Parent or such Significant Subsidiary of the Parent, as the case may be, or (ii) where failure to file or nonpayment would not reasonably be expected to result in a Material Adverse Change.

Section 4.13 No Defaults. Neither the Borrower, the Parent nor any Significant Subsidiary of the Parent is in default under or with respect to any material agreement, instrument or undertaking (other than in respect of Debt) to which it is a party, or by which it or any of its properties is bound which would reasonably be expected to result in a Material Adverse Change. No Default or Event of Default has occurred and is continuing.

Section 4.14 Ownership of Borrower and Operating Utilities. The Parent owns directly or indirectly (i) 100% of the Common Stock of the Borrower and (ii) at least 50% of the Common Stock of each Operating Utility, in each case, free and clear of any Lien other than Permitted Liens.

Section 4.15 Ownership of Properties and Assets. Each of the Borrower, the Parent and each Significant Subsidiary of the Parent has title to its properties and assets sufficient for the conduct of its respective business, except where the failure to have such title would not reasonably be expected to result in a Material Adverse Change.

Section 4.16 Full Disclosure. No written information (other than projections, other forward-looking information and information of a general economic or industry specific nature) furnished by the Borrower and the Parent to the Administrative Agent and the Lenders for purposes of or in connection with this Agreement and the Loan Documents or any transaction contemplated hereby or thereby (when taken as a whole for the purposes for which such information is given and read together with all other previously provided information), contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained therein not materially misleading in light of the circumstances under which such statements were made; provided that in the case of projections, such projections were prepared in good faith based on estimates and assumptions believed by the Borrower and the Parent to be reasonable at the time made. As of the Closing Date (or the date of the delivery of any subsequent update), all of the information included in the Beneficial Ownership Certification is true and correct.

Section 4.17 Anti-Corruption Laws and Sanctions. The Borrower and the Parent have implemented and maintain in effect policies and procedures designed to ensure compliance in all material respects by the Borrower, the Parent, the Subsidiaries of the Parent and their respective directors, officers, employees and agents with Anti-Corruption Laws, Anti-Money Laundering Laws and applicable Sanctions, and the Borrower, the Parent, the Subsidiaries of the Parent and their respective directors, officers and employees and to the knowledge of the Borrower its agents, are in compliance with Anti-Corruption Laws, Anti-Money Laundering Laws and applicable Sanctions. None of (a) the Borrower, the Parent, any Subsidiary of the Parent nor any of their respective directors, officers, employees or affiliates, or (b) to the knowledge of the Borrower or the Parent, any agent or representative of the Borrower, the Parent or any Subsidiary of the Parent that will act in any capacity in connection with or benefit from the credit facility established hereby is a Sanctioned Person or currently the subject or target of any Sanctions.

Section 4.18 Margin Stock. The Borrower is not engaged principally or as one of its important activities in the business of extending credit for the purpose of “purchasing” or “carrying” any Margin Stock.

ARTICLE V COVENANTS

Section 5.01 Affirmative Covenants. So long as any Loan shall remain unpaid, any Letter of Credit shall remain outstanding or any Lender shall have any Commitment hereunder, the Borrower agrees as follows:

(a) **Parent Financial Reporting.** The Borrower will cause the Parent to deliver to the Administrative Agent (which shall promptly make such information available to the Lenders in accordance with its customary practice):

(i) as soon as available and in any event within 90 days after the end of each Fiscal Year, a consolidated balance sheet of the Parent and its Subsidiaries as of the end of such Fiscal Year and the related consolidated statements of income and cash flows for such Fiscal Year, setting forth in each case in comparative form the figures for the previous Fiscal Year, all reported on by independent public accountants of nationally recognized standing, with such report to be free of any “going concern” or similar qualification or exception or any qualification as to the scope of such audit;

(ii) as soon as available and in any event within 60 days after the end of each of the first three Fiscal Quarters of each Fiscal Year, a consolidated balance sheet of the Parent and its Subsidiaries as of the end of such Fiscal Quarter and the related consolidated statement of income and cash flows for such Fiscal Quarter and for the portion of the Fiscal Year ended at the end of such Fiscal Quarter, setting forth in each case in comparative form the figures for the corresponding Fiscal Quarter and the corresponding portion of the previous Fiscal Year, all certified by a Financial Officer of the Parent to present fairly in all material respects the financial condition of the Parent and its Subsidiaries on a consolidated basis as of their respective dates and the results of operations of the Parent and its Subsidiaries for the respective periods then ended, subject to normal year-end adjustments and the absence of footnotes; and

(iii) no later than five (5) Business Days following the delivery of each set of financial statements referred to in Sections 5.01(a)(i) and 5.01(a)(ii), a certificate of a Financial Officer of the Parent demonstrating and certifying compliance with the financial covenant set forth in Section 5.01(i).

(b) Borrower Financial Reporting. The Borrower will deliver to the Administrative Agent (which shall promptly make such information available to the Lenders in accordance with its customary practice):

(i) as soon as available and in any event within 90 days after the end of each Fiscal Year, a balance sheet of the Borrower as of the end of such Fiscal Year and the related statements of income and cash flows for such Fiscal Year, setting forth in each case in comparative form the figures for the previous Fiscal Year, all certified by a Financial Officer of the Borrower to present fairly in all material respects the financial condition of the Borrower as of the date indicated and the results of operations of the Borrower for such Fiscal Year;

(ii) as soon as available and in any event within 60 days after the end of each of the first three Fiscal Quarters of each Fiscal Year, a balance sheet of the Borrower as of the end of such Fiscal Quarter and the related statement of income and cash flows for such Fiscal Quarter and for the portion of the Fiscal Year ended at the end of such Fiscal Quarter, setting forth in each case in comparative form the figures for the corresponding Fiscal Quarter and the corresponding portion of the previous Fiscal Year, all certified by a Financial Officer of the Borrower to present fairly in all material respects the financial condition of the Borrower as of their respective dates and the results of operations of the Borrower for the respective periods then ended, subject to normal year-end adjustments and the absence of footnotes; and

(iii) simultaneously with the delivery of each set of financial statements referred to in Sections 5.01(b)(i) and 5.01(b)(ii), a certificate of a Financial Officer of the Borrower stating whether, to the knowledge of such Financial Officer, any Default or Event of Default exists on the date of such certificate and, if any Default or Event of Default then exists, setting forth the details thereof and the action which the Borrower or the Parent, as applicable, is taking or proposes to take with respect thereto.

(c) Other Reporting Requirements. The Borrower will, and will cause the Parent to, deliver to the Administrative Agent (which shall promptly make such information available to the Lenders in accordance with its customary practice):

(i) within five (5) Business Days after a Responsible Officer of the Borrower or the Parent becomes aware of the occurrence of any Default or Event of Default, a certificate of a Financial Officer of the Borrower or the Parent, as applicable, setting forth the details thereof and the action which the Borrower or the Parent, as applicable, is taking or proposes to take with respect thereto;

(ii) promptly upon the filing thereof with the SEC, copies of all reports with respect to material litigation which the Borrower, the Parent or any Subsidiary of the Parent files with the SEC;

(iii) within five (5) Business Days after the furnishing thereof, copies of all financial statements and reports sent to the stockholders of the Parent generally, and promptly upon the filing thereof with the SEC, notice by electronic mail of the filing of any financial statements and reports which the Parent filed with the SEC (other than reports referred to in Sections 5.01(a)(i), 5.01(a)(ii) and 5.01(c)(ii));

(iv) promptly upon receipt thereof, notice of any downgrade in the S&P Rating or the Moody's Rating of the Borrower;

(v) simultaneously with the delivery of the certificate referred to in Section 5.01(a)(iii), if any Subsidiary has become or ceased to be a Significant Subsidiary, a revised Schedule II disclosing the Significant Subsidiaries as of the date of such certificate;

(vi) prompt notice of any proposed waiver, amendment, supplement or other modification of any term or condition of the Support Agreement;

(vii) promptly upon the request thereof, such other information and documentation required by bank regulatory authorities under applicable "know your customer" and anti-money laundering rules and regulations (including the Act), as from time to time reasonably requested by the Administrative Agent or any Lender;

(viii) if reasonably requested by any Lender (through the Administrative Agent) or the Administrative Agent, the Borrower will furnish to the Administrative Agent evidence of compliance with the Margin Regulations; and

(ix) from time to time such additional information regarding the business, financial condition or results of operations of the Borrower, the Parent or the Significant Subsidiaries of the Parent as the Administrative Agent and the Lenders may reasonably request.

(d) Compliance with Laws and Contractual Obligations.

(i) The Borrower will, and will cause the Parent and the Subsidiaries of the Parent to, comply with the requirements of all applicable laws (including the Act, ERISA, Anti-Corruption Laws, Anti-Money Laundering Laws, applicable Sanctions and Environmental Requirements), rules, regulations and orders, except where the failure to so comply would not reasonably be expected to result in a Material Adverse Change. Not in limitation of the foregoing, the Borrower will, and will cause the Parent, each Significant Subsidiary of the Parent and each other member of the Controlled Group of the foregoing to make all payments to each Plan of the Borrower, the Parent, any Significant Subsidiary of the Parent or any other member of the Controlled Group of the foregoing necessary to meet the minimum funding requirements of Section 412 of the Code and Section 302 of ERISA.

(ii) The Borrower will, and will cause the Parent and the Significant Subsidiaries of the Parent to, comply with the requirements of all material contractual obligations (other than

Debt) to which it is a party, except (A) where the necessity of such compliance currently is being contested in good faith by appropriate proceedings and reserves in conformity with, and to the extent required by, GAAP with respect thereto have been provided on the books of the Borrower, the Parent or any Significant Subsidiary of the Parent, as the case may be, or (B) where the failure to so comply would not reasonably be expected to result in a Material Adverse Change.

(e) Payment of Taxes. The Borrower will, and will cause the Parent and each Significant Subsidiary of the Parent to, pay promptly when due all taxes, assessments, governmental charges, claims for labor, supplies, rent and other obligations (other than Debt) which, if unpaid, might become a Lien against the Properties of the Borrower, the Parent or such Significant Subsidiary, except (i) liabilities that are currently being contested in good faith by appropriate proceedings and reserves in conformity with, and to the extent required by, GAAP with respect thereto have been provided on the books of the Borrower, the Parent or such Significant Subsidiary, as the case may be, or (ii) where the failure to pay would not reasonably be expected to result in a Material Adverse Change.

(f) Maintenance of Insurance. The Borrower will, and will cause the Parent and each Significant Subsidiary of the Parent to, maintain with financially sound and reputable insurance companies, insurance on its Properties in at least such amounts and against at least such risks as are usually insured against in the same general area by companies of established repute engaged in the same or similar business as the Borrower, the Parent or such Significant Subsidiary of the Parent, as the case may be.

(g) Maintenance of Properties; Inspection of Property, Books and Records.

(i) Except as permitted by Section 5.02(b), the Borrower will, and will cause the Parent and the Significant Subsidiaries of the Parent to, maintain all of its Properties and assets necessary and material to its business in good condition, repair and working order, ordinary wear and tear excepted, in accordance with standards observed by companies engaged in the same or similar business and similarly situated as the Borrower, the Parent or such Subsidiaries of the Parent, as the case may be, except where the failure to so maintain its respective Properties and assets would not reasonably be expected to result in a Material Adverse Change; provided that nothing in this Section 5.01(g)(i) shall prevent the Borrower, the Parent or any Significant Subsidiary of the Parent from discontinuing the operation or maintenance of any such Properties or assets or disposing of such Properties or assets if such discontinuance is, in the judgment of the Borrower, desirable in the conduct of its business or the business of the Parent or any such Significant Subsidiary.

(ii) The Borrower will, and will cause the Parent and each Significant Subsidiary of the Parent to, (A) keep proper books of record and account in which full, true and correct entries in conformity with GAAP shall be made of all dealings and transactions in relation to its respective business and activities and (B) permit representatives of the Administrative Agent (and any Lender in attendance with the Administrative Agent) to visit and inspect any of its Properties at reasonable business hours upon reasonable notice, to examine and make abstracts from any of its books and records and to discuss its affairs, finances and accounts with its respective officers, employees and independent public accountants; provided that (w) excluding any such visits and inspections during the continuation of an Event of Default, the Administrative Agent shall conduct such visits and inspections at its (and the applicable Lenders') expense and not exercise such rights more often than one (1) time during any calendar year; (x) upon the occurrence and during the continuance of an Event of Default, the Administrative Agent and any Lender may do any of the foregoing at the expense of the Borrower and at any time without advance notice; (y) any such visits or inspections shall be subject to such conditions as the Borrower, the Parent and

each Significant Subsidiary of the Parent, as the case may be, shall deem necessary based on reasonable considerations of safety and security; and (z) neither the Borrower, the Parent or any Significant Subsidiary of the Parent shall be required to disclose any information that is subject to the attorney-client privilege or attorney work-product privilege properly asserted by the applicable person to prevent the loss of such privilege or which is prevented from disclosure pursuant to a confidentiality agreement with third parties.

(h) Maintenance of Existence.

(i) The Borrower will, and will cause the Parent to, maintain its corporate existence except as permitted under Section 5.02(b).

(ii) The Borrower will, and will cause the Parent and each Significant Subsidiary of the Parent to maintain all rights, franchises, licenses and privileges necessary to the conduct of its business, except (x) as permitted under Section 5.02(b) and (y) where the failure to take such action would not reasonably be expected to result in a Material Adverse Change.

(i) Debt Capitalization. The Borrower will cause the Parent to maintain at the end of each Fiscal Quarter a ratio of Consolidated Total Debt to Consolidated Total Capitalization of not more than 0.70 to 1.0.

(j) Compliance with Anti-Corruption Laws and Sanctions; Beneficial Ownership Regulation. The Borrower and the Parent will (i) maintain in effect and enforce policies and procedures designed to ensure compliance by the Borrower, the Parent, the Subsidiaries of the Parent and their respective directors, officers, employees and agents with Anti-Corruption Laws, Anti-Money Laundering Laws and applicable Sanctions, (ii) notify the Administrative Agent and each Lender that previously received a Beneficial Ownership Certification (or a certification that the Borrower qualifies for an express exclusion to the “legal entity customer” definition under the Beneficial Ownership Regulation) of any change in the information provided in the Beneficial Ownership Certification that would result in a change to the list of beneficial owners identified therein (or, if applicable, the Borrower ceasing to fall within an express exclusion to the definition of “legal entity customer” under the Beneficial Ownership Regulation) and (iii) promptly upon the reasonable request of the Administrative Agent or any Lender, provide the Administrative Agent or directly to such Lender, as the case may be, any information or documentation requested by it for purposes of complying with the Beneficial Ownership Regulation.

Documents required to be delivered pursuant to Sections 5.01(a), 5.01(b) and 5.01(c) (other than Section 5.01(c)(ii)) (to the extent any such documents are included in materials otherwise filed with the SEC) may be delivered electronically and if so delivered, shall be deemed to have been delivered on the date (i) on which the Borrower posts such documents, or provides a link thereto on the Borrower’s website on the Internet at the website address listed in Section 7.01; or (ii) on which such documents are posted on the Borrower’s behalf on an Internet or intranet website, if any, to which each Lender and the Administrative Agent have access (whether a commercial, third-party website or whether sponsored by the Administrative Agent); provided that: (i) the Borrower shall deliver paper copies of such documents to the Administrative Agent or any Lender that requests the Borrower to deliver such paper copies until a written request to cease delivering paper copies is given by the Administrative Agent or such Lender and (ii) the Borrower shall notify the Administrative Agent by facsimile or electronic mail (which shall promptly provide notice to the Lenders in accordance with its customary practice) of the posting of any such documents. Notwithstanding anything contained herein, in every instance the Parent and the Borrower shall be required to provide paper copies of the compliance certificates required by Sections 5.01(a)(iii) and 5.01(b)(iii) to the Administrative Agent. Except for such compliance certificates, the Administrative Agent shall have no obligation to request the delivery or to maintain

copies of the documents referred to above, and in any event shall have no responsibility to monitor compliance by the Borrower with any such request for delivery, and each Lender shall be solely responsible for requesting delivery to it or maintaining its copies of such documents.

The Borrower and the Parent hereby acknowledge that (a) the Administrative Agent and/or the Joint Lead Arrangers will make available to the Lenders and the LC Issuing Banks materials and/or information provided by or on behalf of the Borrower and the Parent hereunder (collectively, the “**Borrower Materials**”) by posting the Borrower Materials on SyndTrak Online or another similar electronic system (the “**Platform**”) and (b) certain of the Lenders may be “public-side” Lenders (i.e., Lenders that do not wish to receive material non-public information with respect to the Borrower, the Parent or their respective securities) (each, a “**Public Lender**”). The Borrower hereby agrees that if (x) the Borrower has clearly and conspicuously marked any Borrower Materials “PUBLIC”, which, at a minimum, shall mean that the word “PUBLIC” shall appear prominently on the first page thereof or (y) the Borrower Materials have been filed with the SEC without a request of confidential treatment, (A) the Borrower shall be deemed to have authorized the Administrative Agent, the Joint Lead Arrangers, the LC Issuing Banks and the Lenders to treat such Borrower Materials as not containing any material non-public information (although it may be sensitive and proprietary) with respect to the Borrower, the Parent or their respective securities for purposes of United States Federal and state securities laws (provided that to the extent such Borrower Materials constitute Information, they shall be treated as set forth in Section 7.06); (B) all Borrower Materials marked “PUBLIC” are permitted to be made available through a portion of the Platform designated “Public Investor”; and (C) the Administrative Agent and the Joint Lead Arrangers shall be entitled to treat any Borrower Materials that are not marked “PUBLIC” as being suitable only for posting on a portion of the Platform not designated “Public Investor”. Notwithstanding the foregoing, the Borrower shall be under no obligation to mark any Borrower Materials “PUBLIC”.

Section 5.02 Negative Covenants. So long as any Loan shall remain unpaid, any Letter of Credit shall remain outstanding or any Lender shall have any Commitment hereunder, the Borrower agrees as follows:

(a) Restrictions on Liens. The Borrower shall not, and shall not cause or permit the Parent or any Significant Subsidiary of the Parent to create, incur, assume or suffer to exist, any Lien on or with respect to any of its respective Property, whether now owned or hereafter acquired, except Permitted Liens.

(b) Consolidations; Mergers; Etc. Neither the Borrower nor the Parent shall consolidate or merge with or into, or sell, lease or otherwise transfer all or substantially all of its assets, taken as a whole, to any other Person; provided that (i) the Parent may consolidate or merge with another Person so long as (A) the Parent is the Person surviving or continuing after the completion of such consolidation or merger; (B) after giving effect to such consolidation or merger, the S&P Rating and the Moody’s Rating of the Parent is BBB-/Baa3 or higher; and (C) immediately after giving effect to such consolidation or merger, no Default or Event of Default shall have occurred and be continuing and (ii) the Borrower may consolidate or merge with, or sell, lease or otherwise transfer all or substantially all of its assets to, the Parent so long as (A) in the case of a consolidation or merger, the Parent is the Person surviving or continuing after the completion of such consolidation or merger; (B) the Parent directly assumes all of the Borrower’s obligations under the Loan Documents in accordance with documentation reasonably acceptable to the Administrative Agent; and (C) immediately after giving effect to such consolidation, merger, sale, lease or transfer, no Default or Event of Default shall have occurred and be continuing.

(c) Sale-Leaseback Transactions. The Borrower will not, and will not allow Parent or any Significant Subsidiary of the Parent to, enter into any Sale and Leaseback Transaction unless:

(i) the aggregate amount of the Attributable Debt of the Borrower, the Parent and the Significant Subsidiaries of the Parent in respect of Sale and Leaseback Transactions then outstanding would not exceed 15% of Consolidated Tangible Total Assets, or

(ii) the Borrower, the Parent or such Significant Subsidiary, within six (6) months of the applicable Sale and Leaseback Transaction, retires an amount of secured Debt which is not subordinate to the Obligations in an amount equal to the greater of (A) the net proceeds of the sale or transfer of the property or other assets that are the subject of such Sale and Leaseback Transaction or (B) the fair market value of the property leased pursuant to such Sale and Leaseback Transaction; provided that this Section 5.02(c) shall not apply to any Sale and Leaseback Transaction which (x) is for an initial term of three (3) years or less or (y) which has a sale price of (A) \$1,000,000 or less, individually or (B) \$20,000,000 or less in the aggregate.

(d) Use of Proceeds.

(i) No part of the proceeds of any of the Loans or Letters of Credit will be used for any purpose which violates the provisions of the Margin Regulations. The proceeds of the Loans shall not be used for any purpose other than as specified in Section 4.07.

(ii) The Borrower will not request any Extension of Credit, and the Borrower shall not use, and shall ensure that the Parent and its Subsidiaries and its or their respective directors, officers, employees and agents shall not use, the proceeds of any Extension of Credit (x) in furtherance of an offer, payment, promise to pay, or authorization of the payment or giving of money, or anything else of value, to any Person in violation of any Anti-Corruption Laws or Anti-Money Laundering Laws, (y) for the purpose of funding, financing or facilitating any activities, business or transaction of or with any Sanctioned Person, or in any Sanctioned Country, or (z) in any manner that would result in the violation of any Sanctions applicable to any party hereto or any Anti-Corruption Laws or Anti-Money Laundering Laws.

(e) Support Agreement. Subject to Section 7.04(a)(viii), the Borrower shall not, and shall not cause or permit the Parent to: (i) cancel or terminate the Support Agreement or (ii) amend or otherwise modify the terms of the Support Agreement, except for amendments and modifications that do not adversely affect the rights of the Lenders hereunder, in each case, without the prior written consent of the Lenders.

(f) Change in Nature of Business. Except as permitted by Section 5.02(b), the Borrower shall not engage in any business, operations or activities (whether directly, through a joint venture, in connection with a permitted acquisition or otherwise) other than financing activities for and on behalf of the Parent and one or more of the other Subsidiaries of the Parent.

ARTICLE VI DEFAULTS

Section 6.01 *Events of Default.* If one or more of the following events (“*Events of Default*”) shall have occurred and be continuing:

(a) the Borrower shall fail to pay (i) any principal of any Loan or Reimbursement Obligation on the date such payment is due, or (ii) interest on any Loan or Reimbursement Obligation or any other Obligation, within five (5) Business Days of the date such payment is due; or

(b) the Borrower shall fail to observe or perform (or shall fail to cause the Parent and its Subsidiaries or Significant Subsidiaries, as applicable, to observe or perform) any covenant or agreement contained in Section 5.01(c)(i), 5.01(h)(i), 5.01(i), or 5.02; or

(c) the Borrower shall fail to observe or perform (or shall fail to cause the Parent and its Subsidiaries or Significant Subsidiaries, as applicable, to observe or perform) any covenant or agreement contained in this Agreement (other than those covered by Section 6.01(a) or 6.01(b)) and such failure shall continue for a period of thirty (30) days after the earlier of (i) the Borrower's delivery of notice thereof to the Administrative Agent and (ii) written notice thereof has been given to the Borrower by the Administrative Agent or any Lender; or

(d) any representation, warranty, certification or statement made or deemed made by the Borrower in Article IV or by the Borrower or the Parent under any other Loan Document or in any certificate, financial statement or other document delivered pursuant to this Agreement or any other Loan Document shall prove to have been incorrect in any material respect (or for any representation, warranty, certification or statement that is qualified by materiality or reference to Material Adverse Change, in any respect) when made (or deemed made); or

(e) the Borrower, the Parent or any Significant Subsidiary of the Parent shall fail to pay any principal of or premium or interest on any Debt (excluding Debt evidenced by this Agreement and any Notes, but including, for purposes of this provision, obligations of the Parent under Section 4 of the Support Agreement) in an aggregate amount in excess of (i) \$125,000,000, in the case of the Borrower, (ii) \$125,000,000, in the case of the Parent or any Significant Subsidiary other than the Borrower or (iii) \$250,000,000, in the aggregate, in the case of all of the Significant Subsidiaries of the Parent, when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Debt; or any other event shall occur or condition shall exist under any agreement or instrument relating to any such Debt and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such event or condition is to accelerate, or to permit the acceleration of (with the giving of notice and/or lapse of time, if required), the maturity of such Debt; or any such Debt shall be declared to be due and payable, or required to be prepaid (other than by a regularly scheduled required prepayment), prior to the stated maturity thereof; provided that if such failure, default, event or condition shall be cured by the Borrower, the Parent or such Significant Subsidiary or waived by the holders of such Debt and any acceleration of maturity having resulted from such failure, default, event or condition shall be rescinded or annulled, in each case in accordance with the terms of such agreement or instrument, without any modification of the terms of such Debt requiring the Borrower, the Parent or such Significant Subsidiary to furnish additional or other security therefor, furnish additional or other guarantees thereof, reduce the average life to maturity thereof, increase the principal amount thereof or the interest rate thereon, or any agreement by the Borrower, the Parent or such Significant Subsidiary to furnish additional or other security therefor, furnish additional or other guarantees thereof, or to issue Debt in lieu thereof which is secured by additional or other collateral or additional or other guarantees or with a shorter average life to maturity or in a greater principal amount or with a greater interest rate thereon, then any default hereunder by reason thereof shall be deemed likewise to have been thereupon cured or waived unless payment of the Loans hereunder has been accelerated prior to such cure or waiver; or

(f) the Parent shall default in the performance or observance of any obligation or condition under Section 3 of the Support Agreement as of the last day of any Fiscal Year or Fiscal Quarter of the Borrower; provided that any such default shall not be an Event of Default unless the Borrower has tangible net worth (total assets less liabilities less intangible assets as of such last day), as determined for purposes of the Support Agreement and after giving effect to period-end adjustments in accordance with GAAP, of less than negative \$100,000, and, if such default is capable of being cured, such default shall continue for a period of ten (10) days after a Financial Officer of either the Borrower or the Parent first has actual knowledge of such default; or

(g) the Borrower, the Parent or any Significant Subsidiary of the Parent shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally, or shall admit in writing its inability, to pay its debts as they become due, or shall take any corporate action to authorize any of the foregoing; or

(h) an involuntary case or other proceeding shall be commenced against the Borrower, the Parent or any Significant Subsidiary of the Parent seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of 60 days; or an order for relief in such case or proceeding shall be entered against the Borrower, the Parent or any such Significant Subsidiary under the federal bankruptcy laws as now or hereafter in effect; or

(i) one or more judgments or orders for the payment of money in an aggregate amount (to the extent not paid or insured) in excess of (i) \$125,000,000, in the case of the Borrower, (ii) \$125,000,000, in the case of the Parent or any Significant Subsidiary other than the Borrower or (iii) \$250,000,000, in the aggregate, in the case of all of the Significant Subsidiaries of the Parent, shall be rendered against the Borrower, the Parent or any such Significant Subsidiary, and such judgment or order shall continue without having been discharged, vacated or stayed for a period of sixty (60) consecutive days after the entry thereof; or

(j) (i) the PBGC shall institute proceedings under Title IV of ERISA to terminate or to cause a trustee to be appointed to administer any Plan of the Borrower, the Parent, any Significant Subsidiary or any other member of the Controlled Group of the foregoing or any Multiemployer Plan or a proceeding shall be instituted by a fiduciary of any such Plan or Multiemployer Plan against the Borrower or any member of its Controlled Group to enforce Section 515 or 4219(c)(5) of ERISA and such proceeding shall not have been dismissed within 30 days thereafter; or (ii) a condition shall exist by reason of which the PBGC would be entitled to obtain a decree adjudicating that any such Plan or Multiemployer Plan must be terminated; or (iii) the Borrower, the Parent or any such Significant Subsidiary, or any member of the Controlled Group of the foregoing shall incur any Withdrawal Liability with respect to one or more Multiemployer Plans, in each case that results or is reasonably likely to result in liability to the Borrower or any Significant Subsidiary in the aggregate in excess of \$125,000,000; or

(k) any material provision of the Support Agreement shall become unenforceable, or any court or governmental or regulatory body having jurisdiction over the Parent, shall assert the unenforceability of any such provision in writing, or the Parent contests in any manner the validity or enforceability of any such provision; or

(l) a Parent Change of Control shall occur; or

(m) except as permitted by Section 5.02(b), the Parent shall cease to own, directly or indirectly, 100% of the Common Stock of the Borrower;

then, and in every such event, the Administrative Agent, on behalf of the Lenders, the Swingline Banks and the LC Issuing Banks, may, with the consent of the Required Lenders (or shall at the request of the Required Lenders), by notice to the Borrower: terminate the Commitment, the Swingline Commitment and the LC Commitment and each shall thereupon terminate and declare the Loans (together with accrued interest thereon) and the Reimbursement Obligations and all other Obligations to be, and the Loans (together with all accrued interest thereon), Reimbursement Obligations and all other Obligations shall thereupon become, immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower; provided that if any Event of Default specified in Section 6.01(g) or 6.01(h) occurs with respect to the Borrower or the Parent, without any notice to the Borrower or any other act by the Administrative Agent or any Lender, Swingline Bank or LC Issuing Bank, the Commitment, the Swingline Commitment and the LC Commitment shall thereupon automatically terminate and the Loans (together with accrued interest thereon) and all other Obligations shall automatically become immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower.

Section 6.02 Cash Collateral Account. Notwithstanding anything to the contrary contained herein, no notice given or declaration made by the Administrative Agent pursuant to Section 6.01 shall affect the obligation of any LC Issuing Bank to make any payment under any Letter of Credit in accordance with the terms of such Letter of Credit; provided that upon the occurrence and during the continuance of any Event of Default, the Administrative Agent shall at the request, or may with the consent, of the Required Lenders, upon notice to the Borrower, require the Borrower to deposit with the Administrative Agent an amount in the cash collateral account (the “**Cash Collateral Account**”) described below equal to 102% of the aggregate maximum amount available to be drawn under all Letters of Credit outstanding at such time. Such Cash Collateral Account shall at all times be free and clear of all rights or claims of third parties. The Cash Collateral Account shall be maintained with the Administrative Agent in the name of, and under the sole dominion and control of, the Administrative Agent, and amounts deposited in the Cash Collateral Account shall bear interest at a rate equal to the rate generally offered by the Administrative Agent for deposits equal to the amount deposited by the Borrower in the Cash Collateral Account, for a term to be determined by the Administrative Agent in its sole discretion. The Borrower hereby grants to the Administrative Agent for the benefit of the Lenders, the LC Issuing Banks and the Swingline Banks, a Lien on, and hereby assigns to the Administrative Agent for the benefit of the Lenders, the LC Issuing Banks and the Swingline Banks all of its right, title and interest in, the Cash Collateral Account and all funds from time to time on deposit therein to secure its Reimbursement Obligations in respect of Letters of Credit or repayment obligations in respect of the Swingline Loans, as applicable. If any drawings then outstanding or thereafter made are not reimbursed in full immediately upon demand or, in the case of subsequent drawings, upon being made, then, in any such event, the Administrative Agent may, and, upon the Borrower’s request, shall, apply the amounts then on deposit in the Cash Collateral Account, in such priority as the Administrative Agent shall elect, toward the payment in full of any or all of the Borrower’s Obligations hereunder as and when such Obligations shall become due and payable. Upon the earlier to occur of (a) payment in full, after the termination of the Letters of Credit, of all Obligations and (b) the date on which all Events of Default shall have been cured or waived, the Administrative Agent will repay and reassign to the Borrower any cash then on deposit in the Cash Collateral Account, and the Lien of the Administrative Agent on the Cash Collateral Account and the funds therein shall automatically terminate.

Section 6.03 Administrative Agent May File Proofs of Claim. In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Borrower, the Administrative Agent (irrespective of whether the principal of any Loan or Letters of Credit shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether the Administrative Agent shall have made any demand on the Borrower) shall be entitled and empowered, by intervention in such proceeding or otherwise:

(a) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Loans, Letters of Credit and all other Obligations that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Lenders and the Administrative Agent (including any claim for the reasonable compensation, expenses, disbursements and advances of the Lenders and the Administrative Agent and their respective agents and counsel and all other amounts due the Lenders and the Administrative Agent under Sections 2.09 and 7.03) allowed in such judicial proceeding; and

(b) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same in accordance with this Agreement;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Lender to make such payments to the Administrative Agent and, in the event that the Administrative Agent shall consent to the making of such payments directly to the Lenders, to pay to the Administrative Agent any amount due for the reasonable compensation, expenses, disbursements and advances of the Administrative Agent and its agents and counsel, and any other amounts due the Administrative Agent under Sections 2.09 and 7.03.

Nothing contained herein shall be deemed to authorize the Administrative Agent to authorize or consent to or accept or adopt on behalf of any Lender any plan of reorganization, arrangement, adjustment or composition affecting the obligations or the rights of any Lender or to authorize the Administrative Agent to vote in respect of the claim of any Lender in any such proceeding.

ARTICLE VII MISCELLANEOUS

Section 7.01 Notices.

(a) All notices, requests and other communications to any party hereunder shall be in writing (including electronic transmission or similar writing) and shall be given to such party at its address, or facsimile number or other electronic transmission set forth, in the case of the Borrower, the Parent, the Administrative Agent, the Lenders, the Swingline Banks and the LC Issuing Banks on the signature pages hereto (including, in the case of the Borrower, the Borrower's website) or such other address or facsimile number as such party may hereafter specify for the purpose by notice to the Borrower and the Administrative Agent. Each such notice, request or other communication shall be effective (i) if given by facsimile, when such facsimile is transmitted to the facsimile number specified as provided in this Section and the appropriate confirmation is received, (ii) if given by e-mail, when transmitted to the email address specified in this Section and a written confirmation of such communication is also given by some other method specified in this Section, (iii) if given by mail, 72 hours after such communication is deposited in the mails with first class postage prepaid, addressed as aforesaid, or (iv) if given by any other means, when delivered at the address specified as provided in this Section; provided that (x) Notices of Borrowings to the Administrative Agent and Notices of Swingline Borrowings to the applicable Swingline Bank under Article II shall not be effective until received and (y) notices delivered by facsimile or e-mail, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next Business Day for the recipient.

(b) Notices and other communications to the Lenders and the LC Issuing Banks hereunder may be delivered or furnished by electronic communication (including e-mail and Internet or intranet websites) pursuant to procedures approved by the Administrative Agent; provided that the foregoing shall not apply to notices to any Lender or LC Issuing Bank pursuant to Article II if such Lender or LC Issuing Bank, as applicable, has notified the Administrative Agent that it is incapable of receiving notices under

such Article by electronic communication. The Administrative Agent or the Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it; provided that approval of such procedures may be limited to particular notices or communications.

Section 7.02 No Waivers. No failure or delay by the Administrative Agent or any Lender in exercising any right, power or privilege hereunder or under any of the other Loan Documents shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

Section 7.03 Expenses; Indemnification.

(a) The Borrower shall pay (i) all reasonable and documented out of pocket expenses incurred by the Administrative Agent, the Syndication Agent, the Joint Lead Arrangers and their Affiliates (including the reasonable and documented fees and expenses of counsel for the Administrative Agent), in connection with the syndication of the credit facility evidenced by this Agreement, the preparation, negotiation, execution, delivery and administration of this Agreement and the other Loan Documents (other than the Support Agreement) or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated), (ii) without duplication of any fees separately agreed to by the Borrower, all reasonable and documented out of pocket expenses incurred by any LC Issuing Bank (other than overhead expenses and other similar expenses) in connection with the issuance, amendment, renewal or extension of any Letter of Credit or any demand for payment thereunder and (iii) all documented out of pocket expenses incurred by the Administrative Agent, any Lender, any Swingline Bank or any LC Issuing Bank (including the reasonable and documented fees and expenses of any counsel for the Administrative Agent, any Lender, any Swingline Bank or any LC Issuing Bank), in connection with the enforcement or protection of its rights (A) in connection with this Agreement and the other Loan Documents, including its rights under this Section, or (B) in connection with the Loan made or Letters of Credit issued hereunder, including all such out of pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans or Letters of Credit; provided that the Borrower shall only be required to pay the fees and expenses for (x) one (1) outside counsel for the Administrative Agent, the Syndication Agent, the Joint Lead Arrangers, the Lenders, the Swingline Banks and the LC Issuing Banks, (y) any local and/or regulatory counsel in any applicable jurisdiction for the Administrative Agent, the Syndication Agent, the Joint Lead Arrangers, the Lenders, the Swingline Banks and the LC Issuing Banks and (z) in the case of an actual or potential conflict of interest, such additional counsel as may be reasonably necessary.

(b) The Borrower shall indemnify the Administrative Agent, each Joint Lead Arranger, each Lender, each Swingline Bank and each LC Issuing Bank, and each Related Party of any of the foregoing Persons (each such Person being called an “*Indemnitee*”) against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related reasonable and documented out of pocket costs and expenses (including the reasonable and documented fees and expenses of any counsel for any Indemnitee), incurred by any Indemnitee or asserted against any Indemnitee by any Person (including the Borrower or the Parent) other than such Indemnitee and its Related Parties arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement, any other Loan Document or any agreement or instrument contemplated hereby or thereby, the performance by the parties hereto of their respective obligations hereunder or thereunder or the consummation of the transactions contemplated hereby or thereby, (ii) any Loan or Letter of Credit or the use or proposed use of the proceeds therefrom (including any refusal by any LC Issuing Bank to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), (iii) any actual or alleged presence or release of Hazardous Materials on or from any property owned or operated by the Borrower, the Parent or any of its Subsidiaries, or any Environmental

Proceeding or Environmental Liability related in any way to the Borrower, the Parent or any of its Subsidiaries, (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, whether brought by a third party or by the Borrower, the Parent or any of its Subsidiaries, and regardless of whether any Indemnitee is a party thereto, or (v) any claim (including any claim arising from an Environmental Proceeding or Environmental Liability), investigation, litigation or other proceeding (whether or any Indemnitee is a party thereto) and the prosecution and defense thereof, arising out of or in any way connected with the Loans, this Agreement, any other Loan Document, or any documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby, including reasonable and documented attorneys' fees; provided that such indemnity shall (x) not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related costs and expenses are determined by a court of competent jurisdiction by final and nonappealable judgment (1) to have resulted from the gross negligence or willful misconduct of such Indemnitee or (2) to have resulted from a claim brought by the Borrower or the Parent against an Indemnitee for breach in bad faith of such Indemnitee's obligations hereunder or under any other Loan Document, (y) not be available for any claim, litigation, loss or proceeding that is brought by an Indemnified Person against another Indemnified Person not arising from or in connection with any action or omission of the Borrower, the Parent or any of their respective Subsidiaries or Affiliates (other than against any of the Joint Lead Arrangers, the Administrative Agent or the Co-Documentation Agents in their capacities as such) and (z) be limited in the case of attorneys' fees and expenses to (1) one (1) outside counsel for the Administrative Agent, the Syndication Agent, the Joint Lead Arrangers, the Lenders, the Swingline Banks and the LC Issuing Banks, (2) any local and/or regulatory counsel in any applicable jurisdiction for the Administrative Agent, the Syndication Agent, the Joint Lead Arrangers, the Lenders, the Swingline Banks and the LC Issuing Banks and (3) in the case of an actual or potential conflict of interest, such additional counsel as may be reasonably necessary. This Section 7.03(b) shall not apply with respect to Taxes other than any Taxes that represent losses, claims, damages, etc. arising from any non-Tax claim.

(c) To the extent that the Borrower for any reason fails to indefeasibly pay any amount required under paragraph (a) or (b) of this Section to be paid by it to the Administrative Agent (or any sub-agent thereof), any LC Issuing Bank, any Swingline Bank or any Related Party of any of the foregoing, each Lender severally agrees to pay to the Administrative Agent (or any such sub-agent), such LC Issuing Bank, such Swingline Bank or such Related Party, as the case may be, such Lender's Pro Rata Share (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought based on each Lender's share of the aggregate outstanding Commitments, or if there are no Commitments outstanding, the outstanding principal amount of the Loans, at such time) of such unpaid amount (including any such unpaid amount in respect of a claim asserted by such Lender); provided that with respect to such unpaid amounts owed to any LC Issuing Bank or Swingline Bank solely in its capacity as such, only the Lenders shall be required to pay such unpaid amounts, such payment to be made severally among them based on such Lenders' Pro Rata Share (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought); and provided, further, that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent (or any such sub-agent), such LC Issuing Bank or such Swingline Bank in its capacity as such, or against any Related Party of any of the foregoing acting for the Administrative Agent (or any such sub-agent), such LC Issuing Bank or any such Swingline Bank in connection with such capacity. The obligations of the Lenders under this paragraph (c) are subject to the provisions of Section 2.21(c).

(d) To the fullest extent permitted by applicable law, the Borrower shall not assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document, the transactions contemplated hereby or thereby, any Loan or Letter of Credit, or the use of the proceeds thereof. To the fullest extent permitted

by applicable law, no Indemnitee shall assert, and each Indemnitee hereby waives, any claim against the Borrower, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document, the transactions contemplated hereby or thereby, any Loan or Letter of Credit, or the use of the proceeds thereof; provided that this waiver shall in no way limit the Borrower's indemnification obligations in Section 7.03(b) to the extent of any claim by any Person other than the Borrower, the Parent or any Indemnitee or its Related Parties for any of the foregoing to the extent such claim would be covered by Section 7.03(b).

Section 7.04 Amendments, Waivers and Consents.

(a) Neither this Agreement nor any other Loan Document (other than the Support Agreement (except as provided in clause (viii) below)) nor any of the terms hereof or thereof may be amended, changed, waived, discharged or terminated unless such amendment, change, waiver, discharge or termination is in writing and signed by the Required Lenders, the Borrower and the Parent; provided that no such amendment, change, waiver, discharge or termination shall without the consent of each Lender affected thereby:

- (i) extend the final maturity of any Loan, or any portion thereof (except pursuant to Section 2.06),
- (ii) reduce the rate or extend the time of payment of interest (other than a waiver or rescission of the application of the default rate of interest) or fees hereunder;
- (iii) reduce or waive repayment of the principal amount of any Loan,
- (iv) extend the Commitment of a Lender or increase the Commitment of a Lender over the amount thereof in effect (it being understood and agreed that none of (A) a waiver of any Default or Event of Default, (B) the extension of the Commitment of any other Lender in accordance with Section 2.06 or (C) the increase of the Commitment of any other Lender in accordance with Section 2.05, shall, in any case, constitute a change in the terms of the Commitment of such Lender),
- (v) release the Borrower from all its obligations under the Loan Documents except as permitted hereby,
- (vi) reduce any percentage specified in, or otherwise modify, the definition of "Required Lenders",
- (vii) consent to the assignment or transfer by the Borrower of any of its respective rights and obligations under (or in respect of) the Loan Documents except as permitted hereby or thereby,
- (viii) (x) terminate or otherwise cancel the Support Agreement or (y) amend or otherwise modify the terms of the Support Agreement in any manner that, in the case of this clause (y), adversely affects the rights of such Lender,
- (ix) amend or otherwise modify this Section 7.04; or
- (x) change Section 2.21 or Section 2.22 in a manner that would alter the pro rata sharing of payments required thereby without the written consent of each Lender.

Notwithstanding anything to the contrary herein, (i) no Defaulting Lender shall have any right to approve or disapprove any amendment, waiver or consent hereunder (and any amendment, waiver or consent which by its terms requires the consent of all Lenders or each affected Lender may be effected with the consent of the applicable Lenders other than Defaulting Lenders), except that (x) the Commitment of any Defaulting Lender may not be increased or extended without the consent of such Lender and (y) any waiver, amendment or modification requiring the consent of all Lenders or each affected Lender that by its terms affects any Defaulting Lender more adversely than other affected Lenders shall require the consent of such Defaulting Lender; (ii) no amendment, waiver or consent shall, unless in writing and signed by the LC Issuing Banks in addition to the Lenders required above, affect the rights or duties of the LC Issuing Banks under this Agreement or any Letter of Credit issued or to be issued by it; (iii) no amendment, waiver or consent shall, unless in writing and signed by the Swingline Banks in addition to the Lenders required above, affect the rights or duties of the Swingline Banks under this Agreement; (iv) no amendment, waiver or consent shall, unless in writing and signed by the Administrative Agent in addition to the Lenders required above, affect the rights or duties of the Administrative Agent under this Agreement or any other Loan Document; and (v) each Fee Letter may be amended, or rights or privileges thereunder waived, in a writing executed only by the parties thereto.

(b) In connection with any proposed amendment, change or waiver (a “**Proposed Change**”) requiring the consent of all Lenders or all affected Lenders, if the consent of the Required Lenders to such Proposed Change is obtained, but the consent to such Proposed Change of other Lenders whose consent is required is not obtained (any such Lender whose consent is not obtained as described in paragraph (a) above being referred to as a “**Non-Consenting Lender**”), then, so long as the Lender that is acting as Administrative Agent is not a Non-Consenting Lender, the Borrower may, at its sole expense and effort, upon notice to such Non-Consenting Lender and the Administrative Agent, require such Non-Consenting Lender to assign and delegate (or to execute a Power of Attorney to the Administrative Agent for the Administrative Agent to assign and delegate on such Non-Consenting Lender’s behalf) without recourse (in accordance with and subject to the restrictions contained in Section 7.05), all its interests, rights and obligations under this Agreement to an Eligible Assignee that shall assume such obligations; provided that (i) such Non-Consenting Lender shall have received payment of an amount equal to the outstanding principal of its Loans and participations in Letter of Credit payments that have not been reimbursed, accrued interest thereon, accrued fees and all other amounts payable to it hereunder from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts) and (ii) the Borrower or such assignee shall have paid to the Administrative Agent the processing and recordation fee specified in Section 7.05(b) (iv). Notwithstanding anything to the contrary in this Agreement, the return of the Note held by any such Non-Consenting Lender is not a condition to the effectiveness of any assignment pursuant to this Section 7.04(b).

(c) Notwithstanding anything to the contrary in this Section 7.04, if the Administrative Agent and the Borrower shall have jointly identified (each in its sole discretion) an obvious error or omission of a technical or immaterial nature, in each case, in any provision of the Loan Documents (other than the Support Agreement), then the Administrative Agent and the Borrower shall be permitted to amend such provision and such amendment shall become effective without any further action or consent of any other party to any Loan Document if the same is not objected to in writing by the Required Lenders within five Business Days following the posting of such amendment to the Lenders.

Section 7.05 Benefit of Agreement.

(a) This Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective successors and assigns of the parties hereto; provided that, except as permitted by Section 5.02(b), the Borrower may not assign or transfer any of its interests and obligations without prior written consent of each of the Lenders; and provided further that the rights of each Lender to transfer, assign or grant participations in its rights and/or obligations hereunder shall be limited as set forth in this Section 7.05.

(b) Each Lender may assign to one or more Eligible Assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Loans, its Notes, and its Commitment); provided that:

(i) each such assignment shall be to an Eligible Assignee;

(ii) except in the case of an assignment to another Lender, an Affiliate of an existing Lender or any Approved Fund or an assignment of all of a Lender's rights and obligations under this Agreement, any such partial assignment shall be in an amount at least equal to \$10,000,000 (or, if less, the remaining amount of the Commitment being assigned by such Lender) or an integral multiple of \$1,000,000 in excess thereof;

(iii) each such assignment by a Lender of any portion of its Loans shall be accompanied by an assignment of a constant, and not varying, percentage of all of such Loans, and each such assignment by a Lender of any portion of its Loans shall be accompanied by an assignment of a constant, and not varying, percentage of all of such Lender's Loans;

(iv) the parties to such assignment shall execute and deliver to the Administrative Agent for its acceptance an Assignment and Acceptance, together with any Note subject to such assignment and a processing fee of \$3,500;

(v) except for any (A) Swingline Bank which is a Lender being replaced pursuant to Section 2.23(b), and (B) any LC Issuing Bank which (1) is a Lender being replaced pursuant to Section 2.23(b) and (2) has no Letters of Credit issued by it on such date of replacement, the consents of each LC Issuing Bank and Swingline Bank (such consent not to be unreasonably withheld or delayed) shall be required for any assignment; and

(vi) in connection with any assignment of rights and obligations of any Defaulting Lender hereunder, no such assignment shall be effective unless and until, in addition to the other conditions thereto set forth herein, the parties to the assignment shall make such additional payments to the Administrative Agent in an aggregate amount sufficient, upon distribution thereof as appropriate (which may be outright payment, purchases by the assignee of participations or subparticipations, or other compensating actions, including funding, with the consent of the Borrower and the Administrative Agent, the Pro Rata Share previously requested but not funded by the Defaulting Lender, to each of which the applicable assignee and assignor hereby irrevocably consent), to (x) pay and satisfy in full all payment liabilities then owed by such Defaulting Lender to the Administrative Agent, each LC Issuing Bank, each Swingline Bank and each other Lender hereunder (and interest accrued thereon), and (y) acquire (and fund as appropriate) its full Pro Rata Share and participations in Letters of Credit and Swingline Loans in accordance with its Pro Rata Percentage. Notwithstanding the foregoing, in the event that any assignment of rights and obligations of any Defaulting Lender hereunder shall become effective under applicable law without compliance with the provisions of this paragraph, then the assignee of such interest shall be deemed to be a Defaulting Lender for all purposes of this Agreement until such compliance occurs.

Upon execution, delivery, and acceptance of such Assignment and Acceptance, the assignee thereunder shall be a party hereto and, to the extent of such assignment, have the obligations, rights, and benefits of a Lender hereunder and the assigning Lender shall, to the extent of such assignment, relinquish its rights and be released from its obligations under this Agreement; provided, that except to the extent otherwise

expressly agreed by the affected parties, no assignment by a Defaulting Lender will constitute a waiver or release of any claim of any party hereunder arising from that Lender's having been a Defaulting Lender. Upon the consummation of any assignment pursuant to this Section 7.05, the assignor, the Administrative Agent and the Borrower shall make appropriate arrangements so that, if required, new Notes are issued to the assignor and the assignee. Each assignee shall deliver to the Borrower and the Administrative Agent certification as to an exemption from or reduction of withholding of Taxes in accordance with Section 2.17(g). To the extent that an assignment of all or any portion of a Lender's Commitment pursuant to this Section 7.05 would, at the time of such assignment, result in increased costs under Section 2.16 or 2.17 from those being charged by the respective assigning Lender prior to such assignment, then the Borrower shall not be obligated to pay such increased costs (although the Borrower shall be obligated to pay any other increased costs of the type described above resulting from changes after the date of the respective assignment).

(c) The Administrative Agent shall maintain at its address referred to in Section 7.01 a copy of each Assignment and Acceptance delivered to and accepted by it and a register for the recordation of the names and addresses of the Lenders and the Commitment of, and principal amount of the Loans owing to, each Lender from time to time (the "**Register**"). The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and the Borrower, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Borrower or any Lender at any reasonable time and from time to time upon reasonable prior notice. Any assignment of any Loan or other obligations shall be effective only upon an entry with respect thereto being made in the Register.

(d) Upon its receipt of an Assignment and Acceptance executed by the parties thereto, together with any Note subject to such assignment and payment of the processing fee, the Administrative Agent shall, if such Assignment and Acceptance has been completed and is in substantially the form of Exhibit C, (i) accept such Assignment and Acceptance, (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to the parties thereto.

(e) Each Lender may sell participations to one or more Persons (other than a natural Person, or a holding company, investment vehicle or trust for, or owned and operated for the primary benefit of, a natural Person, or the Borrower, or any of the Borrower's Affiliates or Subsidiaries, or any Defaulting Lender) (each a "**Participant**") in all or a portion of its rights, obligations or rights and obligations under this Agreement (including all or a portion of its Commitment or its Loans); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, and (iii) the Borrower shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement, and such Lender shall retain the sole right to enforce the obligations of the Borrower hereunder owing to such Lender and to approve any amendment, modification, or waiver of any provision of this Agreement (other than amendments, modifications, or waivers decreasing the amount of principal of or the rate at which interest is payable on such Loans or Notes, extending any scheduled principal payment date or date fixed for the payment of interest on such Loans or Notes, or extending its Commitment). The Borrower agrees that each Participant shall be entitled to the benefits of Sections 2.13, 2.16 and 2.17 (subject to the requirements and limitations therein, including the requirements under Section 2.17(g)) (it being understood that the documentation required under Section 2.17(g) shall be delivered to the participating Lender) to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section; provided that such Participant (A) agrees to be subject to the provisions of Section 2.23 as if it were an assignee under paragraph (b) of this Section; and (B) shall not be entitled to receive any greater payment under Section 2.13, 2.16 or 2.17, with respect to any participation, than its participating Lender would have been entitled to receive, except to the extent such entitlement to receive a greater payment results from a Change in

Law that occurs after the Participant acquired the applicable participation. Each Lender that sells a participation shall, acting solely for this purpose as a non-fiduciary agent of the Borrower, maintain a register on which it enters the name and address of each Participant and the principal amounts (and stated interest) of each Participant's interest in the Loans or other obligations under the Loan Documents (the "**Participant Register**"); provided that no Lender shall have any obligation to disclose all or any portion of the Participant Register (including the identity of any Participant or any information relating to a Participant's interest in any commitments, loans, letters of credit or its other obligations under any Loan Document) to any Person except to the extent that such disclosure is necessary to establish that such commitment, loan, letter of credit or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive absent manifest error, and such Lender shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary. For the avoidance of doubt, the Administrative Agent (in its capacity as Administrative Agent) shall have no responsibility for maintaining a Participant Register.

(f) A Participant shall not be entitled to receive any greater payment under Section 2.13, 2.16 or 2.17 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent.

(g) Notwithstanding any other provision set forth in this Agreement, any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank or other central banking authority for such Lender; provided that no such pledge or assignment shall release such Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

(h) Any Lender may furnish any information concerning the Borrower in the possession of such Lender from time to time to assignees and participants (including prospective assignees and Participants), subject, however, to the provisions of Section 7.06.

(i) Notwithstanding anything to the contrary contained in this Agreement, any Lender may exchange, continue or rollover all or a portion of its Loans in connection with any refinancing, extension, loan modification or similar transaction permitted by the terms of this Agreement, pursuant to a cashless settlement mechanism approved by the Borrower, the Administrative Agent and such Lender.

Section 7.06 Confidentiality. Each of the Administrative Agent, the Lenders, the Swingline Banks and the LC Issuing Banks agree to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its Affiliates and to its Related Parties (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed and required to keep such Information confidential and not to use such Information except in connection with the transactions contemplated by the Loan Documents, and it being further understood that each of the Administrative Agent, the Lenders, the Swingline Banks and the LC Issuing Banks will be responsible for any disclosure or use of such Information by its Affiliates and its employees, officers and directors in a manner not permitted by this Section); (b) to the extent required or requested by any regulatory authority purporting to have jurisdiction over such Person or its Related Parties (including any self-regulatory authority, such as the National Association of Insurance Commissioners); provided that except in connection with any routine bank examination of the Administrative Agent, such Lender, such Swingline Bank or such LC Issuing Bank, such Person or Related Party shall (to the extent permitted by any regulatory authority), at the expense of the Borrower,

provide the Borrower and the Parent with prompt (and to the extent practicable, prior) notice of such requested disclosure so that the Borrower or Parent may seek a protective order or other appropriate remedy and, in any event, such Person or Related Party shall provide only that portion of such Information that in the reasonable judgment of such Person or Related Party, as the case may be, is relevant, advisable or legally required to be provided, to the extent practicable; (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process; provided that the Administrative Agent, such Lender, such Swingline Bank or such LC Issuing Bank, as applicable, shall (to the extent legally permitted to do so), at the expense of the Borrower, provide the Borrower and the Parent with prompt (and to the extent practicable, prior) notice of such requested disclosure so that the Borrower or Parent may seek a protective order or other appropriate remedy and, in any event, the Administrative Agent, such Lender, such LC Issuing Bank or such LC Issuing Bank shall provide only that portion of such Information that in the reasonable judgment of such Person is relevant, advisable or legally required to be provided, to the extent practicable; (d) to any other party hereto; (e) in connection with the exercise of any remedies hereunder or under any other Loan Document or any action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder and, in any event, only with respect to that portion of Information that is relevant, advisable or legally required in such Person's reasonable judgment to such exercise of remedies, action or proceeding or enforcement of rights; (f) subject to an agreement containing provisions substantially the same as those of this Section, to any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights and obligations under this Agreement; (g) on a confidential basis to (i) any rating agency in connection with rating the Borrower or this Agreement or (ii) the CUSIP Service Bureau or any similar agency in connection with the issuance and monitoring of CUSIP numbers with respect to this Agreement; (h) with the consent of the Borrower; or (i) to the extent such Information (x) becomes publicly available other than as a result of a breach of this Section, or (y) becomes available to the Administrative Agent, any Lender, any LC Issuing Bank or any of their respective Affiliates on a nonconfidential basis from a source other than any Borrower Party (as defined below) that is not known by the Administrative Agent, such Lender, such Swingline Bank, such LC Issuing Bank or such Affiliate to be prohibited from disclosing such information to it by a contractual, legal or fiduciary obligation to the Borrower, the Parent or any of their respective Subsidiaries or Affiliates. Notwithstanding the foregoing, the Administrative Agent and the Lenders may disclose the existence of this Agreement and information about this Agreement to market data collectors, similar service providers to the lending industry and service providers to the Administrative Agent or any Lender in connection with the administration of this Agreement, the other Loan Documents, and the Commitments.

For purposes of this Section, "**Information**" means all information received from any Borrower Party relating to the Borrower, the Parent or any of its Subsidiaries or any of their respective businesses, other than any such information that is available to the Administrative Agent, any Lender or any LC Issuing Bank on a nonconfidential basis prior to disclosure by any Borrower Party. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information. For purposes of this Section, "**Borrower Party**" means the Borrower, the Parent or any Subsidiary, Affiliate, attorney, accountant, auditor, advisor or agent of the Borrower or the Parent.

Section 7.07 Representation by Lender. Each Lender hereby represents that it is a commercial lender or financial institution which makes loans in the ordinary course of its business and that it will make its Loans hereunder for its own account in the ordinary course of such business; provided that, subject to Sections 2.23 and 7.05, the disposition of the Loans owed to such Lender and the Notes held by such Lender shall at all times be within its exclusive control.

Section 7.08 Governing Law. This Agreement and the Notes shall be construed in accordance with and governed by the law of the State of New York.

Section 7.09 Consent to Jurisdiction; Waiver of Jury Trial.

(a) Submission to Jurisdiction. Each of the parties hereto irrevocably and unconditionally agrees that any action, litigation or proceeding of any kind or description, whether in law or equity, whether in contract or in tort or otherwise, against any other party hereto or any Related Party of such Person in any way relating to this Agreement or any other Loan Document or the transactions relating hereto or thereto, shall be brought and maintained in the courts of the State of New York sitting in New York County, and of the United States District Court of the Southern District of New York, and any appellate court from any thereof, and each of the parties hereto irrevocably and unconditionally submits to the exclusive jurisdiction of such courts and agrees that all claims in respect of any such action, litigation or proceeding may be heard and determined in such New York State court or, to the fullest extent permitted by applicable law, in such federal court.

(b) Waiver of Venue. Each party hereto irrevocably and unconditionally waives, to the fullest extent permitted by applicable law, any objection that it may now or hereafter have to the laying of venue of any action or proceeding arising out of or relating to this Agreement or any other Loan Document in any court referred to in paragraph (a) of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by applicable law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(c) Service of Process. Each party hereto irrevocably consents to service of process effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to the address provided for notices in Section 7.01. Nothing in this Agreement will affect the right of any party hereto to serve process in any other manner permitted by applicable law.

(d) Waiver of Jury Trial. THE ADMINISTRATIVE AGENT, THE LENDERS, THE SWINGLINE BANKS, THE LC ISSUING BANKS AND THE BORROWER HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHTS THEY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH, THIS AGREEMENT AND ANY OTHER LOAN DOCUMENT, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER ORAL OR WRITTEN), OR ACTIONS OF THE ADMINISTRATIVE AGENT, THE LENDERS, THE SWINGLINE BANKS, THE LC ISSUING BANKS, THE BORROWER OR THE PARENT. THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE ADMINISTRATIVE AGENT, THE LENDERS, THE SWINGLINE BANKS AND THE LC ISSUING BANKS ENTERING INTO THIS AGREEMENT.

Section 7.10 Interpretation. No provision of this Agreement or any other Loan Document shall be construed against or interpreted to the disadvantage of any party hereto by any court or other governmental or judicial authority by reason of such party having or being deemed to have structured or dictated such provision.

Section 7.11 Counterparts; Effectiveness; Electronic Execution.

(a) Counterparts; Effectiveness. This Agreement may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. Delivery of an executed counterpart of a signature page of this Agreement by facsimile or in electronic (i.e., “pdf” or “tif”) format shall be effective as delivery of a manually executed counterpart of this Agreement.

(b) Electronic Execution of Assignments. The words “execution”, “signed”, “signature” and words of like import in any Assignment and Acceptance shall be deemed to include electronic signatures

or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act.

Section 7.12 Entire Agreement. This Agreement and the other Loan Documents embody the entire agreement and understanding between the parties hereto and thereto in respect of the transactions contemplated hereby and thereby and supersede all prior negotiations, understandings and agreements between such parties or any of them in respect of such transactions.

Section 7.13 USA PATRIOT Act. The Administrative Agent and each Lender hereby notifies the Borrower that pursuant to the requirements of the Act or any other Anti-Money Laundering Laws, it is required to obtain, verify and record information that identifies the Borrower and the Parent, which information includes the name, address, and taxpayer identification number of the Borrower, the Parent and their Subsidiaries, and other information that will allow such Lender to identify the Borrower, the Parent and their Subsidiaries in accordance with the Act or such Anti-Money Laundering Laws.

Section 7.14 Reaffirmation. This Agreement constitutes an amendment and restatement of the Existing Credit Agreement. Each of the parties hereto acknowledges and agrees that the Obligations represent, among other things, the amendment, restatement, renewal, extension, consolidation and modification of the Obligations (as defined in the Existing Credit Agreement) of the Borrower under the Existing Credit Agreement. Each of the parties hereto further acknowledges and agrees that this Agreement supersedes and replaces the Existing Credit Agreement but does not extinguish the Obligations (as defined in the Existing Credit Agreement) thereunder and that by entering into and performing its Obligations hereunder, this transaction shall not constitute a novation.

Section 7.15 Acknowledgement and Consent to Bail-In of Affected Financial Institutions. Notwithstanding anything to the contrary in any Loan Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any Affected Financial Institution arising under any Loan Document, to the extent such liability is unsecured, may be subject to the Write-Down and Conversion Powers of the applicable Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

- (a) the application of any Write-Down and Conversion Powers by the applicable Resolution Authority to any such liabilities arising hereunder which may be payable to it by any party hereto that is an Affected Financial Institution; and
- (b) the effects of any Bail-In Action on any such liability, including, if applicable:
 - (i) a reduction in full or in part or cancellation of any such liability;
 - (ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such Affected Financial Institution, its parent undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Loan Document; or
 - (iii) the variation of the terms of such liability in connection with the exercise of the Write-Down and Conversion Powers of any Resolution Authority.

Section 7.16 Lender Matters.

(a) Each Lender represents and warrants, as of the date such Person became a Lender party hereto, to, and covenants, from the date such Person became a Lender party hereto to the date such Person ceases being a Lender party hereto, for the benefit of, the Administrative Agent and the Arranger and their respective Affiliates, and not, for the avoidance of doubt, to or for the benefit of the Borrower, the Parent, or any of their Subsidiaries or Affiliates, that at least one of the following is and will be true:

(i) such Lender is not using “plan assets” (within the meaning of 29 CFR § 2510.3-101, as modified by Section 3(42) of ERISA) of one or more Benefit Plans in connection with the Loans, the Letters of Credit or the Commitments;

(ii) the transaction exemption set forth in one or more PTEs, such as PTE 84-14 (a class exemption for certain transactions determined by independent qualified professional asset managers), PTE 95-60 (a class exemption for certain transactions involving insurance company general accounts), PTE 90-1 (a class exemption for certain transactions involving insurance company pooled separate accounts), PTE 91-38 (a class exemption for certain transactions involving bank collective investment funds) or PTE 96-23 (a class exemption for certain transactions determined by in-house asset managers), is applicable with respect to such Lender’s entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Commitments and this Agreement;

(iii) such Lender is an investment fund managed by a “Qualified Professional Asset Manager” (within the meaning of Part VI of PTE 84-14), (B) such Qualified Professional Asset Manager made the investment decision on behalf of such Lender to enter into, participate in, administer and perform the Loans, the Letters of Credit, the Commitments and this Agreement, (C) the entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Commitments and this Agreement satisfies the requirements of sub-sections (b) through (g) of Part I of PTE 84-14 and (D) to the best knowledge of such Lender, the requirements of subsection (a) of Part I of PTE 84-14 are satisfied with respect to such Lender’s entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Commitments and this Agreement; or

(iv) such other representation, warranty and covenant as may be agreed in writing between the Administrative Agent, in its sole discretion, and such Lender.

(b) In addition, unless sub-clause (i) in the immediately preceding clause (a) is true with respect to a Lender or such Lender has not provided another representation, warranty and covenant as provided in sub-clause (iv) in the immediately preceding clause (a), such Lender further (x) represents and warrants, as of the date such Person became a Lender party hereto, to, and (y) covenants, from the date such Person became a Lender party hereto to the date such Person ceases being a Lender party hereto, for the benefit of, the Administrative Agent and the Joint Lead Arrangers and their respective Affiliates, and not, for the avoidance of doubt, to or for the benefit of the Borrower, the Parent, or any of their Subsidiaries or Affiliates that:

(i) none of the Administrative Agent or the Joint Lead Arrangers or any of their respective Affiliates is a fiduciary with respect to the assets of such Lender (including in connection with the reservation or exercise of any rights by the Administrative Agent under this Agreement, any Loan Document or any documents related to hereto or thereto);

(ii) the Person making the investment decision on behalf of such Lender with respect to the entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Commitments and this Agreement is independent (within the meaning of 29 CFR § 2510.3-21) and is a bank, an insurance carrier, an investment adviser, a broker-dealer or other person that holds, or has under management or control, total assets of at least \$50 million, in each case as described in 29 CFR § 2510.3-21(c)(1)(i)(A)-(E);

(iii) the Person making the investment decision on behalf of such Lender with respect to the entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Commitments and this Agreement is capable of evaluating investment risks independently, both in general and with regard to particular transactions and investment strategies (including in respect of the Obligations);

(iv) the Person making the investment decision on behalf of such Lender with respect to the entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Commitments and this Agreement is a fiduciary under ERISA or the Code, or both, with respect to the Loans, the Letters of Credit, the Commitments and this Agreement and is responsible for exercising independent judgment in evaluating the transactions hereunder; and

(v) no fee or other compensation is being paid directly to the Administrative Agent or any Joint Lead Arranger or any their respective affiliates for investment advice (as opposed to other services) in connection with the Loans, the Letters of Credit, the Commitments or this Agreement.

(c) The Administrative Agent and the Joint Lead Arrangers hereby inform the Lenders that each such Person is not undertaking to provide impartial investment advice, or to give advice in a fiduciary capacity, in connection with the transactions contemplated hereby, and that such Person has a financial interest in the transactions contemplated hereby in that such Person or an Affiliate thereof (i) may receive interest or other payments with respect to the Loans, the Letters of Credit, the Commitments and this Agreement, (ii) may recognize a gain if it extended the Loans, the Letters of Credit or the Commitments for an amount less than the amount being paid for an interest in the Loans, the Letters of Credit or the Commitments by such Lender or (iii) may receive fees or other payments in connection with the transactions contemplated hereby, the Loan Documents or otherwise, including structuring fees, commitment fees, arrangement fees, facility fees, upfront fees, underwriting fees, ticking fees, agency fees, administrative agent or collateral agent fees, utilization fees, minimum usage fees, letter of credit fees, fronting fees, deal-away or alternate transaction fees, amendment fees, processing fees, term out premiums, banker's acceptance fees, breakage or other early termination fees or fees similar to the foregoing.

Section 7.17 No Fiduciary or Advisory Relationship Established By Loan Documents. In connection with all aspects of each transaction contemplated hereby (including in connection with any amendment, waiver or other modification hereof or of any other Loan Document), the Borrower acknowledges and agrees, and acknowledges the Parent's and their Affiliates' understanding, that: (a) (i) no fiduciary, advisory or agency relationship between the Borrower, the Parent and their Subsidiaries and Affiliates and any Joint Lead Arranger, the Administrative Agent, any LC Issuing Bank, any Swingline Bank or any Lender is intended to be or has been created in respect of the transactions contemplated hereby or by the other Loan Documents, irrespective of whether any Joint Lead Arranger, the Administrative Agent, any LC Issuing Bank, any Swingline Bank or any Lender has advised or is advising the Borrower, the Parent or any of their Affiliates or Subsidiaries on other matters, (ii) the arranging and other services regarding this Agreement provided by the Joint Lead Arrangers, the Administrative Agent, the LC Issuing Banks, the Swingline Banks and the Lenders are arm's-length commercial transactions between the Borrower, the Parent and their Subsidiaries and Affiliates, on the one hand, and the Joint Lead Arrangers, the Administrative Agent, the LC Issuing Banks, the Swingline

Banks and the Lenders, on the other hand, (iii) the Borrower has consulted its own legal, accounting, regulatory and tax advisors to the extent that it has deemed appropriate and (iv) the Borrower is capable of evaluating, and understands and accepts, the terms, risks and conditions of the transactions contemplated hereby and by the other Loan Documents; and (b) (i) the Joint Lead Arrangers, the Administrative Agent, the LC Issuing Banks, the Swingline Banks and the Lenders each is and has been acting solely as a principal and, except as expressly agreed in writing by the relevant parties, has not been, is not, and will not be acting as an advisor, agent or fiduciary for the Borrower, the Parent or any of their Subsidiaries or Affiliates, or any other Person; (ii) none of the Joint Lead Arrangers, the Administrative Agent, the LC Issuing Banks, the Swingline Banks and the Lenders has any obligation to the Borrower, the Parent or any of their Subsidiaries or Affiliates with respect to the transactions contemplated hereby except those obligations expressly set forth herein and in the other Loan Documents; and (iii) the Joint Lead Arrangers, the Administrative Agent, the LC Issuing Banks, the Swingline Banks and the Lenders and their respective Affiliates may be engaged, for their own accounts or the accounts of customers, in a broad range of transactions that involve interests that differ from those of the Borrower, the Parent, and their Subsidiaries and Affiliates, and none of the Joint Lead Arrangers, the Administrative Agent, the LC Issuing Banks, the Swingline Banks and the Lenders has any obligation to disclose any of such interests to the Borrower, the Parent or their Subsidiaries or Affiliates. To the fullest extent permitted by applicable law, the Borrower hereby waives and releases any claims that it may have against any of the Joint Lead Arrangers, the Administrative Agent, the LC Issuing Banks, the Swingline Banks and the Lenders with respect to any breach or alleged breach of agency or fiduciary duty in connection with any aspect of any transaction contemplated hereby.

Section 7.18 Acknowledgment Regarding Any Supported QFCs. To the extent that the Loan Documents provide support, through a guarantee or otherwise, for hedging agreements or any other agreement or instrument that is a QFC (such support “**QFC Credit Support**” and each such QFC a “**Supported QFC**”), the parties acknowledge and agree as follows with respect to the resolution power of the Federal Deposit Insurance Corporation under the Federal Deposit Insurance Act and Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act (together with the regulations promulgated thereunder, the “**U.S. Special Resolution Regimes**”) in respect of such Supported QFC and QFC Credit Support (with the provisions below applicable notwithstanding that the Loan Documents and any Supported QFC may in fact be stated to be governed by the laws of the State of New York and/or of the United States or any other state of the United States):

In the event a Covered Entity that is party to a Supported QFC (each, a “**Covered Party**”) becomes subject to a proceeding under a U.S. Special Resolution Regime, the transfer of such Supported QFC and the benefit of such QFC Credit Support (and any interest and obligation in or under such Supported QFC and such QFC Credit Support, and any rights in property securing such Supported QFC or such QFC Credit Support) from such Covered Party will be effective to the same extent as the transfer would be effective under the U.S. Special Resolution Regime if the Supported QFC and such QFC Credit Support (and any such interest, obligation and rights in property) were governed by the laws of the United States or a state of the United States. In the event a Covered Party or a BHC Act Affiliate of a Covered Party becomes subject to a proceeding under a U.S. Special Resolution Regime, Default Rights under the Loan Documents that might otherwise apply to such Supported QFC or any QFC Credit Support that may be exercised against such Covered Party are permitted to be exercised to no greater extent than such Default Rights could be exercised under the U.S. Special Resolution Regime if the Supported QFC and the Loan Documents were governed by the laws of the United States or a state of the United States. Without limitation of the foregoing, it is understood and agreed that rights and remedies of the parties with respect to a Defaulting Lender shall in no event affect the rights of any Covered Party with respect to a Supported QFC or any QFC Credit Support.

ARTICLE VIII AGENCY PROVISIONS

Section 8.01 Appointment. Each Lender, Swingline Bank and LC Issuing Bank hereby designates and appoints Wells Fargo, as Administrative Agent of such Person to act as specified herein and the other Loan Documents, and each such Lender, Swingline Bank and LC Issuing Bank hereby authorizes the Administrative Agent to take such action on its behalf under the provisions of this Agreement and the other Loan Documents and to exercise such powers and perform such duties as are expressly delegated by the terms hereof and of the other Loan Documents, together with such other powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary elsewhere herein and in the other Loan Documents, the Administrative Agent shall not have any duties or responsibilities, except those expressly set forth herein and therein, or any fiduciary relationship with any Lender, Swingline Bank or LC Issuing Bank and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any of the other Loan Documents, or shall otherwise exist against the Administrative Agent. The provisions of this Section are solely for the benefit of the Administrative Agent, the Lenders, the Swingline Banks and the LC Issuing Banks and neither the Borrower nor the Parent shall have any rights as a third party beneficiary of the provisions hereof. In performing its functions and duties under this Agreement and the other Loan Documents, the Administrative Agent shall act solely as Administrative Agent of the Lenders, the Swingline Banks and the LC Issuing Banks and, does not assume and shall not be deemed to have assumed any obligation or relationship of agency or trust with or for the Borrower, the Parent or any of their respective Affiliates.

Section 8.02 Delegation of Duties. The Administrative Agent may execute any of its duties hereunder or under the other Loan Documents by or through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Administrative Agent shall not be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by it with reasonable care.

Section 8.03 Exculpatory Provisions. The Administrative Agent and its officers, directors, employees, agents, attorneys-in-fact or affiliates shall not be (i) liable for any action lawfully taken or omitted to be taken by it or such Person under or in connection herewith or in connection with any of the other Loan Documents (except for its or such Person's own gross negligence, bad faith or willful misconduct), or (ii) responsible in any manner to any of the Lenders, the Swingline Banks or the LC Issuing Banks for any recitals, statements, representations or warranties made by the Borrower or the Parent contained herein or in any of the other Loan Documents or in any certificate, report, document, financial statement or other written or oral statement referred to or provided for in, or received by the Administrative Agent under or in connection herewith or in connection with the other Loan Documents, or enforceability or sufficiency therefor of any of the other Loan Documents, or for any failure of the Borrower or the Parent to perform its obligations hereunder or thereunder. The Administrative Agent shall not be responsible to any Lender, Swingline Bank or LC Issuing Bank for the effectiveness, genuineness, validity, enforceability, collectability or sufficiency of this Agreement, or any of the other Loan Documents or for any representations, warranties, recitals or statements made herein or therein or made by the Borrower or the Parent in any written or oral statement or in any financial or other statements, instruments, reports, certificates or any other documents in connection herewith or therewith furnished or made by the Administrative Agent to the Lenders, the Swingline Banks or the LC Issuing Banks or by or on behalf of the Borrower or the Parent to the Administrative Agent, any Lender, any Swingline Bank or any LC Issuing Bank or be required to ascertain or inquire as to the performance or observance of any of the terms, conditions, provisions, covenants or agreements contained herein or therein or as to the use of the proceeds of the Loans or of the existence or possible existence of any Default or Event of Default or to inspect the properties, books or records of the Borrower, the Parent or any of their respective Affiliates.

Section 8.04 Reliance on Communications. The Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any note, writing, resolution, notice, consent, certificate, affidavit, letter, facsimile, statement, order or other document or conversation believed by it in good faith to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including counsel to the Borrower, independent accountants and other experts selected by the Administrative Agent with reasonable care). The Administrative Agent may deem and treat the Lenders, the Swingline Banks and the LC Issuing Banks as the owner of their respective interests hereunder for all purposes unless a written notice of assignment, negotiation or transfer thereof shall have been filed with the Administrative Agent in accordance with Section 7.05. The Administrative Agent shall be fully justified in failing or refusing to take any action under this Agreement or under any of the other Loan Documents unless it shall first receive such advice or concurrence of the Required Lenders (or such other number or percentage of the Lenders, Swingline Banks or LC Issuing Banks as shall be necessary, or as the Administrative Agent shall believe in good faith shall be necessary, under the circumstances as provided in Sections 6.01, 6.02 and 7.04) as it deems appropriate or it shall first be indemnified to its satisfaction by the Lenders, the Swingline Banks and/or the LC Issuing Banks, as applicable, against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. The Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, hereunder or under any of the other Loan Documents in accordance with a request of the Required Lenders (or to the extent specifically provided in Section 7.04, all the Lenders, all affected Lenders, all Swingline Banks or all LC Issuing Banks, as applicable) and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Lenders, the Swingline Banks and the LC Issuing Banks, as applicable (including their respective successors and assigns).

Section 8.05 Notice of Default. The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default hereunder unless the Administrative Agent has received notice from a Lender, a Swingline Bank, an LC Issuing Bank, the Borrower or the Parent referring to the Loan Document, describing such Default or Event of Default and stating that such notice is a "notice of default". In the event that the Administrative Agent receives such a notice, the Administrative Agent shall give prompt notice thereof to the Lenders, the Swingline Banks and the LC Issuing Banks. The Administrative Agent shall take such action with respect to such Default or Event of Default as shall be reasonably directed by the Required Lenders.

Section 8.06 Non-Reliance on Administrative Agent and Other Lenders. Each Lender, Swingline Bank and LC Issuing Bank expressly acknowledges that each of the Administrative Agent and its officers, directors, employees, agents, attorneys-in-fact or Affiliates has not made any representations or warranties to it and that no act by the Administrative Agent or any Affiliate thereof hereinafter taken, including any review of the affairs of the Borrower, the Parent or any of their respective Affiliates, shall be deemed to constitute any representation or warranty by the Administrative Agent to any Lender, Swingline Bank or LC Issuing Bank. Each Lender, Swingline Bank and LC Issuing Bank represents to the Administrative Agent that it has, independently and without reliance upon the Administrative Agent or any other Lender, Swingline Bank or LC Issuing Bank, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, assets, operations, property, financial and other conditions, prospects and creditworthiness of the Borrower, the Parent or their respective Affiliates and made its own decision to make its Loans hereunder and enter into this Agreement. Each Lender, Swingline Bank and LC Issuing Bank also represents that it will, independently and without reliance upon the Administrative Agent or any other Lender, Swingline Bank or LC Issuing Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement, and to make such investigation as it deems necessary to inform itself as to the business, assets, operations, property, financial and other conditions, prospects and creditworthiness of the Borrower, the Parent and their respective Affiliates. Except for notices, reports and other documents

expressly required to be furnished to the Lenders, the Swingline Banks and the LC Issuing Banks by the Administrative Agent hereunder, the Administrative Agent shall not have any duty or responsibility to provide any Lender, Swingline Bank or LC Issuing Bank with any credit or other information concerning the business, operations, assets, property, financial or other conditions, prospects or creditworthiness of the Borrower, the Parent or their respective Affiliates which may come into the possession of the Administrative Agent or any of its officers, directors, employees, agents, attorneys-in-fact or affiliates.

Section 8.07 Administrative Agent in its Individual Capacity. The Administrative Agent and its Affiliates may make loans to, accept deposits from and generally engage in any kind of business with the Borrower, the Parent, their respective Subsidiaries or their respective Affiliates as though the Administrative Agent were not the Administrative Agent hereunder. With respect to the Loans and all obligations of the Borrower and the Parent hereunder and under the other Loan Documents, the Administrative Agent shall have the same rights and powers under this Agreement as any Lender, any Swingline Bank and any LC Issuing Bank, in such capacity, and may exercise the same as though it were not the Administrative Agent, and the terms “Lender”, “Lenders”, “Swingline Bank”, “Swingline Banks”, “LC Issuing Bank” and “LC Issuing Banks” shall include the Administrative Agent in its individual capacity, as applicable.

Section 8.08 Successor Agent.

(a) The Administrative Agent may resign at any time by giving written notice thereof to the Lenders, the Swingline Banks, the LC Issuing Banks and the Borrower. Upon any such resignation, the Required Lenders shall have the right to appoint a successor Administrative Agent. Such successor shall be subject to the approval of the Borrower, such approval not to be unreasonably withheld or delayed; provided that such approval shall not be necessary if at the time such successor is appointed there shall have occurred and be continuing an Event of Default described in Section 6.01(a), 6.01(g) or 6.01(h). If no successor Administrative Agent shall have been so appointed by the Required Lenders, and shall have accepted such appointment, within 30 days after the retiring Administrative Agent’s giving of notice of resignation (or such earlier day as shall be agreed by the Required Lenders) (the “Resignation Effective Date”), then the retiring Administrative Agent may, (but shall not be obligated to), on behalf of the Lenders, the Swingline Banks and the LC Issuing Banks, appoint a successor Administrative Agent, which shall be a Lender or shall be another commercial bank or trust company organized under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least \$500,000,000. Such successor shall be subject to the approval of the Borrower, such approval not to be unreasonably withheld or delayed; provided that such approval shall not be necessary if at the time such successor is appointed there shall have occurred and be continuing an Event of Default described in Section 6.01(a), 6.01(g) or 6.01(h). Whether or not a successor has been appointed, such resignation shall become effective in accordance with such notice on the Resignation Effective Date.

(b) If the Person serving as Administrative Agent (x) is a Defaulting Lender pursuant to clause (d), of the definition thereof, the Required Lenders may, to the extent permitted by applicable law, by notice in writing to the Borrower and such Person, or (y) no longer has any Commitment as a Lender, the Borrower may, to the extent permitted by applicable law, by notice in writing to the Lenders and such Person, remove such Person as Administrative Agent. In connection with such removal, the Required Lenders shall appoint a successor Administrative Agent, subject to the approval of the Borrower, such approval not to be unreasonably withheld or delayed; provided that such approval shall not be necessary if at the time such successor is appointed there shall have occurred and be continuing an Event of Default described in Section 6.01(a), 6.01(g) or 6.01(h). If no such successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after its removal (or such earlier day as shall be agreed by the Required Lenders (in the case of a removal pursuant to clause (x) of this Section 8.08(b)) or the Borrower (in the case of a removal pursuant to clause (y) of this Section 8.08(b))) (the “Removal Effective Date”), then such removal shall nonetheless become effective in accordance with such notice on the Removal Effective Date.

(c) Upon the acceptance of any appointment as Administrative Agent hereunder by a successor Administrative Agent, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent, shall be discharged from its duties and obligations under this Agreement. After any retiring Administrative Agent's resignation or removal as Administrative Agent, the provisions of this Article VIII shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement. In the event that no successor has been appointed on the Resignation Effective Date or Removal Effective Date, as applicable, any Cash Collateral held by the retiring Administrative Agent shall continue to be held by such Person, for the benefit of the Lenders, the Swingline Banks and the LC Issuing Banks, as applicable, until a successor Administrative Agent has been appointed hereunder.

(d) Any resignation by or removal of Wells Fargo as Administrative Agent pursuant to this Section shall also constitute its resignation as an LC Issuing Bank and Swingline Bank. Upon the acceptance of a successor's appointment as Administrative Agent hereunder, (i) such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of Wells Fargo as the retiring LC Issuing Bank and Swingline Bank, (ii) the retiring LC Issuing Bank and Swingline Bank shall be discharged from all of their respective duties and obligations hereunder or under the other Loan Documents, and (iii) the Borrower shall (at the expense of (x) the retiring Administrative Agent, in the case of a resignation by the Administrative Agent and (y) the Borrower in the case of a removal of the Administrative Agent) (A) use commercially reasonable efforts to cause an LC Issuing Bank to issue letters of credit in substitution for the Letters of Credit, if any, outstanding at the time of such succession or (B) make other arrangements satisfactory to the retiring LC Issuing Bank to cause the obligations of the retiring LC Issuing Bank with respect to such Letters of Credit to be Cash Collateralized.

Section 8.09 Other Agents. No Joint Lead Arranger nor any Lender identified as an "Agent" (other than the Administrative Agent) shall have any right, power, obligation, liability, responsibility or duty under this Agreement other than, in the case of any such Person which is also a Lender, Swingline Bank or LC Issuing Bank, those applicable to all Lenders, Swingline Banks or LC Issuing Banks, as applicable, as such. Without limiting the foregoing, none of the Lenders so identified shall have or be deemed to have any fiduciary relationship with any other Lender, Swingline Bank or LC Issuing Bank. Each Lender, Swingline Bank and LC Issuing Bank acknowledges that it has not relied, and will not rely, on any of the Lenders so identified in deciding to enter into this Agreement or in taking or not taking action hereunder.

Section 8.10 Erroneous Payments.

(a) Each Lender, each Issuing Lender, and any other party hereto hereby severally agrees that if (i) the Administrative Agent notifies (which such notice shall be conclusive absent manifest error) such Lender or Issuing Lender or any other Person that has received funds from the Administrative Agent or any of its Affiliates, either for its own account or on behalf of a Lender or Issuing Lender (each such recipient, a "**Payment Recipient**") that the Administrative Agent has determined in its sole discretion that any funds received by such Payment Recipient were erroneously transmitted to, or otherwise erroneously or mistakenly received by, such Payment Recipient (whether or not known to such Payment Recipient) or (ii) any Payment Recipient receives any payment from the Administrative Agent (or any of its Affiliates) (x) that is in a different amount than, or on a different date from, that specified in a notice of payment, prepayment or repayment sent by the Administrative Agent (or any of its Affiliates) with respect to such payment, prepayment or repayment, as applicable, (y) that was not preceded or accompanied by a notice

of payment, prepayment or repayment sent by the Administrative Agent (or any of its Affiliates) with respect to such payment, prepayment or repayment, as applicable, or (z) that such Payment Recipient otherwise becomes aware was transmitted or received in error or by mistake (in whole or in part) then, in each case, an error in payment shall be presumed to have been made (any such amounts specified in clauses (i) or (ii) of this Section 8.10(a), whether received as a payment, prepayment or repayment of principal, interest, fees, distribution or otherwise; individually and collectively, an “**Erroneous Payment**”), then, in each case, such Payment Recipient is deemed to have knowledge of such error at the time of its receipt of such Erroneous Payment; provided that nothing in this Section shall require the Administrative Agent to provide any of the notices specified in clauses (i) or (ii) above. Each Payment Recipient agrees that it shall not assert any right or claim to any Erroneous Payment, and hereby waives any claim, counterclaim, defense or right of set-off or recoupment with respect to any demand, claim or counterclaim by the Administrative Agent for the return of any Erroneous Payments, including without limitation waiver of any defense based on “discharge for value” or any similar doctrine.

(b) Without limiting the immediately preceding clause (a), each Payment Recipient agrees that, in the case of clause (a)(ii) above, it shall promptly notify the Administrative Agent in writing of such occurrence.

(c) In the case of either clause (a)(i) or (a)(ii) above, such Erroneous Payment shall at all times remain the property of the Administrative Agent and shall be segregated by the Payment Recipient and held in trust for the benefit of the Administrative Agent, and upon demand from the Administrative Agent such Payment Recipient shall (or, shall cause any Person who received any portion of an Erroneous Payment on its behalf to), promptly, but in all events no later than one Business Day thereafter, return to the Administrative Agent the amount of any such Erroneous Payment (or portion thereof) as to which such a demand was made in same day funds and in the currency so received, together with interest thereon in respect of each day from and including the date such Erroneous Payment (or portion thereof) was received by such Payment Recipient to the date such amount is repaid to the Administrative Agent at the greater of the Federal Funds Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation from time to time in effect.

(d) In the event that an Erroneous Payment (or portion thereof) is not recovered by the Administrative Agent for any reason, after demand therefor by the Administrative Agent in accordance with immediately preceding clause (c), from any Lender that is a Payment Recipient or an Affiliate of a Payment Recipient (such unrecovered amount as to such Lender, an “**Erroneous Payment Return Deficiency**”), then at the sole discretion of the Administrative Agent and upon the Administrative Agent’s written notice to such Lender (i) such Lender shall be deemed to have made a cashless assignment of the full face amount of the portion of its Loans (but not its Commitments) of the relevant Type with respect to which such Erroneous Payment was made (the “**Erroneous Payment Impacted Class**”) to the Administrative Agent or, at the option of the Administrative Agent, the Administrative Agent’s applicable lending affiliate in an amount that is equal to the Erroneous Payment Return Deficiency (or such lesser amount as the Administrative Agent may specify) (such assignment of the Loans (but not Commitments) of the Erroneous Payment Impacted Class, the “**Erroneous Payment Deficiency Assignment**”) plus any accrued and unpaid interest on such assigned amount, without further consent or approval of any party hereto and without any payment by the Administrative Agent or its applicable lending affiliate as the assignee of such Erroneous Payment Deficiency Assignment. The parties hereto acknowledge and agree that (1) any assignment contemplated in this clause (d) shall be made without any requirement for any payment or other consideration paid by the applicable assignee or received by the assignor, (2) the provisions of this clause (d) shall govern in the event of any conflict with the terms and conditions of Section 7.05 and (3) the Administrative Agent may reflect such assignments in the Register without further consent or action by any other Person.

(e) Each party hereto hereby agrees that (x) in the event an Erroneous Payment (or portion thereof) is not recovered from any Payment Recipient that has received such Erroneous Payment (or portion thereof) for any reason, the Administrative Agent (1) shall be subrogated to all the rights of such Payment Recipient with respect to such amount and (2) is authorized to set off, net and apply any and all amounts at any time owing to such Payment Recipient under any Loan Document, or otherwise payable or distributable by the Administrative Agent to such Payment Recipient from any source, against any amount due to the Administrative Agent under this Section 8.10 or under the indemnification provisions of this Agreement, (y) the receipt of an Erroneous Payment by a Payment Recipient shall not for the purpose of this Agreement be treated as a payment, prepayment, repayment, discharge or other satisfaction of any Obligations owed by the Borrower, except, in each case, to the extent such Erroneous Payment is, and solely with respect to the amount of such Erroneous Payment that is, comprised of funds received by the Administrative Agent from the Borrower for the purpose of making a payment on the Obligations and (z) to the extent that an Erroneous Payment was in any way or at any time credited as payment or satisfaction of any of the Obligations, the Obligations or any part thereof that were so credited, and all rights of the Payment Recipient, as the case may be, shall be reinstated and continue in full force and effect as if such payment or satisfaction had never been received; provided that this Section 8.10(e) shall not be interpreted to increase (or accelerate the due date for), or have the effect of increasing (or accelerating the due date for), the Obligations of the Borrower relative to the amount (and/or timing for payment) of the Obligations that would have been payable had such Erroneous Payment not been made by the Administrative Agent; provided, further, that for the avoidance of doubt, immediately preceding clauses (x), (y) and (z) shall not apply to the extent any such Erroneous Payment is, and solely with respect to the amount of such Erroneous Payment that is, comprised of funds received by the Administrative Agent from the Borrower for the purpose of making a payment on the Obligations.

(f) Each party's obligations under this Section 8.10 shall survive the resignation or replacement of the Administrative Agent or any transfer of right or obligations by, or the replacement of, a Lender, the termination of the Commitments or the repayment, satisfaction or discharge of all Obligations (or any portion thereof) under any Loan Document.

(g) Nothing in this Section 8.10 will constitute a waiver or release of any claim of the Administrative Agent hereunder arising from any Payment Recipient's receipt of an Erroneous Payment.

ARTICLE IX ACKNOWLEDGEMENT

Section 9.01 Parent Acknowledgment. The Parent hereby acknowledges that (a) Obligations owing by the Borrower under this Agreement will constitute "Debt" under the Support Agreement and (b) this Agreement contains representations and warranties and covenants that relate to the Parent and that a breach of any of those representations or warranties, or a failure by the Borrower to comply with such covenants, could result in an Event of Default under this Agreement. Notwithstanding the acknowledgement contained in this Section 9.01, each of the Administrative Agent, each LC Issuing Bank, each Swingline Bank and each Lender acknowledges and agrees that it will have no recourse against the Parent under this Agreement, and the rights and remedies of the Administrative Agent, each LC Issuing Bank, each Swingline Bank and each Lender against Parent shall be solely pursuant to and in accordance with the Support Agreement.

[Remainder of page intentionally left blank; signature pages follow]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

BORROWER:

AMERICAN WATER CAPITAL CORP.

By: /s/James S. Merante
Name: James S. Merante
Title: Vice President and Treasurer

Address for Notices:

1 Water Street
Camden, NJ 08102-1658
Attention: James S. Merante
e-mail: james.merante@amwater.com
website: www.amwater.com

PARENT:

Acknowledged and agreed solely as to Section 9.01 of the Credit Agreement.

AMERICAN WATER WORKS COMPANY, INC.

By: /s/James S. Merante
Name: James S. Merante
Title: Vice President and Treasurer

Address for Notices:

1 Water Street
Camden, NJ 08102-1658
Attention: James S. Merante
e-mail: james.merante@amwater.com

**ADMINISTRATIVE AGENT
AND LENDERS: WELLS FARGO BANK, NATIONAL ASSOCIATION**, as Administrative Agent, an LC Issuing Bank, a Swingline Bank
and a Lender

By: /s/Gregory R. Gredvig
Name: Gregory R. Gredvig
Title: Director

Address for Notices:

For Loan Operations Notices:

MAC D1109-019
1525 West W.T. Harris Blvd.
Charlotte, NC 28262
Attention: Syndication Agency Services
Facsimile No.: (704) 715-0017
Email: agencyservices.requests@wellsfargo.com

For Credit Notices:

MAC: N9305-156
90 S. 7th Street, 15th Floor
Minneapolis, MN 55402
Attention: Greg Gredvig
Facsimile No.: (612) 667-4832
Email: gregory.r.gredvig@wellsfargo.com

Signature page to American Water Third Amended and Restated Credit Agreement

JPMORGAN CHASE BANK, N.A., as an LC Issuing Bank, and a Lender

By: /s/Nancy R. Barwig
Name: Nancy R. Barwig
Title: Executive Director

Address for Notices:

For Loan Operation Notices:

10 South Dearborn, Floor L2
Chicago, IL 60603-2300
Attention: Non-Agented Servicing Team
Facsimile No.: (214) 307-6874
Email:cls.chicago.non.agented.servicing@jomchase.com

For Credit Notices:

8181 Communications Parkway
Plano, TX 75024
Attention: Nancy R. Barwig
Email: nancy.r.barwig@jpmorgan.com

Signature page to American Water Third Amended and Restated Credit Agreement

BANK OF AMERICA, N.A., as a Lender

By: /s/Dilcia P. Hill
Name: Dilcia P. Hill
Title: Senior Vice President

Address for Notices:

194 Wood Avenue South
Mail Code: NJ7-550-04-02
Iselin, NJ 08830
Attention: Dilcia P. Hill
Email: dilcia.p.hill@bofa.com

Signature page to American Water Third Amended and Restated Credit Agreement

MIZUHO BANK, LTD., as an LC Issuing Bank and a Lender

By: /s/Edward Sacks
Name: Edward Sacks
Title: Authorized Signatory

Address for Notices:

For Loan Operations Notices:

1800 Plaza Ten Harborside Financial Ctr.
Jersey City, NJ 07311
Attention: Ankit Anand
Facsimile No.: 201-626-9935
Email: LAU_USCorp3@mizuhogroup.com

Signature page to American Water Third Amended and Restated Credit Agreement

PNC BANK, NATIONAL ASSOCIATION, as an LC Issuing Bank and a Lender

By: /s/Meredith L. Jermann
Name: Meredith L. Jermann
Title: Vice President

Address for Notices:

For Loan Operation Notices:

Attention: Dana Brackins
Facsimile No.: (877) 733-1196
Email: Dana.Brackins@pnc.com

For Credit Notices:

1600 Market St
F2-F070-22-4
Philadelphia, PA 19103
Attention: Denise DiSimone
Email: Denise.Disimone@pnc.com

Signature page to American Water Third Amended and Restated Credit Agreement

ROYAL BANK OF CANADA, as a Lender

By: /s/Martina Wellik
Name: Martina Wellik
Title: Authorized Signatory

Address for Notices:
Royal Bank of Canada
200 Vesey Street
New York, NY 10281
Attention: Global Loans Administration
Email:

For Loan Operation Notices:
Attention: John Fernandes
Facsimile No.: (212) 428-2372
Email: rbcnewyorkgla3@rbc.com

Signature page to American Water Third Amended and Restated Credit Agreement

U.S. BANK NATIONAL ASSOCIATION, as a Lender

By: /s/James P. O'Shaughnessy
Name: James P. O'Shaughnessy
Title: Vice President

Address for Notices:

1095 Avenue of the Americas
15th Floor
New York, NY 10036
Attention: Ann Marie Griffiths
Email: annmarie.gordon@usbank.com

Signature page to American Water Third Amended and Restated Credit Agreement

TD BANK, N.A., as a Lender

By: /s/Steve Levi

Name: Steve Levi

Title: Senior Vice President

Address for Notices:

TD North Tower, 26th Floor, 77 King St. West

Toronto, ON M5K 2A1, Canada

Attention: Jolanta Sedzik

Facsimile No.: 705-797-6913

Email: TDBNANotices@tdsecurities.com

Paul.Yoon@tdsecurities.com

Signature page to American Water Third Amended and Restated Credit Agreement

TRUIST BANK, as a Lender

By: /s/Justin Lien
Name: Justin Lien
Title: Director

Address for Notices:

For Loan Operation Notices:
101 S Stratford Rd
Winston Salem, NC 27104
Attention: Shana Pask
Facsimile No.:
Email: CapitalMarkets-W-S@truist.com

For Credit Notices:

2001 Ross Ave, Suite 2700
Dallas, TX 75201
Attention: Justin Lien
Email: Justin.Li@truist.com

Signature page to American Water Third Amended and Restated Credit Agreement

REGIONS BANK, as a Lender

By: /s/Daniel Capps
Name: Daniel Capps
Title: Director

Address for Notices:

615 S. College Street, Suite 400
Charlotte, NC 28202
Attention: Daniel Capps
Facsimile No.: (704) 338-1034
Email: Daniel.Capps@Regions.com

Signature page to American Water Third Amended and Restated Credit Agreement

THE BANK OF NOVA SCOTIA, as a Lender

By: /s/ David Dewar
Name: David Dewar
Title: Director

Address for Notices:

250 Veset Street, 23rd floor
New York, New York 10281
Attention: Anne Vincelli
Email: anne.vincelli@scotiabank.com

Signature page to American Water Third Amended and Restated Credit Agreement

THE HUNTINGTON NATIONAL BANK, as a Lender

By: /s/Nolan Woodbury
Name: Nolan Woodbury
Title: Assistant Vice President

Address for Notices:

41 S High Street,, 5th Floor
Columbus, OH 43287
Attention: Nolan Woodbury
Email: nolan.woodbury@huntington.com

Signature page to American Water Third Amended and Restated Credit Agreement

THE BANK OF NEW YORK MELLON, as a Lender

By: /s/ Molly H. Ross
Name: Molly H. Ross
Title: Vice President

Address for Notices:

500 Grant Street, 36th Floor
Pittsburgh, PA 15258
Attention: Molly H. Ross
Email: molly.ross@bnymellon.com

Signature page to American Water Third Amended and Restated Credit Agreement

THE NORTHERN TRUST COMPANY, as a Lender

By: /s/Andrew D. Holtz
Name: Andrew D. Holtz
Title: Senior Vice President

Address for Notices:

The National Loan Servicing
Loan Processors
333 S. Wabash, WB-31
Chicago, IL 60604
Facsimile No: (312) 630.1566

Signature page to American Water Third Amended and Restated Credit Agreement

SCHEDULE I
LENDERS AND COMMITMENTS

LENDER	COMMITMENT	PRO RATA PERCENTAGE
Wells Fargo Bank, National Association	\$246,000,000.00	8.945454545%
JPMorgan Chase Bank, N.A.	\$246,000,000.00	8.945454545%
Bank of America, N.A.	\$246,000,000.00	8.945454545%
Mizuho Bank, Ltd.	\$246,000,000.00	8.945454545%
PNC Bank, National Association	\$246,000,000.00	8.945454545%
Royal Bank of Canada	\$246,000,000.00	8.945454545%
U.S. Bank National Association	\$246,000,000.00	8.945454545%
TD Bank, N.A.	\$202,000,000.00	7.345454545%
Truist Bank	\$202,000,000.00	7.345454545%
Regions Bank	\$167,000,000.00	6.072727273%
The Bank of Nova Scotia	\$167,000,000.00	6.072727273%
The Huntington National Bank	\$140,000,000.00	5.090909091%
The Bank of New York Mellon	\$75,000,000.00	2.727272727%
The Northern Trust Company	\$75,000,000.00	2.727272727%
AGGREGATE COMMITMENT	\$2,750,000,000.00	100.000000000%

SCHEDULE II

SIGNIFICANT SUBSIDIARIES

1. New Jersey-American Water Company, Inc.
 2. Pennsylvania-American Water Company
 3. Missouri-American Water Company
 4. American Water Capital Corp.
 5. American Water Enterprises, LLC
-

SCHEDULE 2.03
SWINGLINE BANKS

SWINGLINE BANKS

Wells Fargo Bank, National Association

SCHEDULE 2.04

LC ISSUING BANKS AND LC COMMITMENTS

LC ISSUING BANK	LC COMMITMENT
Wells Fargo Bank, National Association	\$21,428,571.43
JPMorgan Chase Bank, N.A.	\$21,428,571.43
Bank of America, N.A.	\$21,428,571.43
Mizuho Bank, Ltd.	\$21,428,571.43
PNC Bank, National Association	\$21,428,571.43
U.S. Bank National Association	\$21,428,571.43
Royal Bank of Canada	\$21,428,571.42
AGGREGATE LC COMMITMENT	\$150,000,000.00

SCHEDULE 2.04(K)
EXISTING LETTERS OF CREDIT

[Delivered separately to the Lenders]

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

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

I, M. Susan Hardwick, certify that:

1. I have reviewed this quarterly report on Form 10-Q of American Water Works Company, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the consolidated financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 31, 2022

By: /s/ M. SUSAN HARDWICK

M. Susan Hardwick
President and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

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

I, John C. Griffith, certify that:

1. I have reviewed this quarterly report on Form 10-Q of American Water Works Company, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the consolidated financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 31, 2022

By: /s/ JOHN C. GRIFFITH

John C. Griffith

Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

AMERICAN WATER WORKS COMPANY, INC.
CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of American Water Works Company, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, M. Susan Hardwick, President and Chief Executive Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ M. SUSAN HARDWICK

M. Susan Hardwick
President and Chief Executive Officer
(Principal Executive Officer)
October 31, 2022

AMERICAN WATER WORKS COMPANY, INC.
CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of American Water Works Company, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John C. Griffith, Executive Vice President and Chief Financial Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ JOHN C. GRIFFITH

John C. Griffith
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)
October 31, 2022

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended **June 30, 2022**

OR

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

For the transition period from _____ to _____

Commission file number: **001-34028**

AMERICAN WATER WORKS COMPANY, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

51-0063696

(I.R.S. Employer Identification No.)

1 Water Street, Camden, NJ 08102-1658

(Address of principal executive offices) (Zip Code)

(856) 955-4001

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of each exchange on which registered</u>
Common stock, par value \$0.01 per share	AWK	New York Stock Exchange

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>	Non-accelerated filer	<input type="checkbox"/>
Smaller reporting company	<input type="checkbox"/>	Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

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

<u>Class</u>	<u>Shares Outstanding as of July 21, 2022</u>
Common Stock, par value \$0.01 per share	181,786,473

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* * *

Throughout this Quarterly Report on Form 10-Q (“Form 10-Q”), unless the context otherwise requires, references to the “Company” and “American Water” mean American Water Works Company, Inc. and all of its subsidiaries, taken together as a whole. References to the “parent company” mean American Water Works Company, Inc., without its subsidiaries.

FORWARD-LOOKING STATEMENTS

Statements included in Part I, Item 2—Management’s Discussion and Analysis of Financial Condition and Results of Operations and in other sections of this Form 10-Q are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and the Private Securities Litigation Reform Act of 1995. In some cases, these forward-looking statements can be identified by words with prospective meanings such as “intend,” “plan,” “estimate,” “believe,” “anticipate,” “expect,” “predict,” “project,” “propose,” “assume,” “forecast,” “likely,” “uncertain,” “outlook,” “future,” “pending,” “goal,” “objective,” “potential,” “continue,” “seek to,” “may,” “can,” “should,” “will” and “could” or the negative of such terms or other variations or similar expressions. Forward-looking statements may relate to, among other things: the Company’s future financial performance, liquidity and cash flows; the timing and amount of rate and revenue adjustments, including through general rate case filings, filings for infrastructure surcharges and other governmental agency authorizations and proceedings, and filings to address regulatory lag; the Company’s growth and portfolio optimization strategies, including the timing and outcome of pending or future acquisition activity; the ability of the Company’s California subsidiary to obtain adequate alternative water supplies in lieu of diversions from the Carmel River; the amount and allocation of projected capital expenditures and related funding requirements; the Company’s ability to repay or refinance debt; the future impacts of increased or increasing financing costs, inflation and interest rates; the Company’s ability to execute its current and long-term business, operational and capital expenditures strategies; the Company’s ability to finance current operations, capital expenditures and growth initiatives by accessing the debt and equity capital markets; the outcome and impact on the Company of governmental and regulatory proceedings and related potential fines, penalties and other sanctions; the ability to meet or exceed the Company’s stated environmental and sustainability goals, including its greenhouse gas emission reduction, water delivery efficiency and water system resiliency goals; the ability to complete, and the timing and efficacy of, the design, development, implementation and improvement of technology and other strategic initiatives; the impacts to the Company of the COVID-19 pandemic; the ability to capitalize on existing or future utility privatization opportunities; trends in the water and wastewater industries in which the Company operates, including macro trends with respect to the Company’s efforts related to customer, technology and work execution; regulatory, legislative, tax policy or legal developments; and impacts that future significant tax legislation may have on the Company and on its business, results of operations, cash flows and liquidity.

Forward-looking statements are predictions based on the Company’s current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, financial results, levels of activity, performance or achievements, and readers are cautioned not to place undue reliance upon them. These forward-looking statements are subject to a number of estimates, assumptions, known and unknown risks, uncertainties and other factors. The Company’s actual results may vary materially from those discussed in the forward-looking statements included herein as a result of the following important factors:

- the decisions of governmental and regulatory bodies, including decisions to raise or lower customer rates and regulatory responses to the COVID-19 pandemic;
- the timeliness and outcome of regulatory commissions’ and other authorities’ actions concerning rates, capital structure, authorized return on equity, capital investment, system acquisitions and dispositions, taxes, permitting, water supply and management, and other decisions;
- changes in customer demand for, and patterns of use of, water, such as may result from conservation efforts, impacts of the COVID-19 pandemic, or otherwise;
- limitations on the availability of the Company’s water supplies or sources of water, or restrictions on its use thereof, resulting from allocation rights, governmental or regulatory requirements and restrictions, drought, overuse or other factors;
- a loss of one or more large industrial or commercial customers due to adverse economic conditions, the COVID-19 pandemic, or other factors;
- changes in laws, governmental regulations and policies, including with respect to the environment, health and safety, data and consumer privacy, security and protection, water quality and water quality accountability, contaminants of emerging concern, public utility and tax regulations and policies, and impacts resulting from U.S., state and local elections and changes in federal, state and local executive administrations;
- the Company’s ability to collect, distribute, use, secure and store consumer data in compliance with current or future governmental laws, regulations and policies with respect to data and consumer privacy, security and protection;
- weather conditions and events, climate variability patterns, and natural disasters, including drought or abnormally high rainfall, prolonged and abnormal ice or freezing conditions, strong winds, coastal and intercoastal flooding, pandemics (including COVID-19) and epidemics, earthquakes, landslides, hurricanes, tornadoes, wildfires, electrical storms, sinkholes and solar flares;
- the outcome of litigation and similar governmental and regulatory proceedings, investigations or actions;
- the risks associated with the Company’s aging infrastructure, and its ability to appropriately improve the resiliency of or maintain and replace, current or future infrastructure and systems, including its technology and other assets, and manage the expansion of its businesses;

- exposure or infiltration of the Company’s technology and critical infrastructure systems, including the disclosure of sensitive, personal or confidential information contained therein, through physical or cyber attacks or other means;
- the Company’s ability to obtain permits and other approvals for projects and construction of various water and wastewater facilities;
- changes in the Company’s capital requirements;
- the Company’s ability to control operating expenses and to achieve operating efficiencies;
- the intentional or unintentional actions of a third party, including contamination of the Company’s water supplies or the water provided to its customers;
- the Company’s ability to obtain adequate and cost-effective supplies of pipe, equipment (including personal protective equipment), chemicals, electricity, fuel, water and other raw materials, and to address or mitigate supply chain constraints that may result in delays or shortages in, as well as increased costs of, supplies, products and materials that are critical to or used in the Company’s business operations;
- the Company’s ability to successfully meet its operational growth projections, either individually or in the aggregate, and capitalize on growth opportunities, including, among other things, with respect to:
 - acquiring, closing and successfully integrating regulated operations and market-based businesses;
 - the Company’s Military Services Group (“MSG”) entering into new military installation contracts, price redeterminations, and other agreements and contracts with the U.S. government; and
 - realizing anticipated benefits and synergies from new acquisitions;
- risks and uncertainties following the completion of the sale of the Company’s Homeowner Services Group (“HOS”) and its New York subsidiary, including:
 - the Company’s ability to receive any contingent consideration provided for in the HOS sale, as well as amounts due, payable and owing to the Company from time to time under the seller promissory note when due; and
 - the ability of the Company to redeploy successfully and timely the net proceeds of these transactions into the Company’s Regulated Businesses (as defined herein);
- risks and uncertainties associated with contracting with the U.S. government, including ongoing compliance with applicable government procurement and security regulations;
- cost overruns relating to improvements in or the expansion of the Company’s operations;
- the Company’s ability to successfully develop and implement new technologies and to protect related intellectual property;
- the Company’s ability to maintain safe work sites;
- the Company’s exposure to liabilities related to environmental laws and similar matters resulting from, among other things, water and wastewater service provided to customers;
- changes in general economic, political, business and financial market conditions, including without limitation conditions and collateral consequences associated with the COVID-19 pandemic;
- access to sufficient debt and/or equity capital on satisfactory terms and when and as needed to support operations and capital expenditures;
- fluctuations in inflation or interest rates;
- the ability to comply with affirmative or negative covenants in the current or future indebtedness of the Company or any of its subsidiaries, or the issuance of new or modified credit ratings or outlooks by credit rating agencies with respect to the Company or any of its subsidiaries (or any current or future indebtedness thereof), which could increase financing costs or funding requirements and affect the Company’s or its subsidiaries’ ability to issue, repay or redeem debt, pay dividends or make distributions;
- fluctuations in the value of benefit plan assets and liabilities that could increase the Company’s cost and funding requirements;
- changes in federal or state general, income and other tax laws, including (i) future significant tax legislation, (ii) the availability of, or the Company’s compliance with, the terms of applicable tax credits and tax abatement programs, and (iii) the Company’s ability to utilize its state income tax net operating loss carryforwards;
- migration of customers into or out of the Company’s service territories;
- the use by municipalities of the power of eminent domain or other authority to condemn the systems of one or more of the Company’s utility subsidiaries, or the assertion by private landowners of similar rights against such utility subsidiaries;
- any difficulty or inability to obtain insurance for the Company, its inability to obtain insurance at acceptable rates and on acceptable terms and conditions, or its inability to obtain reimbursement under existing or future insurance programs and coverages for any losses sustained;
- the incurrence of impairment charges related to the Company’s goodwill or other assets;
- labor actions, including work stoppages and strikes;
- the Company’s ability to retain and attract qualified employees;
- civil disturbances or unrest, or terrorist threats or acts, or public apprehension about future disturbances, unrest, or terrorist threats or acts; and
- the impact of new, and changes to existing, accounting standards.

These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above, and the risk factors and other statements contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2021 (the "Form 10-K") and in this Form 10-Q, and readers should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements the Company makes shall speak only as of the date this Form 10-Q was filed with the U.S. Securities and Exchange Commission ("SEC"). Except as required by the federal securities laws, the Company does not have any obligation, and it specifically disclaims any undertaking or intention, to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or otherwise. New factors emerge from time to time, and it is not possible for the Company to predict all such factors. Furthermore, it may not be possible to assess the impact of any such factor on the Company's businesses, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.

PART I. FINANCIAL INFORMATION**ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS****American Water Works Company, Inc. and Subsidiary Companies****Consolidated Balance Sheets (Unaudited)**

(In millions, except share and per share data)

	June 30, 2022	December 31, 2021
ASSETS		
Property, plant and equipment	\$ 28,531	\$ 27,413
Accumulated depreciation	(6,429)	(6,329)
Property, plant and equipment, net	22,102	21,084
Current assets:		
Cash and cash equivalents	71	116
Restricted funds	26	20
Accounts receivable, net of allowance for uncollectible accounts of \$67 and \$75, respectively	383	271
Unbilled revenues	284	248
Materials and supplies	85	57
Assets held for sale	—	683
Other	169	159
Total current assets	1,018	1,554
Regulatory and other long-term assets:		
Regulatory assets	1,053	1,051
Seller promissory note from the sale of the Homeowner Services Group	720	720
Operating lease right-of-use assets	91	92
Goodwill	1,143	1,139
Postretirement benefit assets	207	193
Other	240	242
Total regulatory and other long-term assets	3,454	3,437
Total assets	\$ 26,574	\$ 26,075

The accompanying notes are an integral part of these Consolidated Financial Statements.

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

	June 30, 2022	December 31, 2021
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock (\$0.01 par value; 500,000,000 shares authorized; 187,127,525 and 186,880,413 shares issued, respectively)	\$ 2	\$ 2
Paid-in-capital	6,804	6,781
Retained earnings	1,181	925
Accumulated other comprehensive loss	(40)	(45)
Treasury stock, at cost (5,342,229 and 5,269,324 shares, respectively)	(377)	(365)
Total common shareholders' equity	7,570	7,298
Long-term debt	11,023	10,341
Redeemable preferred stock at redemption value	3	3
Total long-term debt	11,026	10,344
Total capitalization	18,596	17,642
Current liabilities:		
Short-term debt	420	584
Current portion of long-term debt	178	57
Accounts payable	196	235
Accrued liabilities	593	701
Accrued taxes	27	176
Accrued interest	93	88
Liabilities related to assets held for sale	—	83
Other	221	217
Total current liabilities	1,728	2,141
Regulatory and other long-term liabilities:		
Advances for construction	294	284
Deferred income taxes and investment tax credits	2,430	2,421
Regulatory liabilities	1,533	1,600
Operating lease liabilities	79	80
Accrued pension expense	262	285
Other	177	180
Total regulatory and other long-term liabilities	4,775	4,850
Contributions in aid of construction	1,475	1,442
Commitments and contingencies (See Note 11)		
Total capitalization and liabilities	\$ 26,574	\$ 26,075

The accompanying notes are an integral part of these Consolidated Financial Statements.

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
Operating revenues	\$ 937	\$ 999	\$ 1,779	\$ 1,887
Operating expenses:				
Operation and maintenance	376	431	740	850
Depreciation and amortization	163	158	321	315
General taxes	71	80	145	163
Total operating expenses, net	610	669	1,206	1,328
Operating income	327	330	573	559
Other income (expense):				
Interest expense	(106)	(101)	(206)	(199)
Interest income	12	—	25	—
Non-operating benefit costs, net	20	19	39	39
Other, net	17	3	32	7
Total other (expense) income	(57)	(79)	(110)	(153)
Income before income taxes	270	251	463	406
Provision for income taxes	52	44	87	66
Net income attributable to common shareholders	\$ 218	\$ 207	\$ 376	\$ 340
Basic earnings per share: (a)				
Net income attributable to common shareholders	\$ 1.20	\$ 1.14	\$ 2.07	\$ 1.87
Diluted earnings per share: (a)				
Net income attributable to common shareholders	\$ 1.20	\$ 1.14	\$ 2.07	\$ 1.87
Weighted-average common shares outstanding:				
Basic	182	182	182	181
Diluted	182	182	182	182

(a) Amounts may not calculate due to rounding.

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Comprehensive Income (Unaudited)
(In millions)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
Net income attributable to common shareholders	\$ 218	\$ 207	\$ 376	\$ 340
Other comprehensive income, net of tax:				
Defined benefit pension plan actuarial loss, net of tax of \$0 and \$1 for each of the three months ended June 30, 2022 and 2021, respectively, and \$0 and \$1 for each of the six months ended June 30, 2022 and 2021, respectively	1	1	2	2
Unrealized gain on cash flow hedges, net of tax of \$1 and \$0 for the three months ended June 30, 2022 and 2021, respectively, and \$1 and \$0 for the six months ended June 30, 2022 and 2021, respectively	3	1	3	1
Net other comprehensive income	<u>4</u>	<u>2</u>	<u>5</u>	<u>3</u>
Comprehensive income attributable to common shareholders	<u>\$ 222</u>	<u>\$ 209</u>	<u>\$ 381</u>	<u>\$ 343</u>

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Cash Flows (Unaudited)
(In millions)

	For the Six Months Ended June 30,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 376	\$ 340
Adjustments to reconcile to net cash flows provided by operating activities:		
Depreciation and amortization	321	315
Deferred income taxes and amortization of investment tax credits	(33)	64
Provision for losses on accounts receivable	10	18
Pension and non-pension postretirement benefits	(25)	(21)
Other non-cash, net	(2)	(42)
Changes in assets and liabilities:		
Receivables and unbilled revenues	(159)	(58)
Pension and non-pension postretirement benefit contributions	(31)	(18)
Accounts payable and accrued liabilities	(63)	(15)
Accrued taxes	(146)	6
Other assets and liabilities, net	(52)	(69)
Net cash provided by operating activities	<u>196</u>	<u>520</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(995)	(752)
Acquisitions, net of cash acquired	(240)	(39)
Net proceeds from sale of assets	608	—
Removal costs from property, plant and equipment retirements, net	(49)	(43)
Net cash used in investing activities	<u>(676)</u>	<u>(834)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	811	1,102
Repayments of long-term debt	(7)	(364)
Repayments of term loan	—	(500)
Net short-term (repayments) borrowings with maturities less than three months	(164)	(176)
Advances and contributions in aid of construction, net of refunds of \$8 and \$12 for the six months ended June 30, 2022 and 2021, respectively	41	23
Debt issuance costs and make-whole premium on early debt redemption	(7)	(26)
Dividends paid	(228)	(209)
Other, net	(5)	(8)
Net cash provided by (used in) financing activities	<u>441</u>	<u>(158)</u>
Net decrease in cash, cash equivalents and restricted funds	(39)	(472)
Cash, cash equivalents and restricted funds at beginning of period	136	576
Cash, cash equivalents and restricted funds at end of period	<u>\$ 97</u>	<u>\$ 104</u>
Non-cash investing activity:		
Capital expenditures acquired on account but unpaid as of the end of period	\$ 335	\$ 226

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Changes in Shareholders' Equity (Unaudited)
(In millions)

	Common Stock			Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock		Total Shareholders' Equity
	Shares	Par Value	Paid-in-Capital			Shares	At Cost	
Balance as of December 31, 2021	186.9	\$ 2	\$ 6,781	\$ 925	\$ (45)	(5.3)	\$ (365)	\$ 7,298
Net income attributable to common shareholders	—	—	—	158	—	—	—	158
Common stock issuances (a)	0.2	—	15	—	—	—	(12)	3
Net other comprehensive income	—	—	—	—	1	—	—	1
Balance as of March 31, 2022	187.1	\$ 2	\$ 6,796	\$ 1,083	\$ (44)	(5.3)	\$ (377)	\$ 7,460
Net income attributable to common shareholders	—	—	—	218	—	—	—	218
Common stock issuances (a)	—	—	8	—	—	—	—	8
Net other comprehensive income	—	—	—	—	4	—	—	4
Dividends (\$0.6550 declared per common share)	—	—	—	(120)	—	—	—	(120)
Balance as of June 30, 2022	187.1	\$ 2	\$ 6,804	\$ 1,181	\$ (40)	(5.3)	\$ (377)	\$ 7,570

(a) Includes stock-based compensation, employee stock purchase plan and direct stock reinvestment and purchase plan activity.

	Common Stock			Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock		Total Shareholders' Equity
	Shares	Par Value	Paid-in-Capital			Shares	At Cost	
Balance as of December 31, 2020	186.5	\$ 2	\$ 6,747	\$ 102	\$ (49)	(5.2)	\$ (348)	\$ 6,454
Net income attributable to common shareholders	—	—	—	133	—	—	—	133
Common stock issuances (a)	0.2	—	10	—	—	(0.1)	(15)	(5)
Net other comprehensive income	—	—	—	—	1	—	—	1
Balance as of March 31, 2021	186.7	\$ 2	\$ 6,757	\$ 235	\$ (48)	(5.3)	\$ (363)	\$ 6,583
Net income attributable to common shareholders	—	—	—	207	—	—	—	207
Common stock issuances (a)	0.1	—	8	—	—	—	—	8
Net other comprehensive income	—	—	—	—	2	—	—	2
Dividends (\$0.6025 declared per common share)	—	—	—	(110)	—	—	—	(110)
Balance as of June 30, 2021	186.8	\$ 2	\$ 6,765	\$ 332	\$ (46)	(5.3)	\$ (363)	\$ 6,690

(a) Includes stock-based compensation, employee stock purchase plan and direct stock reinvestment and purchase plan activity.

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Notes to Consolidated Financial Statements (Unaudited)
(Unless otherwise noted, in millions, except per share data)

Note 1: Basis of Presentation

The unaudited Consolidated Financial Statements included in this report include the accounts of American Water Works Company, Inc. and all of its subsidiaries (the “Company” or “American Water”), in which a controlling interest is maintained after the elimination of intercompany balances and transactions. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) for interim financial reporting, and the rules and regulations for reporting on Quarterly Reports on Form 10-Q (“Form 10-Q”). Accordingly, they do not contain certain information and disclosures required by GAAP for comprehensive financial statements. In the opinion of management, all adjustments necessary for a fair statement of the financial position as of June 30, 2022, and the results of operations and cash flows for all periods presented, have been made. All adjustments are of a normal, recurring nature, except as otherwise disclosed.

The unaudited Consolidated Financial Statements and Notes included in this report should be read in conjunction with the Company’s Annual Report on Form 10-K for the year ended December 31, 2021 (“Form 10-K”), which provides a more complete discussion of the Company’s accounting policies, financial position, operating results and other matters. The results of operations for interim periods are not necessarily indicative of the results that may be expected for the year, primarily due to the seasonality of the Company’s operations.

Note 2: Significant Accounting Policies

New Accounting Standards

Presented in the table below are new accounting standards that were adopted by the Company in 2022:

Standard	Description	Date of Adoption	Application	Effect on the Consolidated Financial Statements
Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity	Simplification of financial reporting associated with accounting for convertible instruments and contracts in an entity’s own equity. The standard reduced the number of accounting models for convertible debt instruments and convertible preferred stock. This will result in fewer embedded conversion features being separately recognized from the host contract. Earnings per share (“EPS”) calculations have been simplified for certain instruments.	January 1, 2022	Either modified retrospective or fully retrospective	The standard did not have a material impact on its Consolidated Financial Statements.
Disclosures by Business Entities about Government Assistance	The amendments in this update require additional disclosures regarding government grants and contributions. These disclosures require information on the following three items about government transactions to be provided: information on the nature of transactions and related accounting policy used to account for transactions, the line items on the balance sheet and income statement affected by these transactions including amounts applicable to each line, and significant terms and conditions of the transactions, including commitments and contingencies.	January 1, 2022	Either prospective or retrospective	The standard did not have a material impact on its Consolidated Financial Statements.

Presented in the table below are recently issued accounting standards that have not yet been adopted by the Company as of June 30, 2022:

Standard	Description	Date of Adoption	Application	Estimated Effect on the Consolidated Financial Statements
Accounting for Contract Assets and Contract Liabilities from Contracts with Customers	The guidance requires an acquirer recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Accounting Standards Codification Topic 606, as if it had originated the contracts. The amendments in this update also provide certain practical expedients for acquirers when recognizing and measuring acquired contract assets and contract liabilities from revenue contracts in a business combination.	January 1, 2023; early adoption permitted	Prospective	The Company is evaluating any impact on its Consolidated Financial Statements, as well as the timing of adoption.
Troubled debt restructurings and vintage disclosures	The main provisions of this standard eliminate the receivables accounting guidance for troubled debt restructurings (“TDRs”) by creditors while enhancing disclosure requirements when a borrower is experiencing financial difficulty. Entities must apply the loan refinancing and restructuring guidance for receivables to determine whether a modification results in a new loan or a continuation of an existing loan. Additionally, the amendments in this update require that an entity disclose current-period gross write-offs by year of origination for financing receivables and net investment in leases.	January 1, 2023; early adoption permitted	Prospective, with a modified retrospective option for amendments related to the recognition and measurement of TDRs.	The Company is evaluating any impact on its Consolidated Financial Statements, as well as the timing of adoption.

Allowance for Uncollectible Accounts

Allowances for uncollectible accounts are maintained for estimated probable losses resulting from the Company’s inability to collect receivables from customers. Accounts that are outstanding longer than the payment terms are considered past due. A number of factors are considered in determining the allowance for uncollectible accounts, including the length of time receivables are past due, previous loss history, current economic and societal conditions and reasonable and supportable forecasts that affect the collectability of receivables from customers. The Company generally writes off accounts when they become uncollectible or are over a certain number of days outstanding.

Presented in the table below are the changes in the allowance for uncollectible accounts for the six months ended June 30:

	<u>2022</u>	<u>2021</u>
Balance as of January 1	\$ (75)	\$ (60)
Amounts charged to expense	(10)	(18)
Amounts written off	18	4
Less: Allowance for uncollectible accounts included in assets held for sale (a)	—	4
Balance as of June 30	<u>\$ (67)</u>	<u>\$ (70)</u>

(a) This portion of the allowance for uncollectible accounts is related to the sale of the Company’s New York subsidiary, which was completed on January 1, 2022, and is included in assets held for sale on the Consolidated Balance Sheets as of December 31, 2021. See Note 5—Acquisitions and Divestitures for additional information.

Reclassifications

Certain reclassifications have been made to prior periods in the Consolidated Financial Statements and Notes to conform to the current presentation.

Note 3: Regulatory Matters**General Rate Cases and Infrastructure Surcharges**

Presented in the table below are annualized incremental revenues, excluding reductions for the amortization of excess accumulated deferred income tax (“EADIT”) that are generally offset in income tax expense, assuming a constant water sales volume, resulting from general rate case authorizations and infrastructure surcharge authorizations that became effective in the respective period:

(In millions)	During the Three Months Ended June 30,		During the Six Months Ended June 30,	
	2022	2021	2022	2021
General rate cases by state (a):				
West Virginia (effective February 25, 2022)	\$ —	\$ —	\$ 15	\$ —
California (effective January 1, 2022 and January 1, 2021)	—	—	13	22
Pennsylvania (effective January 1, 2022 and January 28, 2021)	—	—	20	70
Missouri (effective May 28, 2021)	—	22	—	22
Total general rate cases	\$ —	\$ 22	\$ 48	\$ 114
Infrastructure surcharges by state:				
New Jersey (effective June 27, 2022 and June 28, 2021)	\$ 10	\$ 14	\$ 10	\$ 14
Pennsylvania (effective April 1, 2022 and January 1, 2021)	2	—	2	8
Indiana (effective March 21, 2022 and March 17, 2021)	—	—	8	8
West Virginia (effective March 1, 2022 and January 1, 2021)	—	—	3	5
Missouri (effective February 1, 2022)	—	—	12	—
Illinois (effective January 1, 2022 and January 1, 2021)	—	—	6	7
Tennessee (effective January 1, 2021)	—	—	—	3
Total infrastructure surcharges	\$ 12	\$ 14	\$ 41	\$ 45

(a) Excludes authorized increase of \$7 million for the three and six months ended June 30, 2021, for the Company’s New York subsidiary, which was sold on January 1, 2022. See Note 5—Acquisitions and Divestitures for additional information.

On June 16, 2022, the Company’s Hawaii subsidiary was authorized additional annual revenues of \$2 million in its general rate case, effective July 1, 2022, excluding agreed to reductions for EADIT as a result of the Tax Cuts and Jobs Act of 2017 (the “TCJA”).

Effective July 1, 2022, the Company’s Pennsylvania and Kentucky subsidiaries implemented infrastructure surcharges for annualized incremental revenues of \$9 million and \$3 million, respectively.

On February 24, 2022, the Company’s West Virginia subsidiary (“WVAWC”) was authorized additional annual revenues of \$15 million in its general rate case, effective February 25, 2022, excluding agreed to reductions for EADIT as a result of the TCJA. The EADIT reduction in revenues is \$2 million and the exclusion for infrastructure surcharges is \$10 million. Staff of the Public Service Commission of West Virginia moved for reconsideration of the final order on several grounds. The Company filed its response to the Staff’s Petition for Reconsideration on March 28, 2022 in support of the authorized revenue requirement. The matter is currently pending.

On November 18, 2021, the California Public Utilities Commission (the “CPUC”) unanimously approved a final decision in the test year 2021 general rate case filed by the Company’s California subsidiary, which is retroactive to January 1, 2021. The Company’s California subsidiary received authorization for additional annualized water and wastewater revenues of \$22 million, excluding agreed to reductions for EADIT as a result of the TCJA. The EADIT reduction in revenues is \$4 million and is offset by a like reduction in income tax expense. On February 16, 2022, the Company’s California subsidiary received approval to increase rates by \$13 million in 2022 escalation increases, excluding \$4 million of reductions related to the TCJA, which is retroactive to January 1, 2022.

On March 2, 2021, an administrative law judge (“ALJ”) in the Office of Administrative Law of New Jersey filed an initial decision with the New Jersey Board of Public Utilities (the “NJBPU”) that recommended denial of a petition filed by the Company’s New Jersey subsidiary, which sought approval of acquisition adjustments in rate base of \$29 million associated with the acquisitions of Shorelands Water Company, Inc. in 2017 and the Borough of Haddonfield’s water and wastewater systems in 2015. On July 29, 2021, the NJBPU issued an order adopting the ALJ’s initial decision without modification. The Company’s New Jersey subsidiary filed a Notice of Appeal with the New Jersey Appellate Division on September 10, 2021. The Company filed its brief in support of the appeal on March 4, 2022. Response briefs were filed on June 22, 2022. The Company’s reply brief is due on August 4, 2022. There is no financial impact to the Company as a result of the NJBPU’s order, since the acquisition adjustments are currently recorded as goodwill on the Consolidated Balance Sheets.

On February 25, 2021, the Company’s Pennsylvania subsidiary was authorized additional annualized revenues of \$90 million, effective January 28, 2021, excluding agreed to reductions in revenues of \$19 million for EADIT as a result of the TCJA. The overall increase, net of TCJA reductions, is \$71 million in revenues combined over two steps. The first step was effective January 28, 2021 in the amount of \$70 million (\$51 million including TCJA reductions) and the second step was effective January 1, 2022 in the amount of \$20 million. The protected EADIT balance of \$200 million is being returned to customers using the average rate assumptions method, and the unprotected EADIT balance of \$116 million is being returned to customers over 20 years. The \$19 million annual reduction to revenue is comprised of both the protected and unprotected EADIT amortizations and a portion of catch-up period EADIT. A bill credit of \$11 million annually for two years returns to customers the remainder of the EADIT catch-up period amortization. The catch-up period of January 1, 2018 through December 31, 2020 covers the period from when the lower federal corporate income tax rate went into effect until new base rates went into effect and will be amortized over two years.

Pending General Rate Case Filings

On July 1, 2022, the Company’s California subsidiary filed a general rate case requesting an increase in 2024 revenue of \$57 million and a total increase in revenue over the 2024 to 2026 period of \$99 million. The requested increase excludes proposed reductions for EADIT as a result of TCJA.

On July 1, 2022, the Company’s Missouri subsidiary filed a general rate case requesting \$116 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA and infrastructure surcharges.

On April 29, 2022, the Company’s Pennsylvania subsidiary filed a general rate case requesting \$185 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA and infrastructure surcharges. Public hearings were held on July 19, 2022 through July 21, 2022. Evidentiary hearings are expected to be held in September 2022.

On February 10, 2022, the Company’s Illinois subsidiary filed a general rate case requesting \$71 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA and infrastructure surcharges. The requested increase was subsequently updated in the Illinois subsidiary’s June 29, 2022 rebuttal filing, with the request adjusted to \$85 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA and infrastructure surcharges. Evidentiary hearings are scheduled to begin on August 9, 2022.

On January 14, 2022, the Company’s New Jersey subsidiary filed a general rate case requesting \$110 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA and infrastructure surcharges. Public hearings were held on April 6, 2022. Settlement conferences commenced in May 2022. The matter remains pending before the Office of Administrative Law.

On November 15, 2021, the Company’s Virginia subsidiary filed a general rate case requesting \$15 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA. Interim rates were effective on May 1, 2022, and the difference between interim and final approved rates are subject to refund. Public hearings are scheduled for September 23, 2022 and evidentiary hearings are scheduled to begin on September 27, 2022.

The Company’s California subsidiary submitted its application on May 3, 2021 to set its cost of capital for 2022 through 2024. According to the CPUC’s procedural schedule, a decision setting the authorized cost of capital is expected to be issued in the fourth quarter of 2022.

Pending Infrastructure Surcharge Filings

On July 8, 2022, the Company’s Tennessee subsidiary filed infrastructure surcharges requesting \$3 million in additional annualized revenues.

On June 30, 2022, WVAWC filed an infrastructure surcharge proceeding requesting \$8 million in additional annualized revenues.

On March 4, 2022, the Company's Missouri subsidiary filed an infrastructure surcharge proceeding requesting \$19 million in additional annualized revenues.

Other Regulatory Matters

In September 2020, the CPUC released a decision under its Low-Income Rate Payer Assistance program rulemaking that will require the Company's California subsidiary to file a proposal to alter its water revenue adjustment mechanism in its next general rate case filing in 2022, which would become effective in January 2024. On October 5, 2020, the Company's California subsidiary filed an application for rehearing of the decision and following the CPUC's denial of its rehearing application in September 2021, the Company's California subsidiary filed a petition for writ of review with the California Supreme Court on October 27, 2021. On May 18, 2022, the California Supreme Court issued a writ of review for the Company's California subsidiary's petition and the petitions filed by other entities challenging the decision. These writs were subsequently consolidated for purposes of briefing, argument, and decision. While the Company's California subsidiary believes the petitions have merit, the process will be lengthy as the matter likely will be remanded to the CPUC for further review of the decision. Furthermore, there is no guarantee that the court will require the CPUC to allow utilities to implement a full decoupling water revenue adjustment mechanism.

Note 4: Revenue Recognition

Disaggregated Revenues

The Company's primary business involves the ownership of utilities that provide water and wastewater services to residential, commercial, industrial, public authority, fire service and sale for resale customers, collectively presented as the "Regulated Businesses." The Company also operates other market-based businesses that provide water and wastewater services to the U.S. government on military installations, as well as municipalities, and utility customers, collectively included within "Market-Based Businesses and Other."

Presented in the table below are operating revenues disaggregated for the three months ended June 30, 2022:

	Revenues from Contracts with Customers	Other Revenues Not from Contracts with Customers (a)	Total Operating Revenues
Regulated Businesses:			
Water services:			
Residential	\$ 483	\$ 1	\$ 484
Commercial	174	—	174
Fire service	37	—	37
Industrial	38	—	38
Public and other	59	—	59
Total water services	791	1	792
Wastewater services:			
Residential	42	—	42
Commercial	11	—	11
Industrial	1	—	1
Public and other	4	—	4
Total wastewater services	58	—	58
Miscellaneous utility charges	9	—	9
Alternative revenue programs	—	4	4
Lease contract revenue	—	2	2
Total Regulated Businesses	858	7	865
Market-Based Businesses and Other	72	—	72
Total operating revenues	\$ 930	\$ 7	\$ 937

(a) Includes revenues associated with provisional rates, alternative revenue programs, lease contracts and intercompany rent, which are outside the scope of Accounting Standards Codification Topic 606, *Revenue From Contracts With Customers* ("ASC 606"), and accounted for under other existing GAAP.

Presented in the table below are operating revenues disaggregated for the three months ended June 30, 2021:

	Revenues from Contracts with Customers	Other Revenues Not from Contracts with Customers (a)	Total Operating Revenues
Regulated Businesses:			
Water services:			
Residential	\$ 491	\$ —	\$ 491
Commercial	170	—	170
Fire service	37	—	37
Industrial	34	—	34
Public and other	56	—	56
Total water services	788	—	788
Wastewater services:			
Residential	38	—	38
Commercial	9	—	9
Industrial	1	—	1
Public and other	4	—	4
Total wastewater services	52	—	52
Miscellaneous utility charges	8	—	8
Alternative revenue programs	—	7	7
Lease contract revenue	—	2	2
Total Regulated Businesses	848	9	857
Market-Based Businesses and Other	142	—	142
Total operating revenues	\$ 990	\$ 9	\$ 999

(a) Includes revenues associated with provisional rates, alternative revenue programs, lease contracts and intercompany rent, which are outside the scope of ASC 606, and accounted for under other existing GAAP.

Presented in the table below are operating revenues disaggregated for the six months ended June 30, 2022:

	Revenues from Contracts with Customers	Other Revenues Not from Contracts with Customers (a)	Total Operating Revenues
Regulated Businesses:			
Water services:			
Residential	\$ 911	\$ 1	\$ 912
Commercial	327	—	327
Fire service	73	—	73
Industrial	74	—	74
Public and other	116	—	116
Total water services	1,501	1	1,502
Wastewater services:			
Residential	83	—	83
Commercial	21	—	21
Industrial	2	—	2
Public and other	7	—	7
Total wastewater services	113	—	113
Miscellaneous utility charges	18	—	18
Alternative revenue programs	—	6	6
Lease contract revenue	—	4	4
Total Regulated Businesses	1,632	11	1,643
Market-Based Businesses and Other	136	—	136
Total operating revenues	\$ 1,768	\$ 11	\$ 1,779

(a) Includes revenues associated with provisional rates, alternative revenue programs, lease contracts and intercompany rent, which are outside the scope of ASC 606, and accounted for under other existing GAAP.

Presented in the table below are operating revenues disaggregated for the six months ended June 30, 2021:

	<u>Revenues from Contracts with Customers</u>	<u>Other Revenues Not from Contracts with Customers (a)</u>	<u>Total Operating Revenues</u>
Regulated Businesses:			
Water services:			
Residential	\$ 921	\$ —	\$ 921
Commercial	314	—	314
Fire service	74	—	74
Industrial	66	—	66
Public and other	100	—	100
Total water services	<u>1,475</u>	<u>—</u>	<u>1,475</u>
Wastewater services:			
Residential	74	—	74
Commercial	18	—	18
Industrial	2	—	2
Public and other	8	—	8
Total wastewater services	<u>102</u>	<u>—</u>	<u>102</u>
Miscellaneous utility charges	16	—	16
Alternative revenue programs	—	16	16
Lease contract revenue	—	3	3
Total Regulated Businesses	<u>1,593</u>	<u>19</u>	<u>1,612</u>
Market-Based Businesses and Other	<u>275</u>	<u>—</u>	<u>275</u>
Total operating revenues	<u>\$ 1,868</u>	<u>\$ 19</u>	<u>\$ 1,887</u>

(a) Includes revenues associated with provisional rates, alternative revenue programs, lease contracts and intercompany rent, which are outside the scope of ASC 606, and accounted for under other existing GAAP.

Contract Balances

Contract assets and contract liabilities are the result of timing differences between revenue recognition, billings and cash collections. In Market-Based Businesses and Other, certain contracts are billed as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals or upon achievement of contractual milestones. Contract assets are recorded when billing occurs subsequent to revenue recognition and are reclassified to accounts receivable when billed and the right to consideration becomes unconditional. Contract liabilities are recorded when the Company receives advances from customers prior to satisfying contractual performance obligations, particularly for construction contracts, and are recognized as revenue when the associated performance obligations are satisfied.

Contract assets of \$72 million and \$71 million are included in unbilled revenues on the Consolidated Balance Sheets as of June 30, 2022 and December 31, 2021, respectively. There were \$109 million of contract assets added during the six months ended June 30, 2022, and \$108 million of contract assets were transferred to accounts receivable during the same period. There were \$38 million of contract assets added during the six months ended June 30, 2021, and \$19 million of contract assets were transferred to accounts receivable during the same period.

Contract liabilities of \$82 million and \$19 million are included in other current liabilities on the Consolidated Balance Sheets as of June 30, 2022 and December 31, 2021, respectively. There were \$128 million of contract liabilities added during the six months ended June 30, 2022, and \$65 million of contract liabilities were recognized as revenue during the same period. There were \$90 million of contract liabilities added during the six months ended June 30, 2021, and \$81 million of contract liabilities were recognized as revenue during the same period.

Remaining Performance Obligations

Remaining performance obligations (“RPOs”) represent revenues the Company expects to recognize in the future from contracts that are in progress. The Company enters into agreements for the provision of services to water and wastewater facilities for the U.S. military, municipalities and other customers. As of June 30, 2022, the Company’s operation and maintenance (“O&M”) and capital improvement contracts in Market-Based Businesses and Other have RPOs. Contracts with the U.S. government for work on various military installations expire between 2051 and 2071 and have RPOs of \$6.3 billion as of June 30, 2022, as measured by estimated remaining contract revenue. Such contracts are subject to customary termination provisions held by the U.S. government, prior to the agreed-upon contract expiration. Contracts with municipalities and commercial customers expire between 2022 and 2038 and have RPOs of \$574 million as of June 30, 2022, as measured by estimated remaining contract revenue. Some of the Company’s long-term contracts to operate and maintain the federal government’s, a municipality’s or other party’s water or wastewater treatment and delivery facilities include responsibility for certain maintenance for some of those facilities, in exchange for an annual fee. Unless specifically required to perform certain maintenance activities, the maintenance costs are recognized when the maintenance is performed.

Note 5: Acquisitions and Divestitures***Regulated Businesses******Acquisitions***

On May 27, 2022, the Company’s Pennsylvania subsidiary acquired the public wastewater collection and treatment system assets from the York City Sewer Authority and the City of York for a purchase price of \$235 million, in cash, \$20 million of which was funded as a deposit to the seller in April 2021 in connection with the execution of the acquisition agreement. The system assets serve, directly and indirectly through bulk contracts, more than 45,000 customers. The acquisition was accounted for as a business combination and the preliminary purchase price allocation will be finalized once the valuation of assets acquired has been completed, no later than one year after the acquisition date. The preliminary purchase price allocation consisted primarily of \$231 million of utility plant and \$4 million of goodwill, which is reported in the Company’s Regulated Businesses segment.

In addition to the acquisition of the York wastewater system assets noted above, during the six months ended June 30, 2022, the Company closed on the acquisition of eight regulated water and wastewater systems for an aggregate purchase price of \$25 million. Assets acquired from these acquisitions consisted principally of utility plant.

The pro forma impact of the Company’s acquisitions was not material to the Consolidated Statements of Operations for the periods ended June 30, 2022 and 2021.

On March 29, 2021, the Company’s New Jersey subsidiary entered into an agreement to acquire the water and wastewater assets of Egg Harbor City for \$22 million. The water and wastewater systems currently serve approximately 1,500 customers each, or 3,000 combined, and are being sold through the New Jersey Water Infrastructure Protection Act process. The Company expects to close this acquisition in the second half of 2022, pending regulatory approval.

Sale of New York American Water Company, Inc.

On January 1, 2022, the Company completed the previously disclosed sale of its regulated utility operations in New York to Liberty Utilities (Eastern Water Holdings) Corp. (“Liberty”), an indirect, wholly owned subsidiary of Algonquin Power & Utilities Corp. Liberty purchased from the Company all of the capital stock of the Company’s New York subsidiary for a purchase price of \$608 million in cash. During the first quarter of 2022, the Company recognized a loss on sale of \$2 million.

Sale of Michigan American Water Company

On February 4, 2022, the Company completed the sale of its operations in Michigan for \$6 million.

Sale of Homeowner Services Group

On December 9, 2021, the Company sold all of the equity interests in subsidiaries that comprised the Company’s Homeowner Services Group (“HOS”) to a wholly owned subsidiary of funds advised by Apax Partners LLP, a global private equity advisory firm (the “Buyer”), for total consideration of approximately \$1.275 billion, resulting in pre-tax gain on sale of \$748 million during the fourth quarter of 2021. The consideration was comprised of \$480 million in cash, a seller promissory note issued by the Buyer in the principal amount of \$720 million, and a contingent cash payment of \$75 million payable upon satisfaction of certain conditions on or before December 31, 2023. See Note 13—Fair Value of Financial Information for additional information relating to the seller promissory note and contingent cash payment. For the three and six months ended June 30, 2022, the Company recorded post-close adjustments, primarily related to working capital, of pre-tax income of \$10 million and \$20 million, respectively, which is included in Other, net on the Consolidated Statements of Operations.

The seller note has a five-year term, is payable in cash, and bears interest at a rate of 7.00% per year during the term. The Company recognized \$12 million and \$25 million of interest income during the three and six months ended June 30, 2022, respectively, from the seller note.

The Company and the Buyer also entered into revenue share agreements, pursuant to which the Company is to receive 10% of the revenue generated from customers who are billed for home warranty services through an applicable Company subsidiary (an “on-bill” arrangement), and 15% of the revenue generated from any future on-bill arrangements entered into after the closing. Unless earlier terminated, this agreement has a term of up to 15 years, which may be renewed for up to two five-year periods. The Company recognized \$2 million and \$4 million of income during the three and six months ended June 30, 2022, respectively, from the revenue share agreements, which is included in Other, net on the Consolidated Statements of Operations.

Note 6: Shareholders' Equity

Accumulated Other Comprehensive Loss

Presented in the table below are the changes in accumulated other comprehensive loss by component, net of tax, for the six months ended June 30, 2022 and 2021, respectively:

	Defined Benefit Pension Plans				Accumulated Other Comprehensive Loss
	Employee Benefit Plan Funded Status	Amortization of Prior Service Cost	Amortization of Actuarial Loss	Loss on Cash Flow Hedges	
Balance as of December 31, 2021	\$ (107)	\$ 1	\$ 67	\$ (6)	\$ (45)
Other comprehensive income before reclassifications	—	—	—	4	4
Amounts reclassified from accumulated other comprehensive loss	—	—	1	—	1
Net other comprehensive income	—	—	1	4	5
Balance as of June 30, 2022	\$ (107)	\$ 1	\$ 68	\$ (2)	\$ (40)
Balance as of December 31, 2020	\$ (106)	\$ 1	\$ 63	\$ (7)	\$ (49)
Other comprehensive loss before reclassifications	—	—	—	1	1
Amounts reclassified from accumulated other comprehensive loss	—	—	2	—	2
Net other comprehensive income	—	—	2	1	3
Balance as of June 30, 2021	\$ (106)	\$ 1	\$ 65	\$ (6)	\$ (46)

The Company does not reclassify the amortization of defined benefit pension cost components from accumulated other comprehensive loss directly to net income in its entirety, as a portion of these costs have been deferred as a regulatory asset. These accumulated other comprehensive loss components are included in the computation of net periodic pension cost.

The amortization of the gain (loss) on cash flow hedges is reclassified to net income during the period incurred and is included in interest, net in the accompanying Consolidated Statements of Operations.

Dividends

On June 1, 2022, the Company paid a quarterly cash dividend of \$0.6550 per share to shareholders of record as of May 10, 2022.

On July 27, 2022, the Company's Board of Directors declared a quarterly cash dividend payment of \$0.6550 per share, payable on September 1, 2022 to shareholders of record as of August 9, 2022. Future dividends, when and as declared at the discretion of the Board of Directors, will be dependent upon future earnings and cash flows, compliance with various regulatory, financial and legal requirements, and other factors. See Note 10—Shareholders' Equity in the Notes to Consolidated Financial Statements in the Company's Form 10-K for additional information regarding the payment of dividends on the Company's common stock.

Note 7: Long-Term Debt

On May 5, 2022, American Water Capital Corp. (“AWCC”), issued \$800 million aggregate principal amount of 4.45% senior notes due 2032. At closing, AWCC received, after deduction of underwriting discounts and before deduction of offering expenses, net proceeds of approximately \$792 million. AWCC used the net proceeds of the offering: (i) to lend funds to the Company and its subsidiaries in its Regulated Businesses segment; (ii) to repay AWCC’s commercial paper obligations; and (iii) for general corporate purposes.

In April 2022, the Company entered into several 10-year treasury lock agreements, with notional amounts totaling \$400 million, and an average fixed interest rate of 2.89%. The Company designated these treasury lock agreements as cash flow hedges, with their fair value recorded in accumulated other comprehensive gain or loss. In May 2022, the Company terminated the treasury lock agreements, realizing a net gain of approximately \$4 million, to be amortized through interest, net over a 10-year period, in accordance with the tenor of the debt issuance on May 5, 2022. No ineffectiveness was recognized on hedging instruments for the three and six months ended June 30, 2022.

In addition to the senior notes issued by AWCC as described above, during the six months ended June 30, 2022, the Company’s regulated subsidiaries issued in the aggregate \$11 million of private activity bonds and government funded debt in multiple transactions with annual interest rates of 0.74%, maturing in 2041. During the six months ended June 30, 2022, AWCC and the Company’s regulated subsidiaries made sinking fund payments for, or repaid at maturity, \$7 million in aggregate principal amount of outstanding long-term debt, with annual interest rates ranging from 0.00% to 12.25%, a weighted average interest rate of 2.76%, and maturity dates ranging from 2022 to 2048.

Note 8: Short-Term Debt

Liquidity needs for capital investment, working capital and other financial commitments are generally funded through cash flows from operations, public and private debt offerings, commercial paper markets and, if and to the extent necessary, borrowings under the AWCC revolving credit facility. Additionally, proceeds from the aforementioned sales of HOS and the Company’s New York subsidiary will be used primarily for capital investment in the Regulated Businesses. The revolving credit facility provides \$2.25 billion in aggregate total commitments from a diversified group of financial institutions. The termination date of the credit agreement with respect to AWCC’s revolving credit facility is March 21, 2025. The facility is used principally to support AWCC’s commercial paper program, to provide additional liquidity support and to provide a sub-limit of up to \$150 million for letters of credit. As of June 30, 2022 and December 31, 2021, there were no borrowings outstanding under the revolving credit facility.

Short-term debt consists of commercial paper and credit facility borrowings totaling \$420 million and \$584 million as of June 30, 2022 and December 31, 2021, respectively. The weighted-average interest rate on AWCC’s outstanding short-term borrowings was approximately 1.67% and 0.20% at June 30, 2022 and December 31, 2021, respectively. As of June 30, 2022 and December 31, 2021, there were no commercial paper or credit facility borrowings outstanding with maturities greater than three months.

Presented in the tables below is the aggregate credit facility commitments, commercial paper limit and letter of credit availability under the revolving credit facility, as well as the available capacity for each:

	As of June 30, 2022		
	Commercial Paper Limit	Letters of Credit	Total (a)
(In millions)			
Total availability	\$ 2,100	\$ 150	\$ 2,250
Outstanding debt	(420)	(75)	(495)
Remaining availability as of June 30, 2022	\$ 1,680	\$ 75	\$ 1,755

(a) Total remaining availability of \$1.76 billion as of June 30, 2022 may be accessed through revolver draws.

(In millions)	As of December 31, 2021		
	Commercial Paper Limit	Letters of Credit	Total (a)
Total availability	\$ 2,100	\$ 150	\$ 2,250
Outstanding debt	(584)	(76)	(660)
Remaining availability as of December 31, 2021	<u>\$ 1,516</u>	<u>\$ 74</u>	<u>\$ 1,590</u>

(a) Total remaining availability of \$1.59 billion as of December 31, 2021 may be accessed through revolver draws.

Presented in the table below is the Company's total available liquidity as of June 30, 2022 and December 31, 2021, respectively:

(In millions)	Cash and Cash Equivalents	Availability on Revolving Credit Facility	Total Available Liquidity
Available liquidity as of June 30, 2022	\$ 71	\$ 1,755	\$ 1,826
Available liquidity as of December 31, 2021	\$ 116	\$ 1,590	\$ 1,706

Note 9: Income Taxes

The Company's effective income tax rate was 19.3% and 17.5% for the three months ended June 30, 2022 and 2021, respectively, and 18.8% and 16.3% for the six months ended June 30, 2022 and 2021, respectively. The increase in the Company's effective income tax rate for the three and six months ended June 30, 2022 was primarily due to a decrease in the amortization of EADIT pursuant to regulatory orders.

Note 10: Pension and Other Postretirement Benefits

Presented in the table below are the components of net periodic benefit credit:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
Components of net periodic pension benefit credit:				
Service cost	\$ 7	\$ 9	\$ 15	\$ 18
Interest cost	16	16	32	33
Expected return on plan assets	(30)	(32)	(61)	(64)
Amortization of prior service credit	(1)	—	(2)	(1)
Amortization of actuarial loss	5	6	10	13
Net periodic pension benefit credit	<u>\$ (3)</u>	<u>\$ (1)</u>	<u>\$ (6)</u>	<u>\$ (1)</u>
Components of net periodic other postretirement benefit credit:				
Service cost	\$ 1	\$ 1	\$ 2	\$ 2
Interest cost	2	2	5	4
Expected return on plan assets	(5)	(5)	(10)	(10)
Amortization of prior service credit	(8)	(8)	(16)	(16)
Net periodic other postretirement benefit credit	<u>\$ (10)</u>	<u>\$ (10)</u>	<u>\$ (19)</u>	<u>\$ (20)</u>

The Company contributed \$9 million and \$18 million for the funding of its defined benefit pension plans for the three and six months ended June 30, 2022, respectively, and contributed \$9 million and \$18 million for the funding of its defined benefit pension plans for the three and six months ended June 30, 2021. There were \$3 million and \$13 million of contributions for the funding of the Company's other postretirement benefit plans for the three and six months ended June 30, 2022, respectively, and no such contributions for the three and six months ended June 30, 2021, respectively. The Company expects to make pension contributions to the plan trusts of \$18 million during the remainder of 2022.

Note 11: Commitments and Contingencies***Contingencies***

The Company is routinely involved in legal actions incident to the normal conduct of its business. As of June 30, 2022, the Company has accrued approximately \$6 million of probable loss contingencies and has estimated that the maximum amount of losses associated with reasonably possible loss contingencies that can be reasonably estimated is \$3 million. For certain matters, claims and actions, the Company is unable to estimate possible losses. The Company believes that damages or settlements, if any, recovered by plaintiffs in such matters, claims or actions, other than as described in this Note 11—Commitments and Contingencies, will not have a material adverse effect on the Company.

West Virginia Elk River Freedom Industries Chemical Spill

On June 8, 2018, the U.S. District Court for the Southern District of West Virginia granted final approval of a settlement class and global class action settlement (the “Settlement”) for all claims and potential claims by all class members (collectively, the “West Virginia Plaintiffs”) arising out of the January 2014 Freedom Industries, Inc. chemical spill in West Virginia. The effective date of the Settlement was July 16, 2018. Under the terms and conditions of the Settlement, WVAWC and certain other Company-affiliated entities did not admit, and will not admit, any fault or liability for any of the allegations made by the West Virginia Plaintiffs in any of the actions that were resolved.

The aggregate pre-tax amount contributed by WVAWC of the \$126 million portion of the Settlement with respect to the Company, net of insurance recoveries, is \$19 million. As of June 30, 2022, \$0.5 million of the aggregate Settlement amount of \$126 million has been reflected in accrued liabilities, and \$0.5 million in offsetting insurance receivables have been reflected in other current assets on the Consolidated Balance Sheets. The amount reflected in accrued liabilities as of June 30, 2022 reflects reductions in the liability and appropriate reductions to the offsetting insurance receivable reflected in other current assets, associated with payments made to the Settlement fund, the receipt of a determination by the Settlement fund’s appeal adjudicator on all remaining medical claims and the calculation of remaining attorneys’ fees and claims administration costs. The Company funded WVAWC’s contributions to the Settlement through existing sources of liquidity.

Dunbar, West Virginia Water Main Break Class Action Litigation

On the evening of June 23, 2015, a 36-inch pre-stressed concrete transmission water main, installed in the early 1970s, failed. The water main is part of the West Relay pumping station located in the City of Dunbar, West Virginia and owned by WVAWC. The failure of the main caused water outages and low pressure for up to approximately 25,000 WVAWC customers. In the early morning hours of June 25, 2015, crews completed a repair, but that same day, the repair developed a leak. On June 26, 2015, a second repair was completed and service was restored that day to approximately 80% of the impacted customers, and to the remaining approximately 20% by the next morning. The second repair showed signs of leaking, but the water main was usable until June 29, 2015 to allow tanks to refill. The system was reconfigured to maintain service to all but approximately 3,000 customers while a final repair was being completed safely on June 30, 2015. Water service was fully restored by July 1, 2015 to all customers affected by this event.

On June 2, 2017, a complaint captioned *Jeffries, et al. v. West Virginia-American Water Company* was filed in West Virginia Circuit Court in Kanawha County on behalf of an alleged class of residents and business owners who lost water service or pressure as a result of the Dunbar main break. The complaint alleges breach of contract by WVAWC for failure to supply water, violation of West Virginia law regarding the sufficiency of WVAWC’s facilities and negligence by WVAWC in the design, maintenance and operation of the water system. The *Jeffries* plaintiffs seek unspecified alleged damages on behalf of the class for lost profits, annoyance and inconvenience, and loss of use, as well as punitive damages for willful, reckless and wanton behavior in not addressing the risk of pipe failure and a large outage.

In February 2020, the *Jeffries* plaintiffs filed a motion seeking class certification on the issues of breach of contract and negligence, and to determine the applicability of punitive damages and a multiplier for those damages if imposed. In July 2020, the Circuit Court entered an order granting the *Jeffries* plaintiffs’ motion for certification of a class regarding certain liability issues but denying certification of a class to determine a punitive damages multiplier. In August 2020, WVAWC filed a Petition for Writ of Prohibition in the Supreme Court of Appeals of West Virginia seeking to vacate or remand the Circuit Court’s order certifying the issues class. On January 28, 2021, the Supreme Court of Appeals remanded the case back to the Circuit Court for further consideration in light of a decision issued in another case relating to the class certification issues raised on appeal. On July 5, 2022, the Circuit Court entered an order again certifying a class to address at trial certain liability issues but not to consider damages. WVAWC is considering whether to challenge the Circuit Court’s latest certification order.

The Company and WVAWC believe that WVAWC has valid, meritorious defenses to the claims raised in this class action complaint. WVAWC is vigorously defending itself against these allegations. The Company cannot currently determine the likelihood of a loss, if any, or estimate the amount of any loss or a range of such losses related to this proceeding.

Chattanooga, Tennessee Water Main Break Class Action Litigation

On September 12, 2019, the Company's Tennessee subsidiary ("TAWC"), experienced a leak in a 36-inch water transmission main, which caused service fluctuations or interruptions to TAWC customers and the issuance of a boil water notice. TAWC repaired the main by early morning on September 14, 2019, and restored full water service by the afternoon of September 15, 2019, with the boil water notice lifted for all customers on September 16, 2019.

On September 17, 2019, a complaint captioned *Bruce, et al. v. American Water Works Company, Inc., et al.* was filed in the Circuit Court of Hamilton County, Tennessee against TAWC, the Company and American Water Works Service Company, Inc. ("Service Company" and, together with TAWC and the Company, collectively, the "Tennessee-American Water Defendants"), on behalf of a proposed class of individuals or entities who lost water service or suffered monetary losses as a result of the Chattanooga incident (the "Tennessee Plaintiffs"). The complaint alleged breach of contract and negligence against the Tennessee-American Water Defendants, as well as an equitable remedy of piercing the corporate veil. In the complaint as originally filed, the Tennessee Plaintiffs were seeking an award of unspecified alleged damages for wage losses, business and economic losses, out-of-pocket expenses, loss of use and enjoyment of property and annoyance and inconvenience, as well as punitive damages, attorneys' fees and pre- and post-judgment interest. In September 2020, the court dismissed all of the Tennessee Plaintiffs' claims in their complaint, except for the breach of contract claims against TAWC, which remain pending. In October 2020, TAWC answered the complaint, and the parties have been engaging in discovery. The court has entered an agreed scheduling order, which sets a hearing in October 2022 to address the question of class certification.

TAWC and the Company believe that TAWC has meritorious defenses to the claims raised in this class action complaint, and TAWC is vigorously defending itself against these allegations. The Company cannot currently determine the likelihood of a loss, if any, or estimate the amount of any loss or a range of such losses related to this proceeding.

Alternative Water Supply in Lieu of Carmel River Diversions

Compliance with Orders to Reduce Carmel River Diversions—Monterey Peninsula Water Supply Project

Under a 2009 order (the "2009 Order") of the State Water Resources Control Board (the "SWRCB"), the Company's California subsidiary ("Cal Am") is required to decrease significantly its yearly diversions of water from the Carmel River according to a set reduction schedule. In 2016, the SWRCB issued an order (the "2016 Order") approving a deadline of December 31, 2021 for Cal Am's compliance with these prior orders.

Cal Am is currently involved in developing the Monterey Peninsula Water Supply Project (the "Water Supply Project"), which includes the construction of a desalination plant, to be owned by Cal Am, and the construction of wells that would supply water to the desalination plant. In addition, the Water Supply Project also includes Cal Am's purchase of water from a groundwater replenishment project (the "GWR Project") between Monterey One Water and the Monterey Peninsula Water Management District (the "MPWMD"). The Water Supply Project is intended, among other things, to fulfill Cal Am's obligations under the 2009 Order and the 2016 Order.

Cal Am's ability to move forward on the Water Supply Project is subject to administrative review by the CPUC and other government agencies, obtaining necessary permits, and intervention from other parties. In September 2016, the CPUC unanimously approved a final decision to authorize Cal Am to enter into a water purchase agreement for the GWR Project and to construct a pipeline and pump station facilities and recover up to \$50 million in associated incurred costs plus an allowance for funds used during construction ("AFUDC"), subject to meeting certain criteria.

In September 2018, the CPUC unanimously approved another final decision finding that the Water Supply Project meets the CPUC's requirements for a certificate of public convenience and necessity and an additional procedural phase was not necessary to consider alternative projects. The CPUC's 2018 decision concludes that the Water Supply Project is the best project to address estimated future water demands in Monterey, and, in addition to the cost recovery approved in its 2016 decision, adopts Cal Am's cost estimates for the Water Supply Project, which amounted to an aggregate of \$279 million plus AFUDC at a rate representative of Cal Am's actual financing costs. The 2018 final decision specifies the procedures for recovery of all of Cal Am's prudently incurred costs associated with the Water Supply Project upon its completion, subject to the frameworks included in the final decision related to cost caps, operation and maintenance costs, financing, ratemaking and contingency matters. The reasonableness of the Water Supply Project costs will be reviewed by the CPUC when Cal Am seeks cost recovery for the Water Supply Project. Cal Am has incurred \$199 million in aggregate costs as of June 30, 2022 related to the Water Supply Project, which includes \$53 million in AFUDC.

In September 2021, Cal Am, Monterey One Water and the MPWMD reached an agreement on Cal Am's purchase of additional water from an expansion to the GWR Project, which is not expected to produce additional water until 2024 at the earliest. The amended and restated water purchase agreement for the GWR Project expansion is subject to review and approval of the CPUC, and on November 29, 2021, Cal Am filed an application with the CPUC seeking review and approval of the amended and restated water purchase agreement. Cal Am is also requesting rate base treatment of the additional capital investment for certain Cal Am facilities required to maximize the water supply from the expansion to the GWR Project and a related Aquifer Storage and Recovery Project, totaling approximately \$81 million. This amount is in addition to, and consistent in regulatory treatment with, the prior \$50 million of cost recovery for facilities associated with the original water purchase agreement, which was approved by the CPUC in its 2016 final decision.

While Cal Am believes that its expenditures to date have been prudent and necessary to comply with the 2009 Order and the 2016 Order, as well as the CPUC's 2016 and 2018 final decisions, Cal Am cannot currently predict its ability to recover all of its costs and expenses associated with the Water Supply Project and there can be no assurance that Cal Am will be able to recover all of such costs and expenses in excess of the \$50 million in construction costs previously approved by the CPUC in its 2016 final decision.

Coastal Development Permit Application

In June 2018, Cal Am submitted a coastal development permit application to the City of Marina (the "City") for those project components of the Water Supply Project located within the City's coastal zone. Members of the City's Planning Commission, as well as City councilpersons, have publicly expressed opposition to the Water Supply Project. In May 2019, the City issued a notice of final local action based upon the denial by the Planning Commission of Cal Am's coastal development permit application. Thereafter, Cal Am appealed this decision to the California Coastal Commission (the "Coastal Commission"), as permitted under the City's code and the California Coastal Act. At the same time, Cal Am submitted an application to the Coastal Commission for a coastal development permit for those project components located within the Coastal Commission's original jurisdiction. In October 2019, staff of the Coastal Commission issued a report recommending a denial of Cal Am's application for a coastal development permit with respect to the Water Supply Project, largely based on a memorandum prepared by the general manager of the MPWMD that contradicted findings made by the CPUC in its final decision approving the Water Supply Project. In November 2019, discussions between staffs of the Coastal Commission and the CPUC took place regarding the Coastal Commission staff recommendation, at which time the CPUC raised questions about the Coastal Commission staff's findings on water supply and demand, groundwater impacts and the viability of a project that the Coastal Commission staff believes may be a possible alternative to the Water Supply Project.

In August 2020, the staff of the Coastal Commission released a report again recommending denial of Cal Am's application for a coastal development permit. Although the report concluded that the Water Supply Project would have a negligible impact on groundwater resources, the report also concluded it would impact other coastal resources, such as environmentally sensitive habitat areas and wetlands, and that the Coastal Commission staff believes that a feasible alternative project exists that would avoid those impacts. The staff's report also noted disproportionate impacts to communities of concern. In September 2020, Cal Am withdrew its original jurisdiction application to allow additional time to address the Coastal Commission staff's environmental justice concerns. The withdrawal of the original jurisdiction application did not impact Cal Am's appeal of the City's denial, which remains pending before the Coastal Commission. Cal Am refiled the original jurisdiction application in November 2020. In December 2020, the Coastal Commission sent to Cal Am a notice of incomplete application, identifying certain additional information needed to consider the application complete. In March 2021, Cal Am provided responses to the Coastal Commission's notice of incomplete application. On June 18, 2021, the Coastal Commission responded, acknowledging the responses and requesting certain additional information before the application could be considered complete. Cal Am responded with the requested additional information on January 11, 2022, and on February 8, 2022, the Coastal Commission requested additional information. The original jurisdiction application remains pending.

Cal Am continues to work constructively with all appropriate agencies to provide necessary information in connection with obtaining required approvals for the Water Supply Project. However, there can be no assurance that the Water Supply Project in its current configuration will be completed on a timely basis, if ever. Beginning in January 2022, Cal Am expects to be able to comply with the diversion reduction requirements contained in the 2016 Order, but continued compliance with the diversion reduction requirements for 2023 and future years will depend on successful development of alternate water supply sources, sufficient to meet customer demand. The 2009 Order and the 2016 Order remain in effect until Cal Am certifies to the SWRCB, and the SWRCB concurs, that Cal Am has obtained a permanent supply of water to substitute for past unauthorized Carmel River diversions. While the Company cannot currently predict the likelihood or result of any adverse outcome associated with these matters, further attempts to comply with the 2009 Order and the 2016 Order may result in material additional costs and obligations to Cal Am, including fines and penalties against Cal Am in the event of noncompliance with the 2009 Order and the 2016 Order.

Note 12: Earnings per Common Share

Presented in the table below is a reconciliation of the numerator and denominator for the basic and diluted EPS calculations:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
Numerator:				
Net income attributable to common shareholders	\$ 218	\$ 207	\$ 376	\$ 340
Denominator:				
Weighted-average common shares outstanding—Basic	182	182	182	181
Effect of dilutive common stock equivalents	—	—	—	1
Weighted-average common shares outstanding—Diluted	182	182	182	182

The effect of dilutive common stock equivalents is related to outstanding stock options, restricted stock units (“RSUs”) and performance stock units (“PSUs”) granted under the Company’s 2007 Omnibus Equity Compensation Plan and outstanding RSUs and PSUs granted under the Company’s 2017 Omnibus Equity Compensation Plan, as well as estimated shares to be purchased under the Company’s 2017 Nonqualified Employee Stock Purchase Plan. Less than one million share-based awards were excluded from the computation of diluted EPS for the three and six months ended June 30, 2022 and 2021, because their effect would have been anti-dilutive under the treasury stock method.

Note 13: Fair Value of Financial Information

Fair Value of Financial Instruments

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

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

Seller promissory note from the sale of HOS — The carrying amount reported on the Consolidated Balance Sheets for the seller promissory note from the sale of HOS is \$720 million as of June 30, 2022 and December 31, 2021. This amount represents the principal amount owed under the seller note, for which the Company expects to receive full payment. The accounting fair value measurement of the seller note approximated \$693 million and \$720 million as of June 30, 2022 and December 31, 2021, respectively. The accounting fair value measurement is an estimate that is reflective of changes in benchmark interest rates. The seller note is classified as Level 3 within the fair value hierarchy.

Preferred stock with mandatory redemption requirements and long-term debt—The fair values of preferred stock with mandatory redemption requirements and long-term debt are categorized within the fair value hierarchy based on the inputs that are used to value each instrument. The fair value of long-term debt classified as Level 1 is calculated using quoted prices in active markets. Level 2 instruments are valued using observable inputs and Level 3 instruments are valued using observable and unobservable inputs.

Presented in the tables below are the carrying amounts, including fair value adjustments previously recognized in acquisition purchase accounting, and the fair values of the Company's financial instruments:

	As of June 30, 2022				
	Carrying Amount	At Fair Value			Total
		Level 1	Level 2	Level 3	
Preferred stock with mandatory redemption requirements	\$ 3	\$ —	\$ —	\$ 3	\$ 3
Long-term debt (excluding finance lease obligations)	11,200	9,023	50	1,446	10,519

	As of December 31, 2021				
	Carrying Amount	At Fair Value			Total
		Level 1	Level 2	Level 3	
Preferred stock with mandatory redemption requirements	\$ 4	\$ —	\$ —	\$ 6	\$ 6
Long-term debt (excluding finance lease obligations)	10,396	10,121	60	1,637	11,818

Recurring Fair Value Measurements

Presented in the tables below are assets and liabilities measured and recorded at fair value on a recurring basis and their level within the fair value hierarchy:

	As of June 30, 2022			
	Level 1	Level 2	Level 3	Total
Assets:				
Restricted funds	\$ 26	\$ —	\$ —	\$ 26
Rabbi trust investments	22	—	—	22
Deposits	7	—	—	7
Other investments	25	—	—	25
Contingent cash payment from the sale of HOS	—	—	72	72
Total assets	80	—	72	152
Liabilities:				
Deferred compensation obligations	24	—	—	24
Total liabilities	24	—	—	24
Total assets	\$ 56	\$ —	\$ 72	\$ 128

	As of December 31, 2021			
	Level 1	Level 2	Level 3	Total
Assets:				
Restricted funds	\$ 21	\$ —	\$ —	\$ 21
Rabbi trust investments	23	—	—	23
Deposits	27	—	—	27
Other investments	17	—	—	17
Contingent cash payment from the sale of HOS	—	—	72	72
Total assets	88	—	72	160
Liabilities:				
Deferred compensation obligations	27	—	—	27
Total liabilities	27	—	—	27
Total assets	\$ 61	\$ —	\$ 72	\$ 133

Restricted funds—The Company’s restricted funds primarily represent proceeds received from financings for the construction and capital improvement of facilities and from customers for future services under operation, maintenance and repair projects.

Rabbi trust investments—The Company’s rabbi trust investments consist of equity and index funds from which supplemental executive retirement plan benefits and deferred compensation obligations can be paid. The Company includes these assets in other long-term assets on the Consolidated Balance Sheets.

Deposits—Deposits include escrow funds and certain other deposits held in trust. The Company includes cash deposits in other current assets on the Consolidated Balance Sheets.

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

Mark-to-market derivative assets and liabilities—The Company employs derivative financial instruments in the form of variable-to-fixed interest rate swaps and treasury lock agreements, classified as economic hedges and cash flow hedges, respectively, in order to fix the interest cost on existing or forecasted debt. The Company may use fixed-to-floating interest rate swaps, typically designated as fair-value hedges, to achieve a targeted level of variable-rate debt as a percentage of total debt. The Company uses a calculation of future cash inflows and estimated future outflows, which are discounted, to determine the current fair value. Additional inputs to the present value calculation include the contract terms, counterparty credit risk, interest rates and market volatility. The Company had no mark-to-market derivatives outstanding as of June 30, 2022.

Other investments—Other investments primarily represent money market funds used for active employee benefits. The Company includes other investments in other current assets on the Consolidated Balance Sheets.

Contingent cash payment from the sale of HOS—The Company’s contingent cash payment derivative included as part of the consideration from the sale of HOS is included in other long-term assets on the Consolidated Balance Sheets. The fair value of the contingent cash payment is \$72 million, which is estimated using the probability of the outcome of receipt of the \$75 million, a Level 3 input.

Note 14: Leases

The Company has operating and finance leases involving real property, including facilities, utility assets, vehicles, and equipment. Certain operating leases have renewal options ranging from one to 60 years. The exercise of lease renewal options is at the Company’s sole discretion. Renewal options that the Company was reasonably certain to exercise are included in the Company’s right-of-use (“ROU”) assets. Certain operating leases contain the option to purchase the leased property. The operating leases for real property, vehicles and equipment will expire over the next 38 years, five years, and four years, respectively.

The Company participates in a number of arrangements with various public entities (“Partners”) in West Virginia. Under these arrangements, the Company transferred a portion of its utility plant to the Partners in exchange for an equal principal amount of Industrial Development Bonds (“IDBs”) issued by the Partners under the Industrial Development and Commercial Development Bond Act. The Company leased back the utility plant under agreements for a period of 30 to 40 years. The Company has recorded these agreements as finance leases in property, plant and equipment, as ownership of the assets will revert back to the Company at the end of the lease term. The carrying value of the finance lease assets was \$146 million as of June 30, 2022 and December 31, 2021. The Company determined that the finance lease obligations and the investments in IDBs meet the conditions for offsetting, and as such, are reported net on the Consolidated Balance Sheets and excluded from the finance lease disclosure presented below.

The Company also enters into O&M agreements with the Partners. The Company pays an annual fee for use of the Partners’ assets in performing under the O&M agreements. The O&M agreements are recorded as operating leases, and future annual use fees of \$2 million in 2022, \$4 million in 2023 through 2026, and \$48 million thereafter, are included in operating lease ROU assets and operating lease liabilities on the Consolidated Balance Sheets.

Rental expenses under operating and finance leases were \$3 million and \$4 million for the three months ended June 30, 2022 and June 30, 2021, respectively, and \$6 million and \$7 million for the six months ended June 30, 2022 and June 30, 2021, respectively.

For the three and six months ended June 30, 2022, cash paid for amounts in lease liabilities, which includes operating and financing cash flows from operating and finance leases, were \$4 million and \$7 million, respectively. For the six months ended June 30, 2022, there were ROU assets obtained in exchange for new operating lease liabilities of \$3 million.

As of June 30, 2022, the weighted-average remaining lease term of the finance lease and operating leases were four years and 18 years, respectively, and the weighted-average discount rate of the finance lease and operating leases were 12% and 4%, respectively.

The future maturities of lease liabilities at June 30, 2022 are \$5 million in 2022, \$10 million in 2023, \$9 million in 2024, \$9 million in 2025, \$8 million in 2026, and \$88 million thereafter. At June 30, 2022, imputed interest was \$43 million.

Note 15: Segment Information

The Company’s operating segments are comprised of the revenue-generating components of its businesses for which separate financial information is internally produced and regularly used by management to make operating decisions, assess performance and allocate resources. The Company operates its businesses primarily through one reportable segment, the Regulated Businesses segment. “Market-Based Businesses and Other” includes market-based businesses that, individually, do not meet the criteria of a reportable segment in accordance with GAAP, corporate costs that are not allocated to the Company’s operating segments, eliminations of inter-segment transactions and fair value adjustments and associated income and deductions related to acquisitions that have not been allocated to the operating segments for evaluation of performance and allocation of resource purposes. The adjustments related to the acquisitions are reported in Market-Based Businesses and Other as they are excluded from segment performance measures evaluated by management.

As a result of the sale of HOS, the categories which were previously shown as “Market-Based Businesses” and “Other” have been combined and shown as “Market-Based Businesses and Other.” Segment results for the three and six months ended June 30, 2021 have been adjusted retrospectively to reflect this change.

Presented in the tables below is summarized segment information:

	As of or for the Three Months Ended June 30, 2022		
	Regulated Businesses	Market-Based Businesses and Other	Consolidated
Operating revenues	\$ 865	\$ 72	\$ 937
Depreciation and amortization	157	6	163
Total operating expenses, net	546	64	610
Interest expense	(76)	(30)	(106)
Interest income	—	12	12
Income before income taxes	266	4	270
Provision for income taxes	47	5	52
Net income (loss) attributable to common shareholders	219	(1)	218
Total assets	23,864	2,710	26,574
Cash paid for capital expenditures	568	3	571

	As of or for the Three Months Ended June 30, 2021		
	Regulated Businesses	Market-Based Businesses and Other	Consolidated
Operating revenues	\$ 857	\$ 142	\$ 999
Depreciation and amortization	151	7	158
Total operating expenses, net	552	117	669
Interest expense	(72)	(29)	(101)
Interest income	—	—	—
Income (loss) before income taxes	257	(6)	251
Provision for income taxes	42	2	44
Net income (loss) attributable to common shareholders	215	(8)	207
Total assets	22,445	2,507	24,952
Cash paid for capital expenditures	406	4	410

	As of or for the Six Months Ended June 30, 2022		
	Regulated Businesses	Market-Based Businesses and Other	Consolidated
Operating revenues	\$ 1,643	\$ 136	\$ 1,779
Depreciation and amortization	312	9	321
Total operating expenses, net	1,084	122	1,206
Interest expense	(146)	(60)	(206)
Interest income	—	25	25
Income before income taxes	462	1	463
Provision for income taxes	83	4	87
Net income (loss) attributable to common shareholders	379	(3)	376
Total assets	23,864	2,710	26,574
Cash paid for capital expenditures	990	5	995

	As of or for the Six Months Ended June 30, 2021		
	Regulated Businesses	Market-Based Businesses and Other	Consolidated
Operating revenues	\$ 1,612	\$ 275	\$ 1,887
Depreciation and amortization	298	17	315
Total operating expenses, net	1,095	233	1,328
Interest expense	(143)	(56)	(199)
Interest income	—	—	—
Income (loss) before income taxes	420	(14)	406
Provision (benefit) for income taxes	70	(4)	66
Net income (loss) attributable to common shareholders	350	(10)	340
Total assets	22,445	2,507	24,952
Cash paid for capital expenditures	744	8	752

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

The following discussion should be read together with the unaudited Consolidated Financial Statements and the Notes thereto included elsewhere in this Form 10-Q, and in the Company's Form 10-K for the year ended December 31, 2021. This discussion contains forward-looking statements that are based on management's current expectations, estimates and projections about the Company's business, operations and financial performance. The cautionary statements made in this Form 10-Q should be read as applying to all related forward-looking statements whenever they appear in this Form 10-Q. The Company's actual results may differ materially from those currently anticipated and expressed in such forward-looking statements as a result of a number of factors, including those that are discussed under "Forward-Looking Statements" and elsewhere in this Form 10-Q. The Company has a disclosure committee consisting of members of senior management and other key employees involved in the preparation of the Company's SEC reports. The disclosure committee is actively involved in the review and discussion of the Company's SEC filings.

Overview

American Water is the largest and most geographically diverse, publicly traded water and wastewater utility company in the United States, as measured by both operating revenues and population served. The Company's primary business involves the ownership of utilities that provide water and wastewater services to residential, commercial, industrial, public authority, fire service and sale for resale customers, collectively presented as the "Regulated Businesses." Services provided by the Company's utilities are subject to regulation by multiple state utility commissions or other entities engaged in utility regulation, collectively referred to as public utility commissions ("PUCs"). The Company also operates other market-based businesses not subject to economic regulation by state PUCs that provide water and wastewater services to the U.S. government on military installations, as well as municipalities, and utility customers, collectively included within "Market-Based Businesses and Other." See Part I, Item 1—Business in the Company's Form 10-K for additional information.

Financial Results

For the three and six months ended June 30, 2022, diluted earnings per share, prepared in accordance with accounting principles generally accepted in the United States ("GAAP"), were \$1.20 and \$2.07, respectively, an increase of \$0.06 and \$0.20, respectively, per diluted share, as compared to the same periods in the prior year. These increases were primarily driven by the implementation of new rates in the Regulated Businesses from infrastructure investments, offset somewhat by impacts from inflationary pressures estimated at \$0.06 to \$0.08 per share for the year-to-date period. Also, included in the results for the three and six months ended June 30, 2022, are \$0.06 and \$0.12 per share, respectively, from interest income earned on the seller note and income earned on revenue share agreements, which compares to Homeowner Services Group ("HOS") operating results for the three and six months ended June 30, 2021, of \$0.08 and \$0.16 per share, respectively. 2022 results also include \$0.04 and \$0.08 per share for the three and six months, respectively, from the final post-close adjustments from the sale of HOS in 2021. See Note 5—Acquisitions and Divestitures in the Notes to Consolidated Financial Statements for additional information.

Growth Through Capital Investment in Infrastructure and Regulated Acquisitions

The Company continues to grow its businesses, with the majority of its growth to be achieved in the Regulated Businesses through (i) continued capital investment in the Company's infrastructure to provide safe, clean, reliable and affordable water and wastewater services to its customers, and (ii) regulated acquisitions to expand the Company's services to new customers. The Company plans to invest approximately \$2.5 billion across its footprint in 2022. During the first six months of 2022, the Company invested \$1.25 billion, primarily in the Regulated Businesses, as discussed below:

Regulated Businesses - Growth and Optimization

- \$1.0 billion capital investment in the Regulated Businesses, the substantial majority for infrastructure improvements and replacements; and
- \$240 million to fund acquisitions in the Regulated Businesses, which added approximately 51,000 customers, in addition to approximately 8,200 customers added through organic growth. This includes the Company's Pennsylvania subsidiary's acquisition of the wastewater system assets from the York City Sewer Authority and the City of York on May 27, 2022 for a cash purchase price of \$235 million, \$20 million of which was funded as a deposit to the seller in April 2021 in connection with the execution of the acquisition agreement.

On March 29, 2021, the Company's New Jersey subsidiary entered into an agreement to acquire the water and wastewater assets of Egg Harbor City for \$22 million. The water and wastewater systems currently serve approximately 1,500 customers each, or 3,000 combined, and are being sold through the New Jersey Water Infrastructure Protection Act process. The Company expects to close this acquisition in the second half of 2022, pending regulatory approval.

As of June 30, 2022, the Company has entered into agreements for pending acquisitions in the Regulated Businesses, including the Egg Harbor City agreement discussed above, to add approximately 29,200 additional customers.

Sale of New York American Water Company, Inc.

On January 1, 2022, the Company completed the previously disclosed sale of its regulated utility operations in New York to Liberty Utilities (Eastern Water Holdings) Corp. (“Liberty”), an indirect, wholly owned subsidiary of Algonquin Power & Utilities Corp. Liberty purchased from the Company all of the capital stock of the Company’s New York subsidiary for a purchase price of \$608 million in cash.

Sale of Michigan American Water Company

On February 4, 2022, the Company completed the sale of its operations in Michigan for \$6 million.

Military Services Group

On June 30, 2022, MSG was awarded a contract for the ownership, operation, maintenance and replacement of the wastewater utility system assets at Naval Station Mayport in Jacksonville, Florida. The contract is effective July 1, 2022 and its total revenue is approximately \$341 million over a 50-year period, subject to an annual economic price adjustment. MSG operates and maintains water and/or wastewater systems and related capital programs as part of the U.S. government’s Utilities Privatization Program. This contract represents the 18th installation in MSG’s footprint and the first contract with respect to a U.S. Navy installation.

Operational Excellence

The Company’s adjusted regulated operation and maintenance (“O&M”) efficiency ratio, which is used as a measure of the operating performance of the Regulated Businesses, was 33.7% for the twelve months ended June 30, 2022, as compared to 33.9% for the twelve months ended June 30, 2021. The ratio reflects an increase in operating revenues for the Regulated Businesses, after considering the adjustment for the amortization of the excess accumulated deferred income taxes (“EADIT”) shown in the table below, as well as the continued focus on operating costs.

The Company’s adjusted regulated O&M efficiency ratio is a non-GAAP measure, and is defined by the Company as its operation and maintenance expenses from the Regulated Businesses, divided by the operating revenues from the Regulated Businesses, where both operation and maintenance expenses and operating revenues were adjusted to eliminate purchased water expense. Operating revenues were further adjusted to exclude reductions for the amortization of the EADIT. Also excluded from operation and maintenance expenses is the allocable portion of non-O&M support services costs, mainly depreciation and general taxes, which is reflected in the Regulated Businesses segment as operation and maintenance expenses, but for consolidated financial reporting purposes, is categorized within other line items in the accompanying Consolidated Statements of Operations. The items discussed above were excluded from the O&M efficiency ratio calculation as they are not reflective of management’s ability to increase the efficiency of the Regulated Businesses.

The Company evaluates its operating performance using this ratio, and believes it is useful to investors because it directly measures improvement in the operating performance and efficiency of the Regulated Businesses. This information is derived from the Company’s consolidated financial information but is not presented in its financial statements prepared in accordance with GAAP. This information supplements and should be read in conjunction with the Company’s GAAP disclosures, and should be considered as an addition to, and not a substitute for, any GAAP measure. The Company’s adjusted regulated O&M efficiency ratio (i) is not an accounting measure that is based on GAAP; (ii) is not based on a standard, objective industry definition or method of calculation; (iii) may not be comparable to other companies’ operating measures; and (iv) should not be used in place of the GAAP information provided elsewhere in this Form 10-Q.

Presented in the table below is the calculation of the Company's adjusted regulated O&M efficiency ratio and a reconciliation that compares operation and maintenance expenses and operating revenues, each as determined in accordance with GAAP, to those amounts utilized in the calculation of its adjusted O&M efficiency ratio:

(Dollars in millions)	For the Twelve Months Ended June 30,	
	2022	2021
Total operation and maintenance expenses	\$ 1,668	\$ 1,698
Less:		
Operation and maintenance expenses—Market-Based Businesses and Other	352	392
Total operation and maintenance expenses—Regulated Businesses	1,316	1,306
Less:		
Regulated purchased water expenses	152	156
Allocation of non-operation and maintenance expenses	32	45
Adjusted operation and maintenance expenses—Regulated Businesses (i)	\$ 1,132	\$ 1,105
Total operating revenues	\$ 3,822	\$ 3,890
Less:		
Operating revenues—Market-Based Businesses and Other	408	546
Total operating revenues—Regulated Businesses	3,414	3,344
Less:		
Regulated purchased water revenues (a)	152	156
Revenue reductions from the amortization of EADIT	(97)	(69)
Adjusted operating revenues—Regulated Businesses (ii)	\$ 3,359	\$ 3,257
Adjusted O&M efficiency ratio—Regulated Businesses (i) / (ii)	33.7 %	33.9 %

(a) The calculation assumes regulated purchased water revenues approximate regulated purchased water expenses.

Regulatory Matters**General Rate Cases and Infrastructure Surcharges**

Presented in the table below are annualized incremental revenues, excluding reductions for the amortization of EADIT that are generally offset in income tax expense, assuming a constant water sales volume, resulting from general rate case authorizations and infrastructure surcharge authorizations that became effective in the respective period:

(In millions)	During the Three Months Ended June 30,		During the Six Months Ended June 30,	
	2022	2021	2022	2021
General rate cases by state (a):				
West Virginia (effective February 25, 2022)	\$ —	\$ —	\$ 15	\$ —
California (effective January 1, 2022 and January 1, 2021)	—	—	13	22
Pennsylvania (effective January 1, 2022 and January 28, 2021)	—	—	20	70
Missouri (effective May 28, 2021)	—	22	—	22
Total general rate cases	\$ —	\$ 22	\$ 48	\$ 114
Infrastructure surcharges by state:				
New Jersey (effective June 27, 2022 and June 28, 2021)	\$ 10	\$ 14	\$ 10	\$ 14
Pennsylvania (effective April 1, 2022 and January 1, 2021)	2	—	2	8
Indiana (effective March 21, 2022 and March 17, 2021)	—	—	8	8
West Virginia (effective March 1, 2022 and January 1, 2021)	—	—	3	5
Missouri (effective February 1, 2022)	—	—	12	—
Illinois (effective January 1, 2022 and January 1, 2021)	—	—	6	7
Tennessee (effective January 1, 2021)	—	—	—	3
Total infrastructure surcharges	\$ 12	\$ 14	\$ 41	\$ 45

(a) Excludes authorized increase of \$7 million for the three and six months ended June 30, 2021, for the Company's New York subsidiary, which was sold on January 1, 2022. See Note 5—Acquisitions and Divestitures for additional information.

On June 16, 2022, the Company's Hawaii subsidiary was authorized additional annual revenues of \$2 million in its general rate case, effective July 1, 2022, excluding agreed to reductions for EADIT as a result of the Tax Cuts and Jobs Act of 2017 (the "TCJA").

Effective July 1, 2022, the Company's Pennsylvania and Kentucky subsidiaries implemented infrastructure surcharges for annualized incremental revenues of \$9 million and \$3 million, respectively.

On February 24, 2022, the Company's West Virginia subsidiary ("WVAWC") was authorized additional annual revenues of \$15 million in its general rate case, effective February 25, 2022, excluding agreed to reductions for EADIT as a result of the TCJA. The EADIT reduction in revenues is \$2 million and the exclusion for infrastructure surcharges is \$10 million. Staff of the Public Service Commission of West Virginia moved for reconsideration of the final order on several grounds. The Company filed its response to the Staff's Petition for Reconsideration on March 28, 2022 in support of the authorized revenue requirement. The matter is currently pending.

On November 18, 2021, the California Public Utilities Commission (the "CPUC") unanimously approved a final decision in the test year 2021 general rate case filed by the Company's California subsidiary, which is retroactive to January 1, 2021. The Company's California subsidiary received authorization for additional annualized water and wastewater revenues of \$22 million, excluding agreed to reductions for EADIT as a result of the TCJA. The EADIT reduction in revenues is \$4 million and is offset by a like reduction in income tax expense. On February 16, 2022, the Company's California subsidiary received approval to increase rates by \$13 million in 2022 escalation increases, excluding \$4 million of reductions related to the TCJA, which is retroactive to January 1, 2022.

On March 2, 2021, an administrative law judge (“ALJ”) in the Office of Administrative Law of New Jersey filed an initial decision with the New Jersey Board of Public Utilities (the “NJBPU”) that recommended denial of a petition filed by the Company’s New Jersey subsidiary, which sought approval of acquisition adjustments in rate base of \$29 million associated with the acquisitions of Shorelands Water Company, Inc. in 2017 and the Borough of Haddonfield’s water and wastewater systems in 2015. On July 29, 2021, the NJBPU issued an order adopting the ALJ’s initial decision without modification. The Company’s New Jersey subsidiary filed a Notice of Appeal with the New Jersey Appellate Division on September 10, 2021. The Company filed its brief in support of the appeal on March 4, 2022. Response briefs were filed on June 22, 2022. The Company’s reply brief is due on August 4, 2022. There is no financial impact to the Company as a result of the NJBPU’s order, since the acquisition adjustments are currently recorded as goodwill on the Consolidated Balance Sheets.

On February 25, 2021, the Company’s Pennsylvania subsidiary was authorized additional annualized revenues of \$90 million, effective January 28, 2021, excluding agreed to reductions in revenues of \$19 million for EADIT as a result of the TCJA. The overall increase, net of TCJA reductions, is \$71 million in revenues combined over two steps. The first step was effective January 28, 2021 in the amount of \$70 million (\$51 million including TCJA reductions) and the second step was effective January 1, 2022 in the amount of \$20 million. The protected EADIT balance of \$200 million is being returned to customers using the average rate assumptions method, and the unprotected EADIT balance of \$116 million is being returned to customers over 20 years. The \$19 million annual reduction to revenue is comprised of both the protected and unprotected EADIT amortizations and a portion of catch-up period EADIT. A bill credit of \$11 million annually for two years returns to customers the remainder of the EADIT catch-up period amortization. The catch-up period of January 1, 2018 through December 31, 2020 covers the period from when the lower federal corporate income tax rate went into effect until new base rates went into effect and will be amortized over two years.

Pending General Rate Case Filings

On July 1, 2022, the Company’s California subsidiary filed a general rate case requesting an increase in 2024 revenue of \$57 million and a total increase in revenue over the 2024 to 2026 period of \$99 million. The requested increase excludes proposed reductions for EADIT as a result of TCJA.

On July 1, 2022, the Company’s Missouri subsidiary filed a general rate case requesting \$116 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA and infrastructure surcharges.

On April 29, 2022, the Company’s Pennsylvania subsidiary filed a general rate case requesting \$185 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA and infrastructure surcharges. Public hearings were held on July 19, 2022 through July 21, 2022. Evidentiary hearings are expected to be held in September 2022.

On February 10, 2022, the Company’s Illinois subsidiary filed a general rate case requesting \$71 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA and infrastructure surcharges. The requested increase was subsequently updated in the Illinois subsidiary’s June 29, 2022 rebuttal filing, with the request adjusted to \$85 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA and infrastructure surcharges. Evidentiary hearings are scheduled to begin on August 9, 2022.

On January 14, 2022, the Company’s New Jersey subsidiary filed a general rate case requesting \$110 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA and infrastructure surcharges. Public hearings were held on April 6, 2022. Settlement conferences commenced in May 2022. The matter remains pending before the Office of Administrative Law.

On November 15, 2021, the Company’s Virginia subsidiary filed a general rate case requesting \$15 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA. Interim rates were effective on May 1, 2022, and the difference between interim and final approved rates are subject to refund. Public hearings are scheduled for September 23, 2022 and evidentiary hearings are scheduled to begin on September 27, 2022.

The Company’s California subsidiary submitted its application on May 3, 2021 to set its cost of capital for 2022 through 2024. According to the CPUC’s procedural schedule, a decision setting the authorized cost of capital is expected to be issued in the fourth quarter of 2022.

Pending Infrastructure Surcharge Filings

On July 8, 2022, the Company’s Tennessee subsidiary filed infrastructure surcharges requesting \$3 million in additional annualized revenues.

On June 30, 2022, WVAWC filed an infrastructure surcharge proceeding requesting \$8 million in additional annualized revenues.

On March 4, 2022, the Company's Missouri subsidiary filed an infrastructure surcharge proceeding requesting \$19 million in additional annualized revenues.

Other Regulatory Matters

In September 2020, the CPUC released a decision under its Low-Income Rate Payer Assistance program rulemaking that will require the Company's California subsidiary to file a proposal to alter its water revenue adjustment mechanism in its next general rate case filing in 2022, which would become effective in January 2024. On October 5, 2020, the Company's California subsidiary filed an application for rehearing of the decision and following the CPUC's denial of its rehearing application in September 2021, the Company's California subsidiary filed a petition for writ of review with the California Supreme Court on October 27, 2021. On May 18, 2022, the California Supreme Court issued a writ of review for the Company's California subsidiary's petition and the petitions filed by other entities challenging the decision. These writs were subsequently consolidated for purposes of briefing, argument, and decision. While the Company's California subsidiary believes the petitions have merit, the process will be lengthy as the matter likely will be remanded to the CPUC for further review of the decision. Furthermore, there is no guarantee that the court will require the CPUC to allow utilities to implement a full decoupling water revenue adjustment mechanism.

Consolidated Results of Operations

Presented in the table below are the Company's consolidated results of operations:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
(In millions)				
Operating revenues	\$ 937	\$ 999	\$ 1,779	\$ 1,887
Operating expenses:				
Operation and maintenance	376	431	740	850
Depreciation and amortization	163	158	321	315
General taxes	71	80	145	163
Total operating expenses, net	610	669	1,206	1,328
Operating income	327	330	573	559
Other income (expense):				
Interest expense	(106)	(101)	(206)	(199)
Interest income	12	—	25	—
Non-operating benefit costs, net	20	19	39	39
Other, net	17	3	32	7
Total other (expense) income	(57)	(79)	(110)	(153)
Income before income taxes	270	251	463	406
Provision for income taxes	52	44	87	66
Net income attributable to common shareholders	\$ 218	\$ 207	\$ 376	\$ 340

Segment Results of Operations

The Company's operating segments are comprised of the revenue-generating components of its business for which separate financial information is internally produced and regularly used by management to make operating decisions, assess performance and allocate resources. The Company operates its businesses primarily through one reportable segment, the Regulated Businesses segment. "Market-Based Businesses and Other" includes market-based businesses that, individually, do not meet the criteria of a reportable segment in accordance with GAAP, corporate costs that are not allocated to the Company's operating segments, eliminations of inter-segment transactions, and fair value adjustments and associated income and deductions related to acquisitions that have not been allocated to the operating segments for evaluation of performance and allocation of resource purposes. The adjustments related to the acquisitions are reported in Market-Based Businesses and Other as they are excluded from segment performance measures evaluated by management. This presentation is consistent with how management assesses the results of these businesses.

As a result of the sale of HOS, the categories which were previously shown as “Market-Based Businesses” and “Other” have been combined and shown as “Market-Based Businesses and Other.” Segment results for the three and six months ended June 30, 2021 have been adjusted retrospectively to reflect this change.

Regulated Businesses Segment

Presented in the table below is financial information for the Regulated Businesses:

(In millions)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
Operating revenues	\$ 865	\$ 857	\$ 1,643	\$ 1,612
Operation and maintenance	321	325	636	645
Depreciation and amortization	157	151	312	298
General taxes	68	76	136	152
Other income (expenses)	(53)	(49)	(97)	(97)
Income before income taxes	266	257	462	420
Provision for income taxes	47	42	83	70
Net income attributable to common shareholders	\$ 219	\$ 215	\$ 379	\$ 350

Operating Revenues

Presented in the tables below is information regarding the main components of the Regulated Businesses’ operating revenues:

(In millions)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
Water services:				
Residential	\$ 484	\$ 491	\$ 912	\$ 921
Commercial	174	170	327	314
Fire service	37	37	73	74
Industrial	38	34	74	66
Public and other	63	63	122	116
Total water services	796	795	1,508	1,491
Wastewater services:				
Residential	42	38	83	74
Commercial	11	9	21	18
Industrial	1	1	2	2
Public and other	4	4	7	8
Total wastewater services	58	52	113	102
Other (a)	11	10	22	19
Total operating revenues	\$ 865	\$ 857	\$ 1,643	\$ 1,612

(a) Includes other operating revenues consisting primarily of miscellaneous utility charges, fees and rents.

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
(Gallons in millions)				
Billed water services volumes:				
Residential	38,005	42,897	72,165	79,756
Commercial	18,361	18,680	34,700	34,578
Industrial	9,506	8,374	18,125	16,443
Fire service, public and other	12,448	12,544	24,204	23,407
Total billed water services volumes	78,320	82,495	149,194	154,184

Included in operating revenues for the three months ended June 30, 2021 was \$29 million related to the Company's New York operations. Excluding the Company's New York operations, for the three months ended June 30, 2022, operating revenues increased \$37 million, primarily due to: (i) \$33 million increase from authorized rate increases, including infrastructure surcharges, principally to fund infrastructure investment in various states; (ii) \$7 million increase from water and wastewater acquisitions, as well as organic growth in existing systems; (iii) \$6 million net increase as a result of reduced amortization of EADIT, primarily in the Company's New Jersey subsidiary; and (iv) \$9 million decrease in demand, primarily driven by warmer and drier than normal weather in the second quarter of 2021 in the Northeast.

Included in operating revenues for the six months ended June 30, 2021 was \$52 million related to the Company's New York operations. Excluding the Company's New York operations, for the six months ended June 30, 2022, operating revenues increased \$83 million, primarily due to: (i) \$73 million increase from authorized rate increases, including infrastructure surcharges, principally to fund infrastructure investment in various states; (ii) \$12 million increase from water and wastewater acquisitions, as well as organic growth in existing systems; (iii) \$8 million net increase as a result of reduced amortization of EADIT, primarily in the Company's New Jersey subsidiary; and (iv) \$10 million decrease in demand, primarily driven by warmer and drier than normal weather in the second quarter of 2021 in the Northeast.

Operation and Maintenance

Presented in the table below is information regarding the main components of the Regulated Businesses' operation and maintenance expense:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
(In millions)				
Employee-related costs	\$ 126	\$ 129	\$ 252	\$ 259
Production costs	93	89	177	167
Operating supplies and services	55	58	112	115
Maintenance materials and supplies	20	23	42	47
Customer billing and accounting	14	15	27	32
Other	13	11	26	25
Total	\$ 321	\$ 325	\$ 636	\$ 645

Included in operation and maintenance expense for the three and six months ended June 30, 2021 was \$12 million and \$24 million, respectively, related to the Company's New York operations. Excluding the Company's New York operations, for the three and six months ended June 30, 2022, operation and maintenance expense increased \$8 million and \$15 million, respectively, primarily due to increased fuel, power and chemicals costs.

Depreciation and Amortization

For the three and six months ended June 30, 2022, depreciation and amortization increased \$6 million and \$14 million, respectively, primarily due to additional utility plant placed in service from capital infrastructure investments and acquisitions.

General Taxes

Included in general taxes for the three and six months ended June 30, 2021 was \$12 million and \$24 million, respectively, related to the Company's New York operations. Excluding the Company's New York operations, general taxes increased \$3 million and \$7 million, respectively, primarily due to an increase in the New Jersey Gross Receipts Tax and increased property tax assessments.

Provision for Income Taxes

For the three and six months ended June 30, 2022, the Regulated Businesses' provision for income taxes increased \$5 million and \$13 million, respectively. The Regulated Businesses' effective income tax rate was 19.3% and 17.5% for the three months ended June 30, 2022 and 2021, respectively, and 18.0% and 16.7% for the six months ended June 30, 2022 and 2021, respectively. The Regulated Businesses' effective income tax rate for the three and six months ended June 30, 2022 reflects the amortization of EADIT pursuant to regulatory orders.

Market-Based Businesses and Other

Presented in the table below is information for Market-Based Businesses and Other:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
(In millions)				
Operating revenues	\$ 72	\$ 142	\$ 136	\$ 275
Operation and maintenance	54	106	104	205
Depreciation and amortization	6	7	9	17
Interest expense	(30)	(29)	(60)	(56)
Interest income	12	—	25	—
Income (loss) before income taxes	4	(6)	1	(14)
Provision (benefit) for income taxes	5	2	4	(4)
Net loss attributable to common shareholders	\$ (1)	\$ (8)	\$ (3)	\$ (10)

Operating Revenues

For the three and six months ended June 30, 2022, operating revenues decreased \$70 million and \$139 million, respectively, due primarily to the sale of HOS. HOS operating revenues for the three and six months ended June 30, 2021 were \$78 million and \$154 million, respectively.

Operation and Maintenance

For the three and six months ended June 30, 2022, operation and maintenance expense decreased \$52 million and \$101 million, respectively, primarily due to the sale of HOS. HOS operation and maintenance expenses for the three and six months ended June 30, 2021, were \$50 million and \$102 million, respectively.

Depreciation and Amortization

For the three and six months ended June 30, 2022, depreciation and amortization decreased \$1 million and \$8 million, respectively, primarily due to the sale of HOS.

Interest Income

For the three and six months ended June 30, 2022, interest income increased \$12 million and \$25 million, respectively, due to interest recognized on the seller note related to the sale of HOS. See Note 5—Acquisitions and Divestitures in the Notes to Consolidated Financial Statements for additional information.

Legislative Updates

During 2022, the Company's regulatory jurisdictions enacted the following legislation that has been approved and is effective as of July 27, 2022:

- Indiana passed Senate Enrolled Act 272, which requires public reporting of a non-jurisdictional utility's asset management programs. Non-jurisdictional utilities are exempt from the jurisdiction of the Indiana Utility Regulatory Commission (the "IURC"). The legislation also creates a water and wastewater research and extension program at a state university to serve as a repository for data collected from utilities. Additionally, the legislation establishes oversight and a receivership program in the IURC for non-jurisdictional utilities with violations that create environmental or human health and safety issues. Legislation was signed by the Governor on March 7, 2022 and became effective on July 1, 2022.
- Indiana passed water and wastewater utility asset financing legislation, Senate Enrolled Act 273, which authorizes the recovery of property tax in Distribution System Improvement Charge filings. The legislation also permits the IURC to allow recovery through tracking mechanisms for changes in property tax and for costs attributable to referenda or action by elected or appointed individuals. Legislation was signed by the Governor on March 10, 2022 and became effective on July 1, 2022.
- Virginia passed Senate Bill 500 and House Bill 182, which requires the Virginia State Corporation Commission, in any future ratemaking proceeding for an investor-owned water/wastewater utility, to evaluate the utility on a stand-alone basis and utilize the utility's actual end-of-test period capital structure and cost of capital without regard to the cost of capital, capital structure, or investments of any other entities with which the utility may be affiliated. Legislation was signed by the Governor on April 11, 2022 and became effective on July 1, 2022.
- Illinois passed House Bill 900/Public Act 102-0698 which contains appropriations to the Department of Commerce and Economic Opportunity of \$3 million for the purposes of the Water and Sewer Finance Assistance Act (H.B. 414/Public Act 102-0262) and \$55 million for the purposes of the federal Low-Income Household Water Assistance Program (LIHWAP). Legislation was signed by the Governor on April 19, 2022 with these provisions of the bill taking effect on July 1, 2022.
- Tennessee passed Senate Bill 2282 and House Bill 2346, which requires all utilities to implement a cyber security plan and update it every two years to provide for the protection of the utility's facilities from unauthorized use, alteration, ransom, or destruction of electronic data. The relevant regulatory body will verify if a utility has complied or impose reasonable sanctions if out of compliance. Utility compliance will be required by July 1, 2023. Legislation was signed by the Governor on June 1, 2022 and became effective immediately.

During 2022, the Company's regulatory jurisdictions enacted the following legislation that has been approved but is not yet effective as of July 27, 2022:

- The Missouri General Assembly passed state and local property tax tracker legislation, Senate Bill 745, which requires a utility to defer to a regulatory asset or liability account any difference in what was actually paid in state or local property taxes and what was used to set the revenue requirement in the utility's most recently completed general rate case. Legislation was signed by the Governor on June 29, 2022 and will become effective on August 28, 2022.

Condemnation and Eminent Domain

All or portions of the Regulated Businesses' utility assets could be acquired by state, municipal or other government entities through one or more of the following methods: (i) eminent domain (also known as condemnation); (ii) the right of purchase given or reserved by a municipality or political subdivision when the original certificate of public convenience and necessity (a "CPCN") was granted; and (iii) the right of purchase given or reserved under the law of the state in which the utility subsidiary was incorporated or from which it received its CPCN. The acquisition consideration related to such a proceeding initiated by a local government may be determined consistent with applicable eminent domain law, or may be negotiated or fixed by appraisers as prescribed by the law of the state or in the particular CPCN.

As such, the Regulated Businesses are periodically subject to condemnation proceedings in the ordinary course of business. For example, a citizens group in Monterey, California successfully added "Measure J" to the November 2018 election ballot asking voters to decide whether the Monterey Peninsula Water Management District (the "MPWMD") should conduct a feasibility study concerning the potential purchase of the Monterey water service system assets (the "Monterey system assets") of the Company's California subsidiary, and, if feasible, to proceed with a purchase of those assets without an additional public vote. This service territory represents approximately 40,000 customers. In November 2018, Measure J was certified to have passed.

In August 2019, the MPWMD's General Manager issued a report that recommends that the MPWMD board (1) develop criteria to determine which water systems should be considered for acquisition; (2) examine the feasibility of acquiring the Monterey system assets and consider public ownership of smaller systems only if the MPWMD becomes the owner of a larger system; (3) evaluate whether the acquisition of the Monterey system assets by the MPWMD is in the public interest and sufficiently satisfies the criterion of "feasible" as provided in Measure J; (4) ensure there is significant potential for cost savings before agreeing to commence an acquisition; and (5) develop more fully alternate operating plans before deciding whether to consider a Resolution of Necessity.

In November 2019, the MPWMD issued a preliminary valuation and cost of service analysis report, finding in part that (1) an estimate of the Monterey system assets' total value plus adjustments would be approximately \$513 million, (2) the cost of service modeling results indicate significant annual reductions in revenue requirements and projected monthly water bills, and (3) the acquisition of the Monterey system assets by the MPWMD would be economically feasible. In November 2020, the MPWMD certified a final environmental impact report ("FEIR"), analyzing the environmental impacts of the MPWMD's project to (1) acquire the Monterey system assets through the power of eminent domain, if necessary, and (2) expand its geographic boundaries to include all parts of this system. In February 2021, the MPWMD filed an application with the Local Agency Formation Commission of Monterey County ("LAFCO") seeking approval to become a retail water provider and annex approximately 58 parcels of land into the MPWMD's boundaries. In June 2021, LAFCO's commissioners voted to require a third-party independent financial study as to the feasibility of an acquisition by the MPWMD of the Monterey system assets. On December 6, 2021, LAFCO's commissioners denied the MPWMD's application to become a retail water provider, determining that the MPWMD does not have the authority to proceed with a condemnation of the Monterey system assets, and on January 5, 2022, LAFCO's commissioners confirmed the denial. On February 28, 2022, LAFCO's commissioners voted to deny the MPWMD's application for reconsideration of LAFCO's confirmation of denial. On April 1, 2022, the MPWMD filed a lawsuit against LAFCO challenging its decision to deny the MPWMD's application seeking approval to become a retail water provider. On June 17, 2022, the court granted, with conditions, a motion by Cal Am to intervene in the MPWMD's lawsuit against LAFCO.

Also, five municipalities in the Chicago, Illinois area (approximately 30,300 customers in total) formed a water agency and filed an eminent domain lawsuit against the Company in January 2013, seeking to condemn the water pipeline that serves those five municipalities. Before filing its eminent domain lawsuit, the water agency made an offer of \$38 million for the pipeline. The parties have filed with the court updated valuation reports. A valuation trial was originally scheduled for October 2021 but has been continued to January 2023.

Furthermore, the law in certain jurisdictions in which the Regulated Businesses operate provides for eminent domain rights allowing private property owners to file a lawsuit to seek just compensation against a public utility, if a public utility's infrastructure has been determined to be a substantial cause of damage to that property. In these actions, the plaintiff would not have to prove that the public utility acted negligently. In California, lawsuits have been filed in connection with large-scale natural events such as wildfires. Some of these lawsuits have included allegations that infrastructure of certain utilities triggered the natural event that resulted in damage to the property. In some cases, the PUC has allowed certain costs or losses incurred by the utility to be recovered from customers in rates, but in other cases such recovery in rates has been disallowed. Also, the utility may have obtained insurance that could respond to some or all of such losses, although the utility would be at risk for any losses not ultimately subject to rate or insurance recovery or losses that exceed the limits of such insurance.

Liquidity and Capital Resources

For a general overview of the sources and uses of capital resources, see the introductory discussion in Part II, Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources in the Company's Form 10-K.

Liquidity needs for capital investment, working capital and other financial commitments are generally funded through cash flows from operations, public and private debt offerings, commercial paper markets, and, if and to the extent necessary, borrowings under AWCC's revolving credit facility, and, in the future, issuances of equity.

The Company expects to fund future maturities of long-term debt through a combination of external debt and, to the extent available, cash flows from operations. Since the Company expects its capital investments over the next few years to be greater than its cash flows from operating activities, the Company currently plans to fund the excess of its capital investments over its cash flows from operating activities for the next five years through a combination of long-term debt and equity in addition to the proceeds from the sales of HOS and the Company's New York subsidiary. If necessary, the Company may delay certain capital investments or other funding requirements, or pursue financing from other sources to preserve liquidity. In this event, the Company believes it can rely upon cash flows from operations to meet its obligations and fund its minimum required capital investments for an extended period of time.

The Company's revolving credit facility provides \$2.25 billion in aggregate total commitments from a diversified group of financial institutions. The revolving credit facility is used principally to support AWCC's commercial paper program, to provide additional liquidity support, and to provide for the issuance of up to \$150 million in letters of credit. The maximum aggregate principal amount of short-term borrowings authorized for issuance under AWCC's commercial paper program is \$2.10 billion. Subject to satisfying certain conditions, the credit agreement also permits AWCC to increase the maximum commitment under the facility by up to an aggregate of \$500 million. As of June 30, 2022 and December 31, 2021, there were no borrowings outstanding under the revolving credit facility. The weighted-average interest rate on AWCC's outstanding short-term borrowings was approximately 1.67% and 0.20% at June 30, 2022 and December 31, 2021, respectively.

Presented in the tables below is the aggregate credit facility commitments, commercial paper limit and letter of credit availability under the revolving credit facility, as well as the available capacity for each:

	As of June 30, 2022		
	Commercial Paper Limit	Letters of Credit	Total (a)
(In millions)			
Total availability	\$ 2,100	\$ 150	\$ 2,250
Outstanding debt	(420)	(75)	(495)
Remaining availability as of June 30, 2022	\$ 1,680	\$ 75	\$ 1,755

(a) Total remaining availability of \$1.76 billion as of June 30, 2022 may be accessed through revolver draws.

	As of December 31, 2021		
	Commercial Paper Limit	Letters of Credit	Total (a)
(In millions)			
Total availability	\$ 2,100	\$ 150	\$ 2,250
Outstanding debt	(584)	(76)	(660)
Remaining availability as of December 31, 2021	\$ 1,516	\$ 74	\$ 1,590

(a) Total remaining availability of \$1.59 billion as of December 31, 2021 may be accessed through revolver draws.

Presented in the table below is the Company's total available liquidity as of June 30, 2022 and December 31, 2021, respectively:

	Cash and Cash Equivalents	Availability on Revolving Credit Facility	Total Available Liquidity
(In millions)			
Available liquidity as of June 30, 2022	\$ 71	\$ 1,755	\$ 1,826
Available liquidity as of December 31, 2021	\$ 116	\$ 1,590	\$ 1,706

The Company believes that its ability to access the debt and equity capital markets, the revolving credit facility and cash flows from operations will generate sufficient cash to fund the Company's short-term requirements. The Company believes it has sufficient liquidity and the ability to manage its expenditures, should there be a disruption of the capital and credit markets. However, there can be no assurance that the lenders will be able to meet existing commitments to AWCC under the revolving credit facility, or that AWCC will be able to access the commercial paper or loan markets in the future on acceptable terms or at all. See Note 8—Short-Term Debt in the Notes to Consolidated Financial Statements for additional information.

On May 5, 2022, AWCC issued \$800 million aggregate principal amount of its 4.45% senior notes due 2032. At closing, AWCC received, after deduction of underwriting discounts and before deduction of offering expenses, net proceeds of approximately \$792 million. AWCC used the net proceeds of the offering: (i) to lend funds to the Company and its subsidiaries in its Regulated Businesses segment; (ii) to repay AWCC's commercial paper obligations; and (iii) for general corporate purposes.

In April 2022, the Company entered into several 10-year treasury lock agreements, with notional amounts totaling \$400 million, and an average fixed interest rate of 2.89%. The Company designated these treasury lock agreements as cash flow hedges, with their fair value recorded in accumulated other comprehensive gain or loss. In May 2022, the Company terminated the treasury lock agreements, realizing a net gain of approximately \$4 million, to be amortized through interest, net over a 10-year period, in accordance with the tenor of the debt issuance on May 5, 2022. No ineffectiveness was recognized on hedging instruments for the three and six months ended June 30, 2022.

Cash Flows from Operating Activities

Cash flows from operating activities primarily result from the sale of water and wastewater services and, due to the seasonality of demand, are generally greater during the warmer months. Presented in the table below is a summary of the major items affecting the Company's cash flows provided by operating activities:

(In millions)	For the Six Months Ended June 30,	
	2022	2021
Net income	\$ 376	\$ 340
Add (less):		
Depreciation and amortization	321	315
Deferred income taxes and amortization of investment tax credits	(33)	64
Other non-cash activities (a)	(17)	(45)
Changes in working capital (b)	(420)	(136)
Pension and non-pension postretirement benefit contributions	(31)	(18)
Net cash provided by operating activities	\$ 196	\$ 520

(a) Includes provision for losses on accounts receivable, pension and non-pension postretirement benefits and other non-cash, net. Details of each component can be found on the Consolidated Statements of Cash Flows.

(b) Changes in working capital include changes to receivables and unbilled revenues, accounts payable, accrued liabilities, accrued taxes, and other current assets and liabilities, net.

For the six months ended June 30, 2022, cash provided by operating activities decreased \$324 million, primarily due to changes in working capital and deferred taxes. The changes were driven by \$280 million of estimated tax payments for taxable gains on the sales of the Company's HOS business and its New York regulated operations, as well as the contribution of \$45 million to the American Water Charitable Foundation.

Cash Flows from Investing Activities

Presented in the table below is a summary of the major items affecting the Company's cash flows used in investing activities:

(In millions)	For the Six Months Ended June 30,	
	2022	2021
Net capital expenditures	\$ (995)	\$ (752)
Acquisitions	(240)	(39)
Net proceeds from sale of assets	608	—
Other investing activities, net (a)	(49)	(43)
Net cash used in investing activities	\$ (676)	\$ (834)

(a) Includes removal costs from property, plant and equipment retirements.

For the six months ended June 30, 2022, cash used in investing activities decreased \$158 million, primarily due to proceeds of \$608 million received from the sale of the Company's New York operations offset by increased payments for capital expenditures and acquisitions. The Company plans to invest approximately \$2.5 billion across its footprint in 2022.

Cash Flows from Financing Activities

Presented in the table below is a summary of the major items affecting the Company's cash flows from financing activities:

(In millions)	For the Six Months Ended June 30,	
	2022	2021
Proceeds from long-term debt	\$ 811	\$ 1,102
Repayments of long-term debt	(7)	(364)
Repayments of term loan	—	(500)
Net short-term (repayments) borrowings with maturities less than three months	(164)	(176)
Debt issuance costs and make-whole premium on early debt redemption	(7)	(26)
Dividends paid	(228)	(209)
Other financing activities, net (a)	36	15
Net cash provided by (used in) financing activities	\$ 441	\$ (158)

(a) Includes proceeds from issuances of common stock under various employee stock plans and the Company's dividend reinvestment plan, net of taxes paid, and advances and contributions in aid of construction, net of refunds.

For the six months ended June 30, 2022, cash provided by financing activities increased \$599 million, primarily due to the repayment in full at maturity of the \$500 million term loan during the first quarter of 2021 and repayments of long-term debt due to the prepayment of \$327 million in aggregate principal amount of AWCC's outstanding senior notes during the second quarter of 2021. These changes were partially offset by lower proceeds from long-term debt.

Debt Covenants

The Company's debt agreements contain financial and non-financial covenants. To the extent that the Company is not in compliance with these covenants, an event of default may occur under one or more debt agreements and the Company, or its subsidiaries, may be restricted in its ability to pay dividends, issue new debt or access the revolving credit facility. The long-term debt indentures contain a number of covenants that, among other things, prohibit or restrict the Company from issuing debt secured by the Company's assets, subject to certain exceptions. Failure to comply with any of these covenants could accelerate repayment obligations.

Covenants in certain long-term notes and the revolving credit facility require the Company to maintain a ratio of consolidated debt to consolidated capitalization (as defined in the relevant documents) of not more than 0.70 to 1.00. On June 30, 2022, the Company's ratio was 0.61 to 1.00 and therefore the Company was in compliance with the covenants.

Security Ratings

Presented in the table below are long-term and short-term credit ratings and rating outlooks as of July 27, 2022 as issued by the following rating agencies:

Securities	Moody's Investors Service	Standard & Poor's Ratings Service
Rating outlook	Stable	Stable
Senior unsecured debt	Baa1	A
Commercial paper	P-2	A-1

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

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

Access to the capital markets, including the commercial paper market, and respective financing costs in those markets, may be directly affected by the Company's securities ratings. The Company primarily accesses the debt capital markets, including the commercial paper market, through AWCC. However, the Company has also issued debt through its regulated subsidiaries, primarily in the form of mortgage bonds and tax-exempt securities or borrowings under state revolving funds, to lower the overall cost of debt.

Dividends

For discussion of the Company's dividends, see Note 6—Shareholders' Equity in the Notes to Consolidated Financial Statements for additional information.

Application of Critical Accounting Policies and Estimates

Financial condition of the Company, results of operations and cash flows, as reflected in the Company's Consolidated Financial statements, are impacted by the methods, assumptions and estimates used in the application of critical accounting policies. See Part II, Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates in the Company's Form 10-K for a discussion of its critical accounting policies. Additionally, see Note 2—Significant Accounting Policies in the Notes to Consolidated Financial Statements for updates, if any, to the significant accounting policies previously disclosed in the Company's Form 10-K.

Recent Accounting Standards

See Note 2—Significant Accounting Policies in the Notes to Consolidated Financial Statements for a description of new accounting standards recently adopted or pending adoption.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risk in the normal course of business, including changes in commodity prices, equity prices and interest rates. For further discussion of its exposure to market risk, see Part II, Item 7A—Quantitative and Qualitative Disclosures about Market Risk in the Company's Form 10-K. There have been no significant changes to the Company's exposure to market risk since December 31, 2021.

The Company had no derivative instruments, which are exposed to market risk, outstanding as of June 30, 2022.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

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

The Company's management, including the Chief Executive Officer and the Chief Financial Officer, conducted an evaluation of the effectiveness of its disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of June 30, 2022.

Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that, as of June 30, 2022, the Company's disclosure controls and procedures were effective at a reasonable level of assurance.

Changes in Internal Control over Financial Reporting

The Company concluded that there have been no changes in internal control over financial reporting that occurred during the three months ended June 30, 2022, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The following information updates and amends the information provided in the Company's Form 10-K in Part I, Item 3—Legal Proceedings, and in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2022 in Part II, Item 1—Legal Proceedings. Capitalized terms used but not otherwise defined herein have the meanings set forth in the Company's Form 10-K. In accordance with the SEC's disclosure rules, the Company has elected to disclose environmental proceedings involving the Company and a governmental authority if the amount of potential monetary sanctions, exclusive of interest and costs, that the Company reasonably believes will result from such proceeding is \$1 million or more.

Dunbar, West Virginia Water Main Break Class Action Litigation

On July 5, 2022, the Circuit Court entered an order certifying again a class to address at trial certain liability issues but not to consider damages. WVAVC is considering whether to challenge the Circuit Court's latest certification order.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report, readers should carefully consider the factors discussed in Part I, Item 1A—Risk Factors in the Form 10-K, and in the Company's other filings with the SEC, which could materially affect the Company's business, financial condition, cash flows or future results. There have been no material changes from the risk factors previously disclosed in Part I, Item 1A—Risk Factors in the Form 10-K.

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

In February 2015, the Board of Directors authorized an anti-dilutive stock repurchase program to mitigate the dilutive effect of shares issued through the Company's dividend reinvestment, employee stock purchase and executive compensation activities. The program allows the Company to purchase up to 10 million shares of its outstanding common stock over an unrestricted period of time in the open market or through privately negotiated transactions. The program is conducted in accordance with Rule 10b-18 of the Exchange Act, and, to facilitate these repurchases, the Company enters into Rule 10b5-1 stock repurchase plans with a third-party broker, which allow the Company to repurchase shares of its common stock at times when it otherwise might be prevented from doing so under insider trading laws or because of self-imposed trading blackout periods. Subject to applicable regulations, the Company may elect to amend or cancel the program or the stock repurchase parameters at its discretion to manage dilution.

The Company did not repurchase shares of common stock during the three months ended June 30, 2022. From April 1, 2015, the date repurchases under the anti-dilutive stock repurchase program commenced, through June 30, 2022, the Company repurchased an aggregate of 4,860,000 shares of common stock under the program, leaving an aggregate of 5,140,000 shares available for repurchase under this program.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit Number	Exhibit Description
3.1	Restated Certificate of Incorporation of American Water Works Company, Inc. (incorporated by reference to Exhibit 3.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed November 6, 2008).
3.2	Amended and Restated Bylaws of American Water Works Company, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, File No. 001-34028, filed December 10, 2020).
4.1	Indenture, dated as of December 4, 2009, between American Water Capital Corp. and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed December 3, 2010).
4.2	Officers' Certificate of American Water Capital Corp., dated May 5, 2022, establishing the terms and authorizing the issuance of the 4.450% Senior Notes due 2032 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed May 5, 2022).
*10.1	Offer Letter for Employment, dated April 27, 2022, between American Water Works Company, Inc. and John C. Griffith.
*10.2	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2022 Stock Unit Grant Form for Non-Employee Directors.
*22.1	Guaranteed Securities.
*31.1	Certification of M. Susan Hardwick, President and Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act.
*31.2	Certification of John C. Griffith, Executive Vice President and Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act.
**32.1	Certification of M. Susan Hardwick, President and Chief Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act.
**32.2	Certification of John C. Griffith, Executive Vice President and Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act.
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101).

* Filed herewith.

** Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 27th day of July, 2022.

AMERICAN WATER WORKS COMPANY, INC.
(REGISTRANT)

By _____ /s/ M. SUSAN HARDWICK

M. Susan Hardwick
President and Chief Executive Officer
(Principal Executive Officer)

By _____ /s/ JOHN C. GRIFFITH

John C. Griffith
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

By _____ /s/ MELISSA K. WIKLE

Melissa K. Wikle
Chief Accounting Officer
(Principal Accounting Officer)



April 27, 2022

John C. Griffith
41 Whittredge Road
Summit, NJ 07901

Dear John:

On behalf of American Water Works Service Company, Inc., I am pleased to offer you the full-time position of Executive Vice President, Chief Financial Officer, reporting to M. Susan Hardwick, President and CEO, at our Camden, New Jersey headquarters office. The anticipated start date of your new position will be Monday, May 16, 2022. We are confident that you will find this new role to be personally rewarding and one in which you can make significant contributions to the company. ***The terms of this offer letter are subject to the recommendation of the Executive Development & Compensation Committee and the approval of the American Water Board of Directors.***

Safety, trust, teamwork, high performance, and environmental leadership define our culture – a culture where every employee feels valued and lives up to his or her potential. Creating an environment where differences are embraced and where every person feels engaged and included makes us safer, stronger, and more successful. We believe that our success is based upon our employees having a vested interest in our business. As a part of our team, you will be tasked with helping make a great company even better – in doing so, you will be rewarded for your contributions. The following is our offer to you:

Base Salary: Your annual salary will be approximately \$725,000.00, which will be paid on a bi-weekly basis in accordance with American Water's standard payroll practices. The salary level for your position is 95. Your job performance will be reviewed annually as part of our performance management process, and you may be eligible for a merit increase in 2023.

APP: You are eligible to participate in American Water's Annual Performance Plan with a target award amount equal to 100% of your annual base salary. For 2022 you will be eligible for a pro-rated APP payout based on your date of hire. Awards from the Annual Performance Plan are based on several factors including company performance and attainment of individual performance objectives, and payments may be higher or lower than target.

LTPP: You are eligible to participate in the American Water Long Term Performance Plan (LTPP) and will receive a target opportunity with a fair value equal to 250% of your base salary as of grant date. Your 2022 LTPP grant will be issued and valued as of your date of hire, subject to approval of the Executive Development & Compensation Committee. This grant will reflect a full view grant, and as such, will not be prorated to reflect your start date of May 16, 2022. For reference purposes, awards are currently granted under the terms and conditions of the Company's 2017 Omnibus Equity Compensation Plan (the "Plan") and related grant documents, in the form of restricted stock units and performance stock units, as follows: 30% Restricted Stock Units, 35% performance stock units based on TSR ranking and 35% performance stock units based on an internal measure determined by the Committee. In the event of any conflict between your offer letter and the terms of the award grant documents and the Plan, the terms of the award documents and the Plan will govern. Please note that all employees in salary levels 70 and above are subject to the Company's Executive Stock Ownership Guidelines and Stock Retention Requirements, and you will be required to hold Company stock with a value of 3 times your base salary by May 16, 2027.

In addition, for so long as you remain CFO, equity awards granted to you on and after the date of this offer letter would include specific post-retirement continued vesting provisions applicable to that position. Under these provisions, if you remain CFO for at least three (3) consecutive years (beginning on the date your appointment as EVP and CFO is effective), your equity awards will continue to vest over the normal vesting schedule of the award following a separation of service based upon either normal retirement or early retirement, as follows:

In the event of a normal retirement, defined as having attained age 60 and five years of service, the award will continue to vest in full; and
In the event of an early retirement, defined as having attained age 55 and five years of service, 75 percent of the award will continue to vest.

John C. Griffith
April 27, 2022
Page 2

Benefits: American Water offers a competitive benefits program for you and your eligible dependents. An outline of our benefits is attached for your review. Our benefit plans include medical, prescription drug, dental, vision, flexible spending accounts (Health and Dependent Care), employer paid life/disability insurance, voluntary life insurance, Healthy Solutions incentive based wellness program, employee assistance program and educational assistance. Your enrollment is effective the 1st day of the month after your hire date.

Defined Contribution Plan: You will be eligible to participate in the 401(k) Savings Plan and Defined Contribution plans effective the date of hire. Approximately one week after your hire date, you will receive a letter from Empower advising that you will be automatically enrolled into the plan at a 3% contribution level. If you do not enroll on your own, the automatic enrollment will take place 30 days from the date of the letter. You can stop or change your contribution percentage at any time.

American Water contributes on your behalf an amount equal to 5.25% of your base salary or hourly pay, regardless of whether you chose to make contributions to the 401(k) Plan. Your Defined Contributions will be invested in the same funds as you direct your 401(k) contributions to be invested. If you do not select an investment option, your account balance will be invested in the Vanguard Target Retirement Funds based on when you would attain age 65.

Non-Qualified Deferred Compensation: You will also be eligible to participate in our Non-Qualified Deferred Compensation Plan beginning in 2023, based on annual enrollment in December. The Company may make Employer Matching and Defined Contribution Account contributions as soon as administratively practicable after the end of the applicable plan year. Under the Non-Qualified Deferred Compensation Plan, Employer Matching contributions are immediately vested; Defined Contribution Account contributions will generally vest after five years of service.

Additional Considerations: You will receive a sign-on bonus of \$950,000, within the first 30 days of your continuous employment, subject to applicable withholdings. This bonus is subject to repayment in full if you voluntarily leave the company prior to one year of service.

Relocation: You will be eligible for relocation benefits under American Water's relocation policy according to the parameters of our policy and eligibility criteria as set forth by the IRS. You will be required to sign a Relocation Services Payback Agreement stating that if an employee resigns within 24 months of the effective date of their relocation, they are required to reimburse the relocation expenses to the Company on a pro-rated basis. The terms are confidential between you and American Water. You have elected to receive in cash the lump sum value of the relocation plan in lieu of the services, which has a value of \$120,000. That payment will be made to you within 30 days of your start date and is subject to all applicable withholdings.

Holidays/Vacation: You will be eligible for 25 days of paid vacation, 6 floating holidays and 8 fixed holidays per calendar year. Your time will be pro-rated for 2022.

Sick Days: You are eligible for 10 sick days annually. For the balance of 2022, you will be eligible for 10 sick days.

Executive Severance Policy: You will be an eligible participant under the executive severance policy which provides severance benefits to certain executives whose employment is involuntarily terminated by American Water for reasons other than cause, and other than in connection with a change of control. A copy of the Executive Severance policy has been provided with this offer.

Mr. John Griffith
April 27, 2022
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Change of Control Severance Policy: You will be an eligible participant under the Change of Control Severance Policy which provides severance benefits to certain executives whose employment is involuntarily terminated for reasons other than cause or if the executive resigns from employment for Good Reason (as defined therein), and such termination occurs within a period beginning on the date a Change of Control is completed and ending 24 months thereafter

This offer is contingent upon the successful completion and results of both a background check and a drug screen as well as approvals by the Committee and the American Water Board of Directors. You will be receiving an email from our vendor, CareerBuilder, on behalf of American Water Careers, asking you to complete information for the background check and drug screen. Please complete this information as quickly as possible, and report for your drug screening within 48 hours.

Additionally, as part of our new hire process, you will be asked to complete a Form 1-9 in compliance with the Immigration Reform and Control Act after the offer acceptance or no later than the first date of hire. Please refer to this link-[Click Here](#) and follow the instructions. If you experience technical difficulty with this link, please contact your Recruiter.

Your signature below indicates your acceptance of our offer and the terms of employment with American Water. Please review all attachments and sign and return the Confidentiality and Intellectual Property Agreements with your offer letter.

As you will be a Section 16 officer of the Company, American Water may be required to disclose your compensation and/or this offer letter in an SEC filing. Your signature below indicates your acknowledgment of this requirement of your position.

Your signature below indicates your acceptance of our offer and the terms of employment with American Water. Please review, sign and return a copy of this promotion letter.

John, we wish you the best of luck in your new role and future opportunities with American Water!

Sincerely,



M. Susan Hardwick
President, CEO and CFO
American Water

cc: Melanie Kennedy, Executive Vice President, Chief Human Resources Officer

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

 /s/ JOHN C. GRIFFITH

 April 26, 2022

Signature

Date

AMERICAN WATER WORKS COMPANY, INC.
2017 OMNIBUS EQUITY COMPENSATION PLAN
STOCK UNIT GRANT

This STOCK UNIT GRANT, dated as of May 11, 2022 (the “Date of Grant”), is delivered by American Water Works Company, Inc. (the “Company”) to _____ (the “Participant”).

RECITALS

WHEREAS, the Board of Directors of the Company (the “Board”) has determined to grant each non-employee director of the Company on the date of the Company’s 2022 Annual Meeting of Shareholders a stock unit grant that will be converted to shares of common stock of the Company, par value \$0.01 per share, (the “Company Stock”) at a later date;

WHEREAS, the Participant is a non-employee director on the Board; and

WHEREAS, the Board has determined that the stock unit grant granted to the Participant shall be issued under the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the “Plan”) and the terms and conditions of such stock unit shall be memorialized in this grant (the “Grant”).

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

1. Grant of Stock Units. Subject to the terms and conditions set forth in this Grant and the Plan, the Company hereby grants to the Participant _____ units (the “Stock Units”). Each Stock Unit shall be a phantom right and shall be equivalent to one share of Company Stock on the applicable distribution date, as described in Paragraph 4 below.
 2. Stock Unit Account. The Company shall establish and maintain a Stock Unit account as a bookkeeping account on its records (the “Stock Unit Account”) for the Participant and shall record in such Stock Unit Account the number of Stock Units granted to the Participant. The Participant shall not have any interest in any fund or specific assets of the Company by reason of this grant or the Stock Unit Account established for the Participant.
 3. Vesting. The Participant shall be fully vested in the Stock Units credited to the Participant’s Stock Unit Account pursuant to this Grant on the Date of Grant.
 4. Distribution. The Stock Units shall be converted to shares of Company Stock and distributed by the Company within thirty (30) days following the earlier of (i) August 11, 2023 (the “Specified Date”) (or, if applicable, the Deferred Date, as defined in Paragraph 5 below), (ii) the Participant’s separation from service (within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the “Code”) with the Company (the “Separation from Service Date”), or (iii) the date of a Change of Control (as defined below) (the “Change of Control Date”). At the time of distribution, all Stock Units shall be converted to an equivalent number of shares of Company Stock, and the Participant shall receive a single distribution of such shares of Company Stock, which shall be issued under the Plan. For purposes of this Grant, the term “Change of Control” shall have the same meaning as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Grant unless the event constituting the Change of Control constitutes a change in ownership or
-

effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Code and its corresponding regulations.

5. Deferrals. The Participant may make an irrevocable election to defer the Specified Date (or further defer the Deferred Date (as defined below), if applicable) of all of the Stock Units, plus dividend equivalents earned on such Stock Units as described in Paragraph 6 below, to a later date, provided that (i) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (ii) the deferred Specified Date cannot be earlier than five (5) years from the original Specified Date under Paragraph 4 (or five (5) years from the applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (iii) the election must be made no less than twelve (12) months prior to the date of the Specified Date (or twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Specified Date, the Participant must elect to defer 100% of the Stock Units, including corresponding dividend equivalents, granted to the Participant under this Grant and complete the deferral election form provided to the Participant, in the form attached hereto as Exhibit A or as may subsequently modified in the discretion of the Board. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant's election pursuant to this Paragraph, if the Separation from Service Date or Change of Control Date occurs prior to the Deferred Date, the distribution of the Participant's Stock Units, plus corresponding dividend equivalents, will be made as a result of the occurrence of the Separation from Service Date or Change of Control Date, whichever is earlier. If a Specified Date is delayed one or more times pursuant to this Paragraph 5, the new Specified Date shall be referred to as the "Deferred Date."

6. Dividend Equivalents. Until the earlier of the Specified Date (or the Deferred Date, if elected), Separation from Service Date or Change of Control Date, if any dividends are paid with respect to the shares of Company Stock, the Company shall credit to a dividend equivalent account (the "Dividend Equivalent Account") the value of the dividends that would have been distributed if the Stock Units credited to the Participant's Stock Unit Account as of the date of payment of any such dividend were shares of Company Stock. At the same time that the Stock Units are converted to shares of Company Stock and distributed to the Participant, the Company shall pay to the Participant in a lump sum cash equal to the value of the dividends credited to the Participant's Dividend Equivalent Account. No interest shall accrue on any dividend equivalents credited to the Participant's Dividend Equivalent Account.

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

8. Acknowledgment by Participant. By accepting this Grant, the Participant acknowledges that with respect to any right to distribution pursuant to this Grant, the Participant is and shall be an unsecured general creditor of the Company without any preference as against other unsecured general creditors of the Company, and the Participant hereby covenants for himself or herself, and anyone at any time claiming through or under the Participant, not to claim any such preference, and hereby disclaims and waives any such preference which may at any time be at issue, to the fullest extent permitted by applicable law. The Participant also hereby agrees to be bound by the terms and conditions of the Plan and this Grant. The Participant further agrees to be bound by the determinations and decisions of the Board with respect to this Grant and the Plan and the Participant's rights to benefits under this Grant and the Plan, and agrees that all such determinations and decisions of the Board shall be binding on the Participant,

his or her beneficiaries and any other person having or claiming an interest under this Grant and the Plan on behalf of the Participant.

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

(a) The obligation of the Company to deliver shares of Company Stock upon the distribution of the Stock Units shall be subject to the condition that shares of Company Stock be qualified for listing on the New York Stock Exchange or another securities exchange and be registered under the Securities Act of 1933, as amended, and that any consent or approval of any governmental regulatory body that is necessary to issue shares of Company Stock has been so obtained, and that shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Board. The issuance of shares of Company Stock and the payment of cash to the Participant pursuant to this Grant is subject to any applicable taxes and other laws or regulations of the United States or of any state having jurisdiction thereof.

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

(i) to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time) regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Insider Trading and Prohibited Transactions Policy and its Personal Securities Trading and Preclearance Practice; and

(ii) that the shares of Company Stock obtained by the Participant upon the distribution of the Stock Units shall not be transferred or disposed of by any means until the Participant owns enough shares of Company Stock, or shares underlying stock units convertible into shares of Company Stock, or time-based restricted Company Stock, to meet or exceed five (5) times the Participant's annual cash retainer, which ownership requirement must be satisfied by the fifth (5th) anniversary of the Participant's commencement of service as a director on the Board.

10. Grant Subject to Plan Provisions. This Grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. In the event of any contradiction, distinction or difference between this Grant and the terms of the Plan, the terms of the Plan will control. Except as otherwise defined in this Grant, capitalized terms used in this Grant shall have the meanings set forth in the Plan. This Grant is subject to the interpretations, regulations and determinations concerning the Plan established from time to time by the Board in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (i) rights and obligations with respect to withholding taxes, (ii) the registration, qualification or listing of the shares of Company Stock, (iii) changes in capitalization of the Company, and (iv) other requirements of applicable law. The Board shall have the authority to interpret and construe this Grant pursuant to the terms of the Plan, its decisions shall be conclusive as to any questions arising hereunder and the Participant's acceptance of this Grant is the Participant's agreement to be bound by the interpretations and decisions of the Board with respect to this Grant and the Plan.

11. No Rights as Shareholder. The Participant shall not have any rights as a shareholder of the Company, including the right to any cash dividends (except with respect to the

dividend equivalent rights provided in Paragraph 6), or the right to vote, with respect to any Stock Units.

12. No Rights to Continued Service. This Grant shall not confer upon the Participant any right to be retained in the service of the Employer (as defined in the Plan) and shall not interfere in any way with the right to terminate the Participant's service at any time. The right to terminate at will the Participant's service at any time for any reason is specifically reserved.

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

14. Withholding. To the extent required by applicable law, the Participant shall be required to pay to the Company, or make other arrangements satisfactory to the Company to provide for the payment of, any federal, state, local or other taxes that the Company is required to withhold with respect to the Grant, vesting or distribution of the Stock Units and dividend equivalents.

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

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

17. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the records of the Company, or to such other address as the Participant may designate to the Company in writing. Any notice shall be delivered by hand, sent by facsimile, e-mail or other electronic means (with confirmation of receipt to be made by any oral, electronic or written means), or enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service.

18. Section 409A of the Code.

(a) This Grant is intended to comply with the requirements of section 409A of the Code and shall be interpreted and administered to avoid any penalty sanctions under section 409A of the Code. If any distribution cannot be provided or made at the time specified herein or as elected by the Participant, then such distribution shall be provided in full at the earliest time thereafter when such sanctions cannot be imposed. Except according to a valid election made pursuant to Paragraph 5 above, in no event may the Participant designate the calendar year of distribution.

(b) Notwithstanding any provision to the contrary in this Grant, if any of the distributions under this Grant are payable to the Participant upon separation from service (within the meaning of section 409A of the Code) from the Employer, then if at the time of the Participant's separation from service the Participant is a "specified employee" (as such term is defined in section 409A(2)(B)(i) of the Code and its corresponding regulations) as determined by the Company (or any successor thereto) in its sole discretion in accordance with its specified employee determination policy, then all distributions to the Participant pursuant to this Grant shall be postponed for a period of six (6) months following the Participant's separation from service from the Employer. The postponed amounts shall be distributed to the Participant in a lump sum within thirty (30) days after the date that is six (6) months following the Participant's separation from service from the Employer. If the Participant dies during such six (6)-month period and prior to the distribution of the postponed amounts hereunder, the amounts delayed on account of section 409A of the Code shall be distributed to the personal representative of the Participant's estate within sixty (60) days after the date of the Participant's death, and any amounts not delayed shall be distributed to the personal representative of the Participant's estate in accordance with the terms of this Grant.

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

AMERICAN WATER WORKS COMPANY, INC.

By: M. Susan Hardwick

A handwritten signature in black ink, appearing to read "M. Susan Hardwick". The signature is written in a cursive style with a large initial "M".

Its: President, CEO and CFO

EXHIBIT A

SUBSEQUENT DEFERRAL ELECTION FORM

PART A. TIME OF DISTRIBUTION

I, _____, (the "Participant") hereby irrevocably elect to have all of the Stock Units, plus corresponding dividend equivalents, (the "Deferred Units") granted to me pursuant to the Stock Unit Grant, dated as of May 11, 2022, (the "Grant") under the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "Plan") that would have been distributed by American Water Works Company, Inc. to me on the Specified Date (as defined in the Grant), instead be distributed to me on the deferred date designated below (the "Deferred Date"), which date must be at least five (5) years later than the Specified Date, and this election is at least twelve (12) months prior to the Specified Date (to make this deferral election you must defer all of the Stock Units, plus corresponding dividend equivalents, granted to you pursuant the Grant, meaning there is no partial deferral):

Number of Stock Units, and Dividend Equivalents, to be Further Deferred (All Must Be Deferred)	Original Specified Date (Election Must Be Made at Least 12 Months Prior to the Specified Date)	Deferred Date (Must be a date that is at least 5 years later than the Original Specified Date)
100%	August 11, 2023	

PART B. ACKNOWLEDGMENT

I understand and expressly agree that (i) the Deferred Date for the Deferred Units shall be the date I specified in Part A above (which is a date that is at least five (5) years later than the original Specified Date), and (ii) I will not be entitled to receive distribution of the Deferred Units on an earlier date, except in the event that the Separation from Service Date (as defined in the Grant) or the Change of Control Date (as defined in the Grant) occurs prior to the Deferred Date. I also understand and expressly agree that this deferral election is irrevocable, is being made at least twelve (12) months prior to the original Specified Date, and shall not take effect until twelve (12) months after the date on which I make this election. I further understand and agree that the terms and conditions of the Grant and the Plan are hereby incorporated into this form. Lastly, I understand and agree that this deferral election applies to 100% of the Stock Units, and corresponding dividend equivalents, granted to me pursuant to the Grant.

PARTICIPANT SIGNATURE

Participant: _____ Date: _____

Receipt Acknowledged:

By: _____

Title: _____ Date: _____

AMERICAN WATER WORKS COMPANY, INC.

List of Securities Registered Under the Securities Act of 1933 (the “Securities Act”) and Entitled to the Benefit of the Support Agreement between American Water Capital Corp. (“AWCC”) and American Water Works Company, Inc. (“parent company”)

The following securities have been issued by AWCC and registered under the Securities Act, and have the benefit of that certain Support Agreement, as amended, by and between AWCC and parent company, which serves as the functional equivalent of a full and unconditional guarantee by parent company of the payment obligations of AWCC thereunder:

3.850% Senior Notes due 2024
3.400% Senior Notes due 2025
3.000% Senior Notes due 2026
2.950% Senior Notes due 2027
3.750% Senior Notes due 2028
3.450% Senior Notes due 2029
2.800% Senior Notes due 2030
2.300% Senior Notes due 2031
4.450% Senior Notes due 2032
6.593% Senior Notes due 2037
4.300% Senior Notes due 2042
4.300% Senior Notes due 2045
4.000% Senior Notes due 2046
3.750% Senior Notes due 2047
4.200% Senior Notes due 2048
4.150% Senior Notes due 2049
3.450% Senior Notes due 2050
3.250% Senior Notes due 2051

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

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

I, M. Susan Hardwick, certify that:

1. I have reviewed this quarterly report on Form 10-Q of American Water Works Company, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the consolidated financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 27, 2022

By: /s/ M. SUSAN HARDWICK

M. Susan Hardwick
President and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

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

I, John C. Griffith, certify that:

1. I have reviewed this quarterly report on Form 10-Q of American Water Works Company, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the consolidated financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 27, 2022

By: /s/ JOHN C. GRIFFITH

John C. Griffith

Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

AMERICAN WATER WORKS COMPANY, INC.
CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of American Water Works Company, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, M. Susan Hardwick, President and Chief Executive Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ M. SUSAN HARDWICK

M. Susan Hardwick
President and Chief Executive Officer
(Principal Executive Officer)
July 27, 2022

AMERICAN WATER WORKS COMPANY, INC.
CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of American Water Works Company, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John C. Griffith, Executive Vice President and Chief Financial Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ JOHN C. GRIFFITH

John C. Griffith
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)
July 27, 2022

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2022

OR

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

For the transition period from _____ to _____

Commission file number: 001-34028

AMERICAN WATER WORKS COMPANY, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

51-0063696

(I.R.S. Employer Identification No.)

1 Water Street, Camden, NJ 08102-1658

(Address of principal executive offices) (Zip Code)

(856) 955-4001

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of each exchange on which registered</u>
Common stock, par value \$0.01 per share	AWK	New York Stock Exchange

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>	Non-accelerated filer	<input type="checkbox"/>
Smaller reporting company	<input type="checkbox"/>	Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

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

<u>Class</u>	<u>Shares Outstanding as of April 21, 2022</u>
Common Stock, par value \$0.01 per share	181,753,276

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* * *

Throughout this Quarterly Report on Form 10-Q (“Form 10-Q”), unless the context otherwise requires, references to the “Company” and “American Water” mean American Water Works Company, Inc. and all of its subsidiaries, taken together as a whole. References to the “parent company” mean American Water Works Company, Inc., without its subsidiaries.

FORWARD-LOOKING STATEMENTS

Statements included in Part I, Item 2—Management’s Discussion and Analysis of Financial Condition and Results of Operations and in other sections of this Form 10-Q are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and the Private Securities Litigation Reform Act of 1995. In some cases, these forward-looking statements can be identified by words with prospective meanings such as “intend,” “plan,” “estimate,” “believe,” “anticipate,” “expect,” “predict,” “project,” “propose,” “assume,” “forecast,” “likely,” “uncertain,” “outlook,” “future,” “pending,” “goal,” “objective,” “potential,” “continue,” “seek to,” “may,” “can,” “should,” “will” and “could” or the negative of such terms or other variations or similar expressions. Forward-looking statements may relate to, among other things: the Company’s future financial performance, liquidity and cash flows; the timing and amount of rate and revenue adjustments, including through general rate case filings, filings for infrastructure surcharges and other governmental agency authorizations and proceedings, and filings to address regulatory lag; the Company’s growth and portfolio optimization strategies, including the timing and outcome of pending or future acquisition activity; the ability of the Company’s California subsidiary to obtain adequate alternative water supplies in lieu of diversions from the Carmel River; the amount and allocation of projected capital expenditures and related funding requirements; the Company’s ability to repay or refinance debt; the future impacts of increased or increasing financing costs, inflation and interest rates; the Company’s ability to execute its current and long-term business, operational and capital expenditures strategies; the Company’s ability to finance current operations, capital expenditures and growth initiatives by accessing the debt and equity capital markets; the outcome and impact on the Company of governmental and regulatory proceedings and related potential fines, penalties and other sanctions; the ability to meet or exceed the Company’s stated environmental and sustainability goals, including its greenhouse gas emission reduction, water delivery efficiency and water system resiliency goals; the ability to complete, and the timing and efficacy of, the design, development, implementation and improvement of technology and other strategic initiatives; the impacts to the Company of the COVID-19 pandemic; the ability to capitalize on existing or future utility privatization opportunities; trends in the water and wastewater industries in which the Company operates, including macro trends with respect to the Company’s efforts related to customer, technology and work execution; regulatory, legislative, tax policy or legal developments; and impacts that future significant tax legislation may have on the Company and on its business, results of operations, cash flows and liquidity.

Forward-looking statements are predictions based on the Company’s current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, financial results, levels of activity, performance or achievements, and readers are cautioned not to place undue reliance upon them. These forward-looking statements are subject to a number of estimates, assumptions, known and unknown risks, uncertainties and other factors. The Company’s actual results may vary materially from those discussed in the forward-looking statements included herein as a result of the following important factors:

- the decisions of governmental and regulatory bodies, including decisions to raise or lower customer rates and regulatory responses to the ongoing COVID-19 pandemic;
- the timeliness and outcome of regulatory commissions’ and other authorities’ actions concerning rates, capital structure, authorized return on equity, capital investment, system acquisitions and dispositions, taxes, permitting, water supply and management, and other decisions;
- changes in customer demand for, and patterns of use of, water, such as may result from conservation efforts, impacts of the COVID-19 pandemic, or otherwise;
- limitations on the availability of the Company’s water supplies or sources of water, or restrictions on its use thereof, resulting from allocation rights, governmental or regulatory requirements and restrictions, drought, overuse or other factors;
- a loss of one or more large industrial or commercial customers due to adverse economic conditions, the COVID-19 pandemic, or other factors;
- changes in laws, governmental regulations and policies, including with respect to the environment, health and safety, data and consumer privacy, security and protection, water quality and water quality accountability, contaminants of emerging concern, public utility and tax regulations and policies, and impacts resulting from U.S., state and local elections and changes in federal, state and local executive administrations;
- the Company’s ability to collect, distribute, use, secure and store consumer data in compliance with current or future governmental laws, regulations and policies with respect to data and consumer privacy, security and protection;
- weather conditions and events, climate variability patterns, and natural disasters, including drought or abnormally high rainfall, prolonged and abnormal ice or freezing conditions, strong winds, coastal and intercoastal flooding, pandemics (including COVID-19) and epidemics, earthquakes, landslides, hurricanes, tornadoes, wildfires, electrical storms, sinkholes and solar flares;
- the outcome of litigation and similar governmental and regulatory proceedings, investigations or actions;
- the risks associated with the Company’s aging infrastructure, and its ability to appropriately improve the resiliency of or maintain and replace, current or future infrastructure and systems, including its technology and other assets, and manage the expansion of its businesses;

- exposure or infiltration of the Company’s technology and critical infrastructure systems, including the disclosure of sensitive, personal or confidential information contained therein, through physical or cyber attacks or other means;
- the Company’s ability to obtain permits and other approvals for projects and construction of various water and wastewater facilities;
- changes in the Company’s capital requirements;
- the Company’s ability to control operating expenses and to achieve operating efficiencies;
- the intentional or unintentional actions of a third party, including contamination of the Company’s water supplies or the water provided to its customers;
- the Company’s ability to obtain adequate and cost-effective supplies of pipe, equipment (including personal protective equipment), chemicals, electricity, fuel, water and other raw materials, and to address or mitigate supply chain constraints that may result in delays or shortages in, as well as increased costs of, supplies, products and materials that are critical to or used in the Company’s business operations;
- the Company’s ability to successfully meet its operational growth projections, either individually or in the aggregate, and capitalize on growth opportunities, including, among other things, with respect to:
 - acquiring, closing and successfully integrating regulated operations and market-based businesses;
 - the Company’s Military Services Group (“MSG”) entering into new military installation contracts, price redeterminations, and other agreements and contracts with the U.S. government; and
 - realizing anticipated benefits and synergies from new acquisitions;
- risks and uncertainties following the completion of the sale of the Company’s Homeowner Services Group (“HOS”) and its New York subsidiary, including:
 - the Company’s ability to receive any contingent consideration provided for in the HOS sale, as well as amounts due, payable and owing to the Company from time to time under the seller promissory note when due; and
 - the ability of the Company to redeploy successfully and timely the net proceeds of these transactions into the Company’s Regulated Businesses (as defined below);
- risks and uncertainties associated with contracting with the U.S. government, including ongoing compliance with applicable government procurement and security regulations;
- cost overruns relating to improvements in or the expansion of the Company’s operations;
- the Company’s ability to successfully develop and implement new technologies and to protect related intellectual property;
- the Company’s ability to maintain safe work sites;
- the Company’s exposure to liabilities related to environmental laws and similar matters resulting from, among other things, water and wastewater service provided to customers;
- changes in general economic, political, business and financial market conditions, including without limitation conditions and collateral consequences associated with the COVID-19 pandemic;
- access to sufficient debt and/or equity capital on satisfactory terms and when and as needed to support operations and capital expenditures;
- fluctuations in inflation or interest rates;
- the ability to comply with affirmative or negative covenants in the current or future indebtedness of the Company or any of its subsidiaries, or the issuance of new or modified credit ratings or outlooks by credit rating agencies with respect to the Company or any of its subsidiaries (or any current or future indebtedness thereof), which could increase financing costs or funding requirements and affect the Company’s or its subsidiaries’ ability to issue, repay or redeem debt, pay dividends or make distributions;
- fluctuations in the value of benefit plan assets and liabilities that could increase the Company’s cost and funding requirements;
- changes in federal or state general, income and other tax laws, including (i) future significant tax legislation, (ii) the availability of, or the Company’s compliance with, the terms of applicable tax credits and tax abatement programs, and (iii) the Company’s ability to utilize its state income tax net operating loss carryforwards;
- migration of customers into or out of the Company’s service territories;
- the use by municipalities of the power of eminent domain or other authority to condemn the systems of one or more of the Company’s utility subsidiaries, or the assertion by private landowners of similar rights against such utility subsidiaries;
- any difficulty or inability to obtain insurance for the Company, its inability to obtain insurance at acceptable rates and on acceptable terms and conditions, or its inability to obtain reimbursement under existing or future insurance programs and coverages for any losses sustained;
- the incurrence of impairment charges related to the Company’s goodwill or other assets;
- labor actions, including work stoppages and strikes;
- the Company’s ability to retain and attract qualified employees;
- civil disturbances or unrest, or terrorist threats or acts, or public apprehension about future disturbances, unrest, or terrorist threats or acts; and
- the impact of new, and changes to existing, accounting standards.

These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above, and the risk factors and other statements contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2021 (the "Form 10-K") and in this Form 10-Q, and readers should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements the Company makes shall speak only as of the date this Form 10-Q was filed with the U.S. Securities and Exchange Commission ("SEC"). Except as required by the federal securities laws, the Company does not have any obligation, and it specifically disclaims any undertaking or intention, to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or otherwise. New factors emerge from time to time, and it is not possible for the Company to predict all such factors. Furthermore, it may not be possible to assess the impact of any such factor on the Company's businesses, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.

PART I. FINANCIAL INFORMATION**ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS****American Water Works Company, Inc. and Subsidiary Companies****Consolidated Balance Sheets (Unaudited)**

(In millions, except share and per share data)

	March 31, 2022	December 31, 2021
ASSETS		
Property, plant and equipment	\$ 27,781	\$ 27,413
Accumulated depreciation	(6,383)	(6,329)
Property, plant and equipment, net	21,398	21,084
Current assets:		
Cash and cash equivalents	75	116
Restricted funds	21	20
Accounts receivable, net of allowance for uncollectible accounts of \$72 and \$75, respectively	266	271
Unbilled revenues	254	248
Materials and supplies	71	57
Assets held for sale	—	683
Other	166	159
Total current assets	853	1,554
Regulatory and other long-term assets:		
Regulatory assets	1,049	1,051
Seller promissory note from the sale of the Homeowner Services Group	720	720
Operating lease right-of-use assets	91	92
Goodwill	1,139	1,139
Postretirement benefit assets	203	193
Other	241	242
Total regulatory and other long-term assets	3,443	3,437
Total assets	\$ 25,694	\$ 26,075

The accompanying notes are an integral part of these Consolidated Financial Statements.

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

	March 31, 2022	December 31, 2021
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock (\$0.01 par value; 500,000,000 shares authorized; 187,095,267 and 186,880,413 shares issued, respectively)	\$ 2	\$ 2
Paid-in-capital	6,796	6,781
Retained earnings	1,083	925
Accumulated other comprehensive loss	(44)	(45)
Treasury stock, at cost (5,342,229 and 5,269,324 shares, respectively)	(377)	(365)
Total common shareholders' equity	7,460	7,298
Long-term debt	10,347	10,341
Redeemable preferred stock at redemption value	3	3
Total long-term debt	10,350	10,344
Total capitalization	17,810	17,642
Current liabilities:		
Short-term debt	321	584
Current portion of long-term debt	57	57
Accounts payable	175	235
Accrued liabilities	538	701
Accrued taxes	285	176
Accrued interest	102	88
Liabilities related to assets held for sale	—	83
Other	170	217
Total current liabilities	1,648	2,141
Regulatory and other long-term liabilities:		
Advances for construction	300	284
Deferred income taxes and investment tax credits	2,381	2,421
Regulatory liabilities	1,577	1,600
Operating lease liabilities	78	80
Accrued pension expense	276	285
Other	175	180
Total regulatory and other long-term liabilities	4,787	4,850
Contributions in aid of construction	1,449	1,442
Commitments and contingencies (See Note 11)		
Total capitalization and liabilities	\$ 25,694	\$ 26,075

The accompanying notes are an integral part of these Consolidated Financial Statements.

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

	For the Three Months Ended March 31,	
	2022	2021
Operating revenues	\$ 842	\$ 888
Operating expenses:		
Operation and maintenance	364	419
Depreciation and amortization	158	157
General taxes	74	83
Total operating expenses, net	596	659
Operating income	246	229
Other income (expense):		
Interest expense	(100)	(98)
Interest income	13	—
Non-operating benefit costs, net	19	20
Other, net	15	4
Total other (expense) income	(53)	(74)
Income before income taxes	193	155
Provision for income taxes	35	22
Net income attributable to common shareholders	\$ 158	\$ 133
Basic earnings per share:		
Net income attributable to common shareholders	\$ 0.87	\$ 0.73
Diluted earnings per share:		
Net income attributable to common shareholders	\$ 0.87	\$ 0.73
Weighted-average common shares outstanding:		
Basic	182	181
Diluted	182	182

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Comprehensive Income (Unaudited)
(In millions)

	For the Three Months Ended March 31,	
	2022	2021
Net income attributable to common shareholders	\$ 158	\$ 133
Other comprehensive income, net of tax:		
Defined benefit pension plan actuarial loss, net of tax of \$0 for each of the three months ended March 31, 2022 and 2021	1	1
Net other comprehensive income	1	1
Comprehensive income attributable to common shareholders	<u>\$ 159</u>	<u>\$ 134</u>

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Cash Flows (Unaudited)
 (In millions)

	For the Three Months Ended March 31,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 158	\$ 133
Adjustments to reconcile to net cash flows provided by operating activities:		
Depreciation and amortization	158	157
Deferred income taxes and amortization of investment tax credits	(61)	26
Provision for losses on accounts receivable	4	11
Pension and non-pension postretirement benefits	(12)	(10)
Other non-cash, net	(3)	(41)
Changes in assets and liabilities:		
Receivables and unbilled revenues	(6)	26
Pension and non-pension postretirement benefit contributions	(19)	(9)
Accounts payable and accrued liabilities	(110)	(57)
Other assets and liabilities, net	45	(57)
Net cash provided by operating activities	154	179
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(424)	(342)
Acquisitions, net of cash acquired	(5)	(3)
Net proceeds from sale of assets	608	—
Removal costs from property, plant and equipment retirements, net	(20)	(18)
Net cash provided by (used in) investing activities	159	(363)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	11	2
Repayments of long-term debt	(5)	(25)
Repayments of term loan	—	(500)
Net short-term (repayments) borrowings with maturities less than three months	(263)	334
Remittances from issuances of employee stock plans and direct stock purchase plan, net of taxes paid of \$12 and \$15 for the three months ended March 31, 2022 and 2021, respectively	(8)	(11)
Advances and contributions in aid of construction, net of refunds of \$3 and \$6 for the three months ended March 31, 2022 and 2021, respectively	21	7
Dividends paid	(109)	(100)
Net cash used in financing activities	(353)	(293)
Net decrease in cash, cash equivalents and restricted funds	(40)	(477)
Cash, cash equivalents and restricted funds at beginning of period	136	576
Cash, cash equivalents and restricted funds at end of period	\$ 96	\$ 99
Non-cash investing activity:		
Capital expenditures acquired on account but unpaid as of the end of period	\$ 315	\$ 223

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Changes in Shareholders' Equity (Unaudited)
(In millions)

	Common Stock			Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock		Total Shareholders' Equity
	Shares	Par Value	Paid-in-Capital			Shares	At Cost	
Balance as of December 31, 2021	186.9	\$ 2	\$ 6,781	\$ 925	\$ (45)	(5.3)	\$ (365)	\$ 7,298
Net income attributable to common shareholders	—	—	—	158	—	—	—	158
Common stock issuances (a)	0.2	—	15	—	—	—	(12)	3
Net other comprehensive income	—	—	—	—	1	—	—	1
Balance as of March 31, 2022	<u>187.1</u>	<u>\$ 2</u>	<u>\$ 6,796</u>	<u>\$ 1,083</u>	<u>\$ (44)</u>	<u>(5.3)</u>	<u>\$ (377)</u>	<u>\$ 7,460</u>

(a) Includes stock-based compensation, employee stock purchase plan and direct stock reinvestment and purchase plan activity.

	Common Stock			Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock		Total Shareholders' Equity
	Shares	Par Value	Paid-in-Capital			Shares	At Cost	
Balance as of December 31, 2020	186.5	\$ 2	\$ 6,747	\$ 102	\$ (49)	(5.2)	\$ (348)	\$ 6,454
Net income attributable to common shareholders	—	—	—	133	—	—	—	133
Common stock issuances (a)	0.2	—	10	—	—	(0.1)	(15)	(5)
Net other comprehensive income	—	—	—	—	1	—	—	1
Balance as of March 31, 2021	<u>186.7</u>	<u>\$ 2</u>	<u>\$ 6,757</u>	<u>\$ 235</u>	<u>\$ (48)</u>	<u>(5.3)</u>	<u>\$ (363)</u>	<u>\$ 6,583</u>

(a) Includes stock-based compensation, employee stock purchase plan and direct stock reinvestment and purchase plan activity.

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Notes to Consolidated Financial Statements (Unaudited)
(Unless otherwise noted, in millions, except per share data)

Note 1: Basis of Presentation

The unaudited Consolidated Financial Statements included in this report include the accounts of American Water Works Company, Inc. and all of its subsidiaries (the “Company” or “American Water”), in which a controlling interest is maintained after the elimination of intercompany balances and transactions. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) for interim financial reporting, and the rules and regulations for reporting on Quarterly Reports on Form 10-Q (“Form 10-Q”). Accordingly, they do not contain certain information and disclosures required by GAAP for comprehensive financial statements. In the opinion of management, all adjustments necessary for a fair statement of the financial position as of March 31, 2022, and the results of operations and cash flows for all periods presented, have been made. All adjustments are of a normal, recurring nature, except as otherwise disclosed.

The unaudited Consolidated Financial Statements and Notes included in this report should be read in conjunction with the Company’s Annual Report on Form 10-K for the year ended December 31, 2021 (“Form 10-K”), which provides a more complete discussion of the Company’s accounting policies, financial position, operating results and other matters. The results of operations for interim periods are not necessarily indicative of the results that may be expected for the year, primarily due to the seasonality of the Company’s operations.

Note 2: Significant Accounting Policies

New Accounting Standards

Presented in the table below are new accounting standards that were adopted by the Company in 2022:

Standard	Description	Date of Adoption	Application	Effect on the Consolidated Financial Statements
Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity	Simplification of financial reporting associated with accounting for convertible instruments and contracts in an entity’s own equity. The standard reduced the number of accounting models for convertible debt instruments and convertible preferred stock. This will result in fewer embedded conversion features being separately recognized from the host contract. Earnings per share (“EPS”) calculations have been simplified for certain instruments.	January 1, 2022	Either modified retrospective or fully retrospective	The standard did not have a material impact on its Consolidated Financial Statements.
Disclosures by Business Entities about Government Assistance	The amendments in this update require additional disclosures regarding government grants and contributions. These disclosures require information on the following three items about government transactions to be provided: information on the nature of transactions and related accounting policy used to account for transactions, the line items on the balance sheet and income statement affected by these transactions including amounts applicable to each line, and significant terms and conditions of the transactions, including commitments and contingencies.	January 1, 2022	Either prospective or retrospective	The standard did not have a material impact on its Consolidated Financial Statements.

Presented in the table below are recently issued accounting standards that have not yet been adopted by the Company as of March 31, 2022:

Standard	Description	Date of Adoption	Application	Estimated Effect on the Consolidated Financial Statements
Accounting for Contract Assets and Contract Liabilities from Contracts with Customers	The guidance requires an acquirer recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Accounting Standards Codification Topic 606, as if it had originated the contracts. The amendments in this update also provide certain practical expedients for acquirers when recognizing and measuring acquired contract assets and contract liabilities from revenue contracts in a business combination.	January 1, 2023; early adoption permitted	Prospective	The Company is evaluating any impact on its Consolidated Financial Statements, as well as the timing of adoption.
Troubled debt restructurings and vintage disclosures	The main provisions of this standard eliminate the receivables accounting guidance for troubled debt restructurings (“TDRs”) by creditors while enhancing disclosure requirements when a borrower is experiencing financial difficulty. Entities must apply the loan refinancing and restructuring guidance for receivables to determine whether a modification results in a new loan or a continuation of an existing loan. Additionally, the amendments in this update require that an entity disclose current-period gross write-offs by year of origination for financing receivables and net investment in leases.	January 1, 2023; early adoption permitted	Prospective, with a modified retrospective option for amendments related to the recognition and measurement of TDRs.	The Company is evaluating any impact on its Consolidated Financial Statements, as well as the timing of adoption.

Allowance for Uncollectible Accounts

Allowances for uncollectible accounts are maintained for estimated probable losses resulting from the Company’s inability to collect receivables from customers. Accounts that are outstanding longer than the payment terms are considered past due. A number of factors are considered in determining the allowance for uncollectible accounts, including the length of time receivables are past due, previous loss history, current economic and societal conditions and reasonable and supportable forecasts that affect the collectability of receivables from customers. The Company generally writes off accounts when they become uncollectible or are over a certain number of days outstanding.

Presented in the table below are the changes in the allowance for uncollectible accounts for the three months ended March 31:

	2022	2021
Balance as of January 1	\$ (75)	\$ (60)
Amounts charged to expense	(4)	(11)
Amounts written off	7	—
Less: Allowance for uncollectible accounts included in assets held for sale (a)	—	4
Balance as of March 31	<u>\$ (72)</u>	<u>\$ (67)</u>

(a) This portion of the allowance for uncollectible accounts is related to the sale of the Company’s New York subsidiary, which was completed on January 1, 2022, and is included in assets held for sale on the Consolidated Balance Sheets as of December 31, 2021. See Note 5—Acquisitions and Divestitures for additional information.

Reclassifications

Certain reclassifications have been made to prior periods in the Consolidated Financial Statements and Notes to conform to the current presentation.

Note 3: Regulatory Matters

General Rate Cases and Infrastructure Surcharges

Presented in the table below are annualized incremental revenues, excluding reductions for the amortization of excess accumulated deferred income tax (“EADIT”) that are generally offset in income tax expense, assuming a constant water sales volume, resulting from general rate case authorizations and infrastructure surcharge authorizations that became effective in the current period:

(In millions)	During the Three Months Ended March 31,	
	2022	2021
General rate cases by state:		
West Virginia (effective February 25, 2022)	\$ 15	\$ —
California (effective January 1, 2022 and January 1, 2021)	13	22
Pennsylvania (effective January 1, 2022 and January 28, 2021)	20	70
Total general rate cases	<u>\$ 48</u>	<u>\$ 92</u>
Infrastructure surcharges by state:		
Indiana (effective March 21, 2022 and March 17, 2021)	\$ 8	\$ 8
West Virginia (effective March 1, 2022 and January 1, 2021)	3	5
Missouri (effective February 1, 2022)	12	—
Illinois (effective January 1, 2022 and January 1, 2021)	6	7
Pennsylvania (effective January 1, 2021)	—	8
Tennessee (effective January 1, 2021)	—	3
Total infrastructure surcharges	<u>\$ 29</u>	<u>\$ 31</u>

Effective April 1, 2022, the Company’s Pennsylvania subsidiary implemented infrastructure surcharges for annualized incremental revenues of \$2 million.

On February 24, 2022, the Company's West Virginia subsidiary ("WVAWC") was authorized additional annual revenues of \$15 million in its general rate case, effective February 25, 2022, excluding agreed to reductions for EADIT as a result of the Tax Cuts and Jobs Act of 2017 (the "TCJA"). The EADIT reduction in revenues is \$2 million and the exclusion for infrastructure surcharges is \$10 million. Staff of the WV Public Service Commission moved for reconsideration of the Commission's final order on several grounds. The Company filed its response to the Staff's Petition for Reconsideration on March 28, 2022 in support of the Commission authorized revenue requirement. The matter is currently pending before the Commission for its consideration.

On November 18, 2021, the California Public Utilities Commission (the "CPUC") unanimously approved a final decision in the test year 2021 general rate case filed by the Company's California subsidiary, which is retroactive to January 1, 2021. The Company's California subsidiary received authorization for additional annualized water and wastewater revenues of \$22 million, excluding agreed to reductions for EADIT as a result of the TCJA. The EADIT reduction in revenues is \$4 million and is offset by a like reduction in income tax expense. On February 16, 2022, the Company's California subsidiary received approval to increase rates by \$13 million in 2022 escalation increases, excluding \$4 million of reductions related to the TCJA, which is retroactive to January 1, 2022.

On March 2, 2021, an administrative law judge ("ALJ") in the Office of Administrative Law of New Jersey filed an initial decision with the New Jersey Board of Public Utilities (the "NJBPU") that recommended denial of a petition filed by the Company's New Jersey subsidiary, which sought approval of acquisition adjustments in rate base of \$29 million associated with the acquisitions of Shorelands Water Company, Inc. in 2017 and the Borough of Haddonfield's water and wastewater systems in 2015. On July 29, 2021, the NJBPU issued an order adopting the ALJ's initial decision without modification. The Company's New Jersey subsidiary filed a Notice of Appeal with the New Jersey Appellate Division on September 10, 2021. The Company filed its brief in support of the appeal on March 4, 2022. Response briefs are due by May 23, 2022. There is no financial impact to the Company as a result of the NJBPU's order, since the acquisition adjustments are currently recorded as goodwill on the Consolidated Balance Sheets.

On February 25, 2021, the Company's Pennsylvania subsidiary was authorized additional annualized revenues of \$90 million, effective January 28, 2021, excluding agreed to reductions in revenues of \$19 million for EADIT as a result of the TCJA. The overall increase, net of TCJA reductions, is \$71 million in revenues combined over two steps. The first step was effective January 28, 2021 in the amount of \$70 million (\$51 million including TCJA reductions) and the second step was effective January 1, 2022 in the amount of \$20 million. The protected EADIT balance of \$200 million is being returned to customers using the average rate assumptions method, and the unprotected EADIT balance of \$116 million is being returned to customers over 20 years. The \$19 million annual reduction to revenue is comprised of both the protected and unprotected EADIT amortizations and a portion of catch-up period EADIT. A bill credit of \$11 million annually for two years returns to customers the remainder of the EADIT catch-up period amortization. The catch-up period of January 1, 2018 through December 31, 2020 covers the period from when the lower federal corporate income tax rate went into effect until new base rates went into effect and will be amortized over two years.

Pending General Rate Case Filings

On February 10, 2022, the Company's Illinois subsidiary filed a general rate case requesting \$71 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA and infrastructure surcharges.

On January 14, 2022, the Company's New Jersey subsidiary filed a general rate case requesting \$110 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA and infrastructure surcharges. Public hearings were held on April 6, 2022. Settlement conferences are scheduled to commence in May 2022 with evidentiary hearings expected to begin in September 2022.

On December 1, 2021, the Company's Kentucky subsidiary filed a wastewater rate case requesting additional revenues of \$1 million, excluding proposed reductions for EADIT as a result of TCJA. The Company's Kentucky subsidiary requested a four-step rate increase for their wastewater operations with effective dates of June 1, 2022, June 1, 2023, June 1, 2024 and June 1, 2025 for annual amounts of less than \$1 million each year. The Company's Kentucky subsidiary filed their wastewater case under the alternative rate filing process for smaller utilities which calculates an operating ratio of 88% rather than a return on equity.

On November 15, 2021, the Company's Virginia subsidiary filed a general rate case requesting \$15 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA.

On August 18, 2021, the Company's Hawaii subsidiary filed a general rate case requesting \$2 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA. On April 11, 2022, the Company and the Division of Consumer Advocacy submitted a joint letter to the Hawaii Public Utilities Commission indicating that the parties had, in principle, reached a settlement that would resolve all disputed issues in the case. In the joint letter, the parties also requested revisions to the procedural schedule.

The Company’s California subsidiary submitted its application on May 3, 2021 to set its cost of capital for 2022 through 2024. According to the CPUC’s procedural schedule, a decision setting the authorized cost of capital is expected to be issued in the fourth quarter of 2022.

Pending Infrastructure Surcharge Filings

On March 4, 2022, the Company’s Missouri subsidiary filed an infrastructure surcharge proceeding requesting \$19 million in additional annualized revenues.

On March 1, 2022, the Company’s Kentucky subsidiary filed an infrastructure surcharge proceeding requesting \$3 million in additional annualized revenues.

Other Regulatory Matters

In September 2020, the CPUC released a decision under its Low-Income Rate Payer Assistance program rulemaking that will require the Company’s California subsidiary to file a proposal to alter its water revenue adjustment mechanism in its next general rate case filing in 2022, which would become effective in January 2024. On October 5, 2020, the Company’s California subsidiary filed an application for rehearing of the decision and following the CPUC’s denial of its rehearing application in September 2021, the Company’s California subsidiary filed a petition for writ of review with the California Supreme Court on October 27, 2021.

Note 4: Revenue Recognition

Disaggregated Revenues

The Company’s primary business involves the ownership of utilities that provide water and wastewater services to residential, commercial, industrial, public authority, fire service and sale for resale customers, collectively presented as the “Regulated Businesses.” The Company also operates other market-based businesses that provide water and wastewater services to the U.S. government on military installations, as well as municipalities, and utility customers, collectively included within “Market-Based Businesses and Other.”

Presented in the table below are operating revenues disaggregated for the three months ended March 31, 2022:

	Revenues from Contracts with Customers	Other Revenues Not from Contracts with Customers (a)	Total Operating Revenues
Regulated Businesses:			
Water services:			
Residential	\$ 428	\$ —	\$ 428
Commercial	153	—	153
Fire service	36	—	36
Industrial	36	—	36
Public and other	57	—	57
Total water services	710	—	710
Wastewater services:			
Residential	41	—	41
Commercial	10	—	10
Industrial	1	—	1
Public and other	3	—	3
Total wastewater services	55	—	55
Miscellaneous utility charges	9	—	9
Alternative revenue programs	—	2	2
Lease contract revenue	—	2	2
Total Regulated Businesses	774	4	778
Market-Based Businesses and Other	64	—	64
Total operating revenues	\$ 838	\$ 4	\$ 842

(a) Includes revenues associated with provisional rates, alternative revenue programs, lease contracts and intercompany rent, which are outside the scope of Accounting Standards Codification Topic 606, *Revenue From Contracts With Customers* (“ASC 606”), and accounted for under other existing GAAP.

Presented in the table below are operating revenues disaggregated for the three months ended March 31, 2021:

	Revenues from Contracts with Customers	Other Revenues Not from Contracts with Customers (a)	Total Operating Revenues
Regulated Businesses:			
Water services:			
Residential	\$ 430	\$ —	\$ 430
Commercial	144	—	144
Fire service	37	—	37
Industrial	32	—	32
Public and other	44	—	44
Total water services	<u>687</u>	<u>—</u>	<u>687</u>
Wastewater services:			
Residential	36	—	36
Commercial	9	—	9
Industrial	1	—	1
Public and other	4	—	4
Total wastewater services	<u>50</u>	<u>—</u>	<u>50</u>
Miscellaneous utility charges	8	—	8
Alternative revenue programs	—	9	9
Lease contract revenue	—	1	1
Total Regulated Businesses	<u>745</u>	<u>10</u>	<u>755</u>
Market-Based Businesses and Other	133	—	133
Total operating revenues	<u>\$ 878</u>	<u>\$ 10</u>	<u>\$ 888</u>

(a) Includes revenues associated with provisional rates, alternative revenue programs, lease contracts and intercompany rent, which are outside the scope of ASC 606, and accounted for under other existing GAAP.

Contract Balances

Contract assets and contract liabilities are the result of timing differences between revenue recognition, billings and cash collections. In Market-Based Businesses and Other, certain contracts are billed as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals or upon achievement of contractual milestones. Contract assets are recorded when billing occurs subsequent to revenue recognition and are reclassified to accounts receivable when billed and the right to consideration becomes unconditional. Contract liabilities are recorded when the Company receives advances from customers prior to satisfying contractual performance obligations, particularly for construction contracts and home warranty protection program contracts, and are recognized as revenue when the associated performance obligations are satisfied.

Contract assets of \$78 million and \$71 million are included in unbilled revenues on the Consolidated Balance Sheets as of March 31, 2022 and December 31, 2021, respectively. There were \$18 million of contract assets added during the three months ended March 31, 2022, and \$11 million of contract assets were transferred to accounts receivable during the same period. There were \$19 million of contract assets added during the three months ended March 31, 2021, and \$8 million of contract assets were transferred to accounts receivable during the same period.

Contract liabilities of \$20 million and \$19 million are included in other current liabilities on the Consolidated Balance Sheets as of March 31, 2022 and December 31, 2021, respectively. There were \$36 million of contract liabilities added during the three months ended March 31, 2022, and \$35 million of contract liabilities were recognized as revenue during the same period. There were \$57 million of contract liabilities added during the three months ended March 31, 2021, and \$48 million of contract liabilities were recognized as revenue during the same period.

Remaining Performance Obligations

Remaining performance obligations (“RPOs”) represent revenues the Company expects to recognize in the future from contracts that are in progress. The Company enters into agreements for the provision of services to water and wastewater facilities for the U.S. military, municipalities and other customers. As of March 31, 2022, the Company’s operation and maintenance (“O&M”) and capital improvement contracts in Market-Based Businesses and Other have RPOs. Contracts with the U.S. government for work on various military installations expire between 2051 and 2071 and have RPOs of \$6.2 billion as of March 31, 2022, as measured by estimated remaining contract revenue. Such contracts are subject to customary termination provisions held by the U.S. government, prior to the agreed-upon contract expiration. Contracts with municipalities and commercial customers expire between 2022 and 2038 and have RPOs of \$580 million as of March 31, 2022, as measured by estimated remaining contract revenue. Some of the Company’s long-term contracts to operate and maintain the federal government’s, a municipality’s or other party’s water or wastewater treatment and delivery facilities include responsibility for certain maintenance for some of those facilities, in exchange for an annual fee. Unless specifically required to perform certain maintenance activities, the maintenance costs are recognized when the maintenance is performed.

Note 5: Acquisitions and Divestitures***Regulated Businesses***

During the three months ended March 31, 2022, the Company closed on the acquisition of four regulated water and wastewater systems for a total aggregate purchase price of \$5 million. Assets acquired from these acquisitions consisted principally of utility plant.

On April 6, 2021, the Company’s Pennsylvania subsidiary entered into an Asset Purchase Agreement with the York City Sewer Authority (the “Seller”) and the City of York, with respect to the purchase of the Seller’s public wastewater collection and treatment system assets (the “System Assets”). On April 14, 2022, the Pennsylvania Public Utility Commission (“PaPUC”) approved the Company’s Pennsylvania subsidiary’s application to acquire the System Assets from the Seller for a purchase price of \$235 million, plus an amount of average daily revenue calculated for the period between the final meter reading and the date of closing. The System Assets serve, directly and indirectly through bulk contracts, more than 45,000 customers. Assuming no successful contest of the PaPUC’s approval occurs within 30 days thereafter, this approval would satisfy a significant remaining condition to the closing of the transaction, which is expected to occur by or before mid-June 2022.

On March 29, 2021, the Company’s New Jersey subsidiary entered into an agreement to acquire the water and wastewater assets of Egg Harbor City for \$22 million. The water and wastewater systems currently serve approximately 1,500 customers each, or 3,000 combined, and are being sold through the New Jersey Water Infrastructure Protection Act process. The Company expects to close this acquisition in the second half of 2022, pending regulatory approval.

Sale of New York American Water Company, Inc.

On January 1, 2022, the Company completed the previously disclosed sale of its regulated utility operations in New York to Liberty Utilities (Eastern Water Holdings) Corp. (“Liberty”), an indirect, wholly owned subsidiary of Algonquin Power & Utilities Corp. Liberty purchased from the Company all of the capital stock of the Company’s New York subsidiary for a purchase price of \$608 million in cash. During the first quarter of 2022, the Company recognized a loss on sale of \$2 million.

Sale of Michigan American Water Company

On February 4, 2022, the Company completed the sale of its operations in Michigan for \$6 million.

Sale of Homeowner Services Group

On December 9, 2021, the Company sold all of the equity interests in subsidiaries that comprised the Company’s Homeowner Services Group (“HOS”) to a wholly owned subsidiary of funds advised by Apax Partners LLP, a global private equity advisory firm (the “Buyer”), for total consideration of approximately \$1.275 billion, resulting in pre-tax gain on sale of \$748 million during the fourth quarter of 2021. The consideration was comprised of \$480 million in cash, a seller promissory note issued by the Buyer in the principal amount of \$720 million, and a contingent cash payment of \$75 million payable upon satisfaction of certain conditions on or before December 31, 2023. See Note 13—Fair Value of Financial Information for additional information relating to the seller promissory note and contingent cash payment. During the first quarter of 2022, the Company recorded a post-close adjustment totaling approximately \$10 million pre-tax, which is included in Other, net on the Consolidated Statements of Operations.

The seller note has a five-year term, is payable in cash, and bears interest at a rate of 7.00% per year during the term. The Company recognized \$13 million of interest income during the first quarter of 2022 from the seller note.

The Company and the Buyer also entered into a revenue share agreement, pursuant to which the Company is to receive 10% of the revenue generated from customers who are billed for home warranty services through an applicable Company subsidiary (an “on-bill” arrangement), and 15% of the revenue generated from any future on-bill arrangements entered into after the closing. Unless earlier terminated, this agreement has a term of up to 15 years, which may be renewed for up to two five-year periods. The Company recognized \$2 million of income during the first quarter of 2022 from the revenue share agreement, which is included in Other, net on the Consolidated Statements of Operations.

The pro forma impact of the Company’s acquisitions was not material to the Consolidated Statements of Operations for the periods ended March 31, 2022 and 2021.

Note 6: Shareholders’ Equity

Accumulated Other Comprehensive Loss

Presented in the table below are the changes in accumulated other comprehensive loss by component, net of tax, for the three months ended March 31, 2022 and 2021, respectively:

	Defined Benefit Pension Plans				Accumulated Other Comprehensive Loss
	Employee Benefit Plan Funded Status	Amortization of Prior Service Cost	Amortization of Actuarial Loss	Loss on Cash Flow Hedges	
Balance as of December 31, 2021	\$ (107)	\$ 1	\$ 67	\$ (6)	\$ (45)
Amounts reclassified from accumulated other comprehensive loss	—	—	1	—	1
Net other comprehensive income	—	—	1	—	1
Balance as of March 31, 2022	\$ (107)	\$ 1	\$ 68	\$ (6)	\$ (44)
Balance as of December 31, 2020	\$ (106)	\$ 1	\$ 63	\$ (7)	\$ (49)
Amounts reclassified from accumulated other comprehensive loss	—	—	1	—	1
Net other comprehensive income	—	—	1	—	1
Balance as of March 31, 2021	\$ (106)	\$ 1	\$ 64	\$ (7)	\$ (48)

The Company does not reclassify the amortization of defined benefit pension cost components from accumulated other comprehensive loss directly to net income in its entirety, as a portion of these costs have been deferred as a regulatory asset. These accumulated other comprehensive loss components are included in the computation of net periodic pension cost.

The amortization of the gain (loss) on cash flow hedges is reclassified to net income during the period incurred and is included in interest, net in the accompanying Consolidated Statements of Operations.

Dividends

On March 1, 2022, the Company paid a quarterly cash dividend of \$0.6025 per share to shareholders of record as of February 8, 2022.

On April 27, 2022, the Company’s Board of Directors declared a quarterly cash dividend payment of \$0.6550 per share, payable on June 1, 2022 to shareholders of record as of May 10, 2022. Future dividends, when and as declared at the discretion of the Board of Directors, will be dependent upon future earnings and cash flows, compliance with various regulatory, financial and legal requirements, and other factors. See Note 10—Shareholders' Equity in the Notes to Consolidated Financial Statements in the Company’s Form 10-K for additional information regarding the payment of dividends on the Company’s common stock.

Note 7: Long-Term Debt

During the three months ended March 31, 2022, American Water Capital Corp. (“AWCC”) and the Company’s regulated subsidiaries issued in the aggregate \$11 million of private activity bonds and government funded debt in multiple transactions with annual interest rates of 0.74%, maturing in 2041. During the three months ended March 31, 2022, AWCC and the Company’s regulated subsidiaries made sinking fund payments for, or repaid at maturity, \$5 million in aggregate principal amount of outstanding long-term debt, with annual interest rates ranging from 0.00% to 12.25%, a weighted average interest rate of 3.06%, and maturity dates ranging from 2022 to 2048.

In April 2022, the Company entered into several 10-year treasury lock agreements, with notional amounts totaling \$375 million, to reduce interest rate exposure on debt expected to be issued in 2022. These treasury lock agreements have an average fixed interest rate of 2.89%. The Company designated these treasury lock agreements as cash flow hedges, with their fair value recorded in accumulated other comprehensive gain or loss. Upon termination, the cumulative gain or loss recorded in accumulated other comprehensive gain or loss will be amortized through interest, net over the term of the new debt.

Note 8: Short-Term Debt

Liquidity needs for capital investment, working capital and other financial commitments are generally funded through cash flows from operations, public and private debt offerings, commercial paper markets and, if and to the extent necessary, borrowings under the AWCC revolving credit facility. Additionally, proceeds from the aforementioned sales of HOS and the Company's New York subsidiary will be used primarily for capital investment in the Regulated Businesses. The revolving credit facility provides \$2.25 billion in aggregate total commitments from a diversified group of financial institutions. The termination date of the credit agreement with respect to AWCC's revolving credit facility is March 21, 2025. The facility is used principally to support AWCC's commercial paper program, to provide additional liquidity support and to provide a sub-limit of up to \$150 million for letters of credit. As of March 31, 2022 and December 31, 2021, there were no borrowings outstanding under the revolving credit facility.

Short-term debt consists of commercial paper and credit facility borrowings totaling \$321 million and \$584 million as of March 31, 2022 and December 31, 2021, respectively. The weighted-average interest rate on AWCC's outstanding short-term borrowings was approximately 0.26% and 0.25% at March 31, 2022 and December 31, 2021, respectively. As of March 31, 2022 and December 31, 2021, there were no commercial paper or credit facility borrowings outstanding with maturities greater than three months.

Presented in the tables below is the aggregate credit facility commitments, commercial paper limit and letter of credit availability under the revolving credit facility, as well as the available capacity for each:

	As of March 31, 2022		
	Commercial Paper Limit	Letters of Credit	Total (a)
(In millions)			
Total availability	\$ 2,100	\$ 150	\$ 2,250
Outstanding debt	(321)	(76)	(397)
Remaining availability as of March 31, 2022	\$ 1,779	\$ 74	\$ 1,853

(a) Total remaining availability of \$1.85 billion as of March 31, 2022 may be accessed through revolver draws.

	As of December 31, 2021		
	Commercial Paper Limit	Letters of Credit	Total (a)
(In millions)			
Total availability	\$ 2,100	\$ 150	\$ 2,250
Outstanding debt	(584)	(76)	(660)
Remaining availability as of December 31, 2021	\$ 1,516	\$ 74	\$ 1,590

(a) Total remaining availability of \$1.59 billion as of December 31, 2021 may be accessed through revolver draws.

Presented in the table below is the Company's total available liquidity as of March 31, 2022 and December 31, 2021, respectively:

	Cash and Cash Equivalents	Availability on Revolving Credit Facility	Total Available Liquidity
(In millions)			
Available liquidity as of March 31, 2022	\$ 75	\$ 1,853	\$ 1,928
Available liquidity as of December 31, 2021	\$ 116	\$ 1,590	\$ 1,706

Note 9: Income Taxes

The Company's effective income tax rate was 18.1% and 14.2% for the three months ended March 31, 2022 and 2021, respectively. The Company's effective income tax rate reflects the amortization of EADIT pursuant to regulatory orders.

Note 10: Pension and Other Postretirement Benefits

Presented in the table below are the components of net periodic benefit credit:

	For the Three Months Ended March 31,	
	2022	2021
Components of net periodic pension benefit credit:		
Service cost	\$ 8	\$ 9
Interest cost	16	17
Expected return on plan assets	(31)	(32)
Amortization of prior service credit	(1)	(1)
Amortization of actuarial loss	5	7
Net periodic pension benefit credit	\$ (3)	\$ —
Components of net periodic other postretirement benefit credit:		
Service cost	\$ 1	\$ 1
Interest cost	3	2
Expected return on plan assets	(5)	(5)
Amortization of prior service credit	(8)	(8)
Net periodic other postretirement benefit credit	\$ (9)	\$ (10)

The Company contributed \$9 million for the funding of its defined benefit pension plans for each of the three months ended March 31, 2022 and 2021. There were \$10 million of contributions for the funding of the Company’s other postretirement benefit plans for the three months ended March 31, 2022 and no such contributions for the three months ended March 31, 2021. The Company expects to make pension contributions to the plan trusts of \$28 million during the remainder of 2022.

Note 11: Commitments and Contingencies

Contingencies

The Company is routinely involved in legal actions incident to the normal conduct of its business. As of March 31, 2022, the Company has accrued approximately \$6 million of probable loss contingencies and has estimated that the maximum amount of losses associated with reasonably possible loss contingencies that can be reasonably estimated is \$3 million. For certain matters, claims and actions, the Company is unable to estimate possible losses. The Company believes that damages or settlements, if any, recovered by plaintiffs in such matters, claims or actions, other than as described in this Note 11—Commitments and Contingencies, will not have a material adverse effect on the Company.

West Virginia Elk River Freedom Industries Chemical Spill

On June 8, 2018, the U.S. District Court for the Southern District of West Virginia granted final approval of a settlement class and global class action settlement (the “Settlement”) for all claims and potential claims by all class members (collectively, the “West Virginia Plaintiffs”) arising out of the January 2014 Freedom Industries, Inc. chemical spill in West Virginia. The effective date of the Settlement was July 16, 2018. Under the terms and conditions of the Settlement, WVAWC and certain other Company-affiliated entities did not admit, and will not admit, any fault or liability for any of the allegations made by the West Virginia Plaintiffs in any of the actions that were resolved.

The aggregate pre-tax amount contributed by WVAWC of the \$126 million portion of the Settlement with respect to the Company, net of insurance recoveries, is \$19 million. As of March 31, 2022, \$0.5 million of the aggregate Settlement amount of \$126 million has been reflected in accrued liabilities, and \$0.5 million in offsetting insurance receivables have been reflected in other current assets on the Consolidated Balance Sheets. The amount reflected in accrued liabilities as of March 31, 2022 reflects reductions in the liability and appropriate reductions to the offsetting insurance receivable reflected in other current assets, associated with payments made to the Settlement fund, the receipt of a determination by the Settlement fund’s appeal adjudicator on all remaining medical claims and the calculation of remaining attorneys’ fees and claims administration costs. The Company funded WVAWC’s contributions to the Settlement through existing sources of liquidity.

Dunbar, West Virginia Water Main Break Class Action Litigation

On the evening of June 23, 2015, a 36-inch pre-stressed concrete transmission water main, installed in the early 1970s, failed. The water main is part of the West Relay pumping station located in the City of Dunbar, West Virginia and owned by WVAWC. The failure of the main caused water outages and low pressure for up to approximately 25,000 WVAWC customers. In the early morning hours of June 25, 2015, crews completed a repair, but that same day, the repair developed a leak. On June 26, 2015, a second repair was completed and service was restored that day to approximately 80% of the impacted customers, and to the remaining approximately 20% by the next morning. The second repair showed signs of leaking, but the water main was usable until June 29, 2015 to allow tanks to refill. The system was reconfigured to maintain service to all but approximately 3,000 customers while a final repair was being completed safely on June 30, 2015. Water service was fully restored by July 1, 2015 to all customers affected by this event.

On June 2, 2017, a complaint captioned *Jeffries, et al. v. West Virginia-American Water Company* was filed in West Virginia Circuit Court in Kanawha County on behalf of an alleged class of residents and business owners who lost water service or pressure as a result of the Dunbar main break. The complaint alleges breach of contract by WVAWC for failure to supply water, violation of West Virginia law regarding the sufficiency of WVAWC's facilities and negligence by WVAWC in the design, maintenance and operation of the water system. The *Jeffries* plaintiffs seek unspecified alleged damages on behalf of the class for lost profits, annoyance and inconvenience, and loss of use, as well as punitive damages for willful, reckless and wanton behavior in not addressing the risk of pipe failure and a large outage.

In February 2020, the *Jeffries* plaintiffs filed a motion seeking class certification on the issues of breach of contract and negligence, and to determine the applicability of punitive damages and a multiplier for those damages if imposed. In July 2020, the Circuit Court entered an order granting the *Jeffries* plaintiffs' motion for certification of a class regarding certain liability issues but denying certification of a class to determine a punitive damages multiplier. In August 2020, WVAWC filed a Petition for Writ of Prohibition in the Supreme Court of Appeals of West Virginia seeking to vacate or remand the Circuit Court's order certifying the issues class. On January 28, 2021, the Supreme Court of Appeals remanded the case back to the Circuit Court for further consideration in light of a decision issued in another case relating to the class certification issues raised on appeal. On July 16, 2021, oral argument was heard by the Circuit Court on the issue of addressing the Supreme Court of Appeals' remand. This matter remains pending.

The Company and WVAWC believe that WVAWC has valid, meritorious defenses to the claims raised in this class action complaint. WVAWC is vigorously defending itself against these allegations. The Company cannot currently determine the likelihood of a loss, if any, or estimate the amount of any loss or a range of such losses related to this proceeding.

Chattanooga, Tennessee Water Main Break Class Action Litigation

On September 12, 2019, the Company's Tennessee subsidiary ("TAWC"), experienced a leak in a 36-inch water transmission main, which caused service fluctuations or interruptions to TAWC customers and the issuance of a boil water notice. TAWC repaired the main by early morning on September 14, 2019, and restored full water service by the afternoon of September 15, 2019, with the boil water notice lifted for all customers on September 16, 2019.

On September 17, 2019, a complaint captioned *Bruce, et al. v. American Water Works Company, Inc., et al.* was filed in the Circuit Court of Hamilton County, Tennessee against TAWC, the Company and American Water Works Service Company, Inc. ("Service Company" and, together with TAWC and the Company, collectively, the "Tennessee-American Water Defendants"), on behalf of a proposed class of individuals or entities who lost water service or suffered monetary losses as a result of the Chattanooga incident (the "Tennessee Plaintiffs"). The complaint alleged breach of contract and negligence against the Tennessee-American Water Defendants, as well as an equitable remedy of piercing the corporate veil. In the complaint as originally filed, the Tennessee Plaintiffs were seeking an award of unspecified alleged damages for wage losses, business and economic losses, out-of-pocket expenses, loss of use and enjoyment of property and annoyance and inconvenience, as well as punitive damages, attorneys' fees and pre- and post-judgment interest. In September 2020, the court dismissed all of the Tennessee Plaintiffs' claims in their complaint, except for the breach of contract claims against TAWC, which remain pending. In October 2020, TAWC answered the complaint, and the parties have been engaging in discovery. The court has entered an agreed scheduling order, which sets a hearing in October 2022 to address the question of class certification.

TAWC and the Company believe that TAWC has meritorious defenses to the claims raised in this class action complaint, and TAWC is vigorously defending itself against these allegations. The Company cannot currently determine the likelihood of a loss, if any, or estimate the amount of any loss or a range of such losses related to this proceeding.

*Alternative Water Supply in Lieu of Carmel River Diversions*Compliance with Orders to Reduce Carmel River Diversions—Monterey Peninsula Water Supply Project

Under a 2009 order (the “2009 Order”) of the State Water Resources Control Board (the “SWRCB”), the Company’s California subsidiary (“Cal Am”) is required to decrease significantly its yearly diversions of water from the Carmel River according to a set reduction schedule. In 2016, the SWRCB issued an order (the “2016 Order”) approving a deadline of December 31, 2021 for Cal Am’s compliance with these prior orders.

Cal Am is currently involved in developing the Monterey Peninsula Water Supply Project (the “Water Supply Project”), which includes the construction of a desalination plant, to be owned by Cal Am, and the construction of wells that would supply water to the desalination plant. In addition, the Water Supply Project also includes Cal Am’s purchase of water from a groundwater replenishment project (the “GWR Project”) between Monterey One Water and the Monterey Peninsula Water Management District (the “MPWMD”). The Water Supply Project is intended, among other things, to fulfill Cal Am’s obligations under the 2009 Order and the 2016 Order.

Cal Am’s ability to move forward on the Water Supply Project is subject to administrative review by the CPUC and other government agencies, obtaining necessary permits, and intervention from other parties. In September 2016, the CPUC unanimously approved a final decision to authorize Cal Am to enter into a water purchase agreement for the GWR Project and to construct a pipeline and pump station facilities and recover up to \$50 million in associated incurred costs plus an allowance for funds used during construction (“AFUDC”), subject to meeting certain criteria.

In September 2018, the CPUC unanimously approved another final decision finding that the Water Supply Project meets the CPUC’s requirements for a certificate of public convenience and necessity and an additional procedural phase was not necessary to consider alternative projects. The CPUC’s 2018 decision concludes that the Water Supply Project is the best project to address estimated future water demands in Monterey, and, in addition to the cost recovery approved in its 2016 decision, adopts Cal Am’s cost estimates for the Water Supply Project, which amounted to an aggregate of \$279 million plus AFUDC at a rate representative of Cal Am’s actual financing costs. The 2018 final decision specifies the procedures for recovery of all of Cal Am’s prudently incurred costs associated with the Water Supply Project upon its completion, subject to the frameworks included in the final decision related to cost caps, operation and maintenance costs, financing, ratemaking and contingency matters. The reasonableness of the Water Supply Project costs will be reviewed by the CPUC when Cal Am seeks cost recovery for the Water Supply Project. Cal Am has incurred \$192 million in aggregate costs as of March 31, 2022 related to the Water Supply Project, which includes \$50 million in AFUDC.

In September 2021, Cal Am, Monterey One Water and the MPWMD reached an agreement on Cal Am’s purchase of additional water from an expansion to the GWR Project, which is not expected to produce additional water until 2024 at the earliest. The amended and restated water purchase agreement for the GWR Project expansion is subject to review and approval of the CPUC, and on November 29, 2021, Cal Am filed an application with the CPUC seeking review and approval of the amended and restated water purchase agreement. Cal Am is also requesting rate base treatment of the additional capital investment for certain Cal Am facilities required to maximize the water supply from the expansion to the GWR Project and a related Aquifer Storage and Recovery Project, totaling approximately \$81 million. This amount is in addition to, and consistent in regulatory treatment with, the prior \$50 million of cost recovery for facilities associated with the original water purchase agreement, which was approved by the CPUC in its 2016 final decision.

While Cal Am believes that its expenditures to date have been prudent and necessary to comply with the 2009 Order and the 2016 Order, as well as the CPUC’s 2016 and 2018 final decisions, Cal Am cannot currently predict its ability to recover all of its costs and expenses associated with the Water Supply Project and there can be no assurance that Cal Am will be able to recover all of such costs and expenses in excess of the \$50 million in construction costs previously approved by the CPUC in its 2016 final decision.

Coastal Development Permit Application

In June 2018, Cal Am submitted a coastal development permit application to the City of Marina (the “City”) for those project components of the Water Supply Project located within the City’s coastal zone. Members of the City’s Planning Commission, as well as City councilpersons, have publicly expressed opposition to the Water Supply Project. In May 2019, the City issued a notice of final local action based upon the denial by the Planning Commission of Cal Am’s coastal development permit application. Thereafter, Cal Am appealed this decision to the California Coastal Commission (the “Coastal Commission”), as permitted under the City’s code and the California Coastal Act. At the same time, Cal Am submitted an application to the Coastal Commission for a coastal development permit for those project components located within the Coastal Commission’s original jurisdiction. In October 2019, staff of the Coastal Commission issued a report recommending a denial of Cal Am’s application for a coastal development permit with respect to the Water Supply Project, largely based on a memorandum prepared by the general manager of the MPWMD that contradicted findings made by the CPUC in its final decision approving the Water Supply Project. In November 2019, discussions between staffs of the Coastal Commission and the CPUC took place regarding the Coastal Commission staff recommendation, at which time the CPUC raised questions about the Coastal Commission staff’s findings on water supply and demand, groundwater impacts and the viability of a project that the Coastal Commission staff believes may be a possible alternative to the Water Supply Project.

In August 2020, the staff of the Coastal Commission released a report again recommending denial of Cal Am’s application for a coastal development permit. Although the report concluded that the Water Supply Project would have a negligible impact on groundwater resources, the report also concluded it would impact other coastal resources, such as environmentally sensitive habitat areas and wetlands, and that the Coastal Commission staff believes that a feasible alternative project exists that would avoid those impacts. The staff’s report also noted disproportionate impacts to communities of concern. In September 2020, Cal Am withdrew its original jurisdiction application to allow additional time to address the Coastal Commission staff’s environmental justice concerns. The withdrawal of the original jurisdiction application did not impact Cal Am’s appeal of the City’s denial, which remains pending before the Coastal Commission. Cal Am refiled the original jurisdiction application in November 2020. In December 2020, the Coastal Commission sent to Cal Am a notice of incomplete application, identifying certain additional information needed to consider the application complete. In March 2021, Cal Am provided responses to the Coastal Commission’s notice of incomplete application. On June 18, 2021, the Coastal Commission responded, acknowledging the responses and requesting certain additional information before the application could be considered complete. Cal Am responded with the requested additional information on January 11, 2022, and on February 8, 2022, the Coastal Commission requested additional information. The original jurisdiction application remains pending.

Cal Am continues to work constructively with all appropriate agencies to provide necessary information in connection with obtaining required approvals for the Water Supply Project. However, there can be no assurance that the Water Supply Project in its current configuration will be completed on a timely basis, if ever. Beginning in January 2022, Cal Am expects to be able to comply with the diversion reduction requirements contained in the 2016 Order, but continued compliance with the diversion reduction requirements for 2023 and future years will depend on successful development of alternate water supply sources, sufficient to meet customer demand. The 2009 Order and the 2016 Order remain in effect until Cal Am certifies to the SWRCB, and the SWRCB concurs, that Cal Am has obtained a permanent supply of water to substitute for past unauthorized Carmel River diversions. While the Company cannot currently predict the likelihood or result of any adverse outcome associated with these matters, further attempts to comply with the 2009 Order and the 2016 Order may result in material additional costs and obligations to Cal Am, including fines and penalties against Cal Am in the event of noncompliance with the 2009 Order and the 2016 Order.

Note 12: Earnings per Common Share

Presented in the table below is a reconciliation of the numerator and denominator for the basic and diluted EPS calculations:

	For the Three Months Ended March 31,	
	2022	2021
Numerator:		
Net income attributable to common shareholders	\$ 158	\$ 133
Denominator:		
Weighted-average common shares outstanding—Basic	182	181
Effect of dilutive common stock equivalents	—	1
Weighted-average common shares outstanding—Diluted	182	182

The effect of dilutive common stock equivalents is related to outstanding stock options, restricted stock units (“RSUs”) and performance stock units (“PSUs”) granted under the Company’s 2007 Omnibus Equity Compensation Plan and outstanding RSUs and PSUs granted under the Company’s 2017 Omnibus Equity Compensation Plan, as well as estimated shares to be purchased under the Company’s 2017 Nonqualified Employee Stock Purchase Plan. Less than one million share-based awards were excluded from the computation of diluted EPS for the three months ended March 31, 2022 and 2021, because their effect would have been anti-dilutive under the treasury stock method.

Note 13: Fair Value of Financial Information

Fair Value of Financial Instruments

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

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

Seller promissory note from the sale of HOS — The carrying amount reported on the Consolidated Balance Sheets for the seller promissory note from the sale of HOS is \$720 million as of March 31, 2022 and December 31, 2021. This amount represents the principal amount owed under the loan. The fair values of the seller note, including any impact of interest rates, approximated \$700 million and \$720 million as March 31, 2022 and December 31, 2021, respectively. The seller note is classified as Level 3 within the fair value hierarchy.

Preferred stock with mandatory redemption requirements and long-term debt—The fair values of preferred stock with mandatory redemption requirements and long-term debt are categorized within the fair value hierarchy based on the inputs that are used to value each instrument. The fair value of long-term debt classified as Level 1 is calculated using quoted prices in active markets. Level 2 instruments are valued using observable inputs and Level 3 instruments are valued using observable and unobservable inputs.

Presented in the tables below are the carrying amounts, including fair value adjustments previously recognized in acquisition purchase accounting, and the fair values of the Company’s financial instruments:

	As of March 31, 2022					
	Carrying Amount	At Fair Value				Total
		Level 1	Level 2	Level 3		
Preferred stock with mandatory redemption requirements	\$ 3	\$ —	\$ —	\$ 3	\$ 3	\$ 3
Long-term debt (excluding finance lease obligations)	10,404	9,104	55	1,522		10,681
	As of December 31, 2021					
	Carrying Amount	At Fair Value				Total
		Level 1	Level 2	Level 3		
Preferred stock with mandatory redemption requirements	\$ 4	\$ —	\$ —	\$ 6	\$ 6	\$ 6
Long-term debt (excluding finance lease obligations)	10,396	10,121	60	1,637		11,818

Recurring Fair Value Measurements

Presented in the tables below are assets and liabilities measured and recorded at fair value on a recurring basis and their level within the fair value hierarchy:

	As of March 31, 2022			
	Level 1	Level 2	Level 3	Total
Assets:				
Restricted funds	\$ 21	\$ —	\$ —	\$ 21
Rabbi trust investments	22	—	—	22
Deposits	27	—	—	27
Other investments	19	—	—	19
Contingent cash payment from the sale of HOS	—	—	72	72
Total assets	89	—	72	161
Liabilities:				
Deferred compensation obligations	25	—	—	25
Total liabilities	25	—	—	25
Total assets	\$ 64	\$ —	\$ 72	\$ 136
As of December 31, 2021				
	Level 1	Level 2	Level 3	Total
Assets:				
Restricted funds	\$ 21	\$ —	\$ —	\$ 21
Rabbi trust investments	23	—	—	23
Deposits	27	—	—	27
Other investments	17	—	—	17
Contingent cash payment from the sale of HOS	—	—	72	72
Total assets	88	—	72	160
Liabilities:				
Deferred compensation obligations	27	—	—	27
Total liabilities	27	—	—	27
Total assets	\$ 61	\$ —	\$ 72	\$ 133

Restricted funds—The Company’s restricted funds primarily represent proceeds received from financings for the construction and capital improvement of facilities and from customers for future services under operation, maintenance and repair projects.

Rabbi trust investments—The Company’s rabbi trust investments consist of equity and index funds from which supplemental executive retirement plan benefits and deferred compensation obligations can be paid. The Company includes these assets in other long-term assets on the Consolidated Balance Sheets.

Deposits—Deposits include escrow funds and certain other deposits held in trust. The Company includes cash deposits in other current assets on the Consolidated Balance Sheets.

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

Mark-to-market derivative assets and liabilities—The Company employs derivative financial instruments in the form of variable-to-fixed interest rate swaps and treasury lock agreements, classified as economic hedges and cash flow hedges, respectively, in order to fix the interest cost on existing or forecasted debt. The Company may use fixed-to-floating interest rate swaps, typically designated as fair-value hedges, to achieve a targeted level of variable-rate debt as a percentage of total debt. The Company uses a calculation of future cash inflows and estimated future outflows, which are discounted, to determine the current fair value. Additional inputs to the present value calculation include the contract terms, counterparty credit risk, interest rates and market volatility. The Company had no significant mark-to-market derivatives outstanding as of March 31, 2022.

Other investments—Other investments primarily represent money market funds used for active employee benefits. The Company includes other investments in other current assets on the Consolidated Balance Sheets.

Contingent cash payment from the sale of HOS—The Company’s contingent cash payment derivative included as part of the consideration from the sale of HOS is included in other long-term assets on the Consolidated Balance Sheets. The fair value of the contingent cash payment is estimated using the probability of the outcome of receipt of the \$75 million, a Level 3 input.

Note 14: Leases

The Company has operating and finance leases involving real property, including facilities, utility assets, vehicles, and equipment. Certain operating leases have renewal options ranging from one to 60 years. The exercise of lease renewal options is at the Company’s sole discretion. Renewal options that the Company was reasonably certain to exercise are included in the Company’s right-of-use (“ROU”) assets. Certain operating leases contain the option to purchase the leased property. The operating leases for real property, vehicles and equipment will expire over the next 38 years, five years, and five years, respectively.

The Company participates in a number of arrangements with various public entities (“Partners”) in West Virginia. Under these arrangements, the Company transferred a portion of its utility plant to the Partners in exchange for an equal principal amount of Industrial Development Bonds (“IDBs”) issued by the Partners under the Industrial Development and Commercial Development Bond Act. The Company leased back the utility plant under agreements for a period of 30 to 40 years. The Company has recorded these agreements as finance leases in property, plant and equipment, as ownership of the assets will revert back to the Company at the end of the lease term. The carrying value of the finance lease assets was \$146 million as of March 31, 2022 and December 31, 2021. The Company determined that the finance lease obligations and the investments in IDBs meet the conditions for offsetting, and as such, are reported net on the Consolidated Balance Sheets and excluded from the finance lease disclosure presented below.

The Company also enters into O&M agreements with the Partners. The Company pays an annual fee for use of the Partners’ assets in performing under the O&M agreements. The O&M agreements are recorded as operating leases, and future annual use fees of \$3 million in 2022 and \$4 million in 2023 through 2026, and \$48 million thereafter, are included in operating lease ROU assets and operating lease liabilities on the Consolidated Balance Sheets.

Rental expenses under operating and finance leases were \$3 million for the three months ended March 31, 2022 and March 31, 2021, respectively.

For the three months ended March 31, 2022, cash paid for amounts in lease liabilities, which includes operating and financing cash flows from operating and finance leases, was \$3 million. For the three months ended March 31, 2022, there were ROU assets obtained in exchange for new operating lease liabilities of \$1 million.

As of March 31, 2022, the weighted-average remaining lease term of the finance lease and operating leases were four years and 18 years, respectively, and the weighted-average discount rate of the finance lease and operating leases were 12% and 4%, respectively.

The future maturities of lease liabilities at March 31, 2022 are \$9 million in 2022, \$9 million in 2023, \$8 million in 2024, \$8 million in 2025, \$7 million in 2026 and \$88 million thereafter. At March 31, 2022, imputed interest was \$43 million.

Note 15: Segment Information

The Company's operating segments are comprised of the revenue-generating components of its businesses for which separate financial information is internally produced and regularly used by management to make operating decisions, assess performance and allocate resources. The Company operates its businesses primarily through one reportable segment, the Regulated Businesses segment. "Market-Based Businesses and Other" includes market-based businesses that, individually, do not meet the criteria of a reportable segment in accordance with GAAP, corporate costs that are not allocated to the Company's operating segments, eliminations of inter-segment transactions and fair value adjustments and associated income and deductions related to acquisitions that have not been allocated to the operating segments for evaluation of performance and allocation of resource purposes. The adjustments related to the acquisitions are reported in Market-Based Businesses and Other as they are excluded from segment performance measures evaluated by management.

As a result of the sale of HOS, the categories which were previously shown as "Market-Based Businesses" and "Other" have been combined and shown as "Market-Based Businesses and Other." Segment results for the three months ended March 31, 2021 have been adjusted retrospectively to reflect this change.

Presented in the tables below is summarized segment information:

	As of or for the Three Months Ended March 31, 2022		
	Regulated Businesses	Market-Based Businesses and Other	Consolidated
Operating revenues	\$ 778	\$ 64	\$ 842
Depreciation and amortization	155	3	158
Total operating expenses, net	538	58	596
Interest expense	(70)	(30)	(100)
Interest income	—	13	13
Income before income taxes	196	(3)	193
Provision for income taxes	36	(1)	35
Net income attributable to common shareholders	160	(2)	158
Total assets	22,973	2,721	25,694
Cash paid for capital expenditures	422	2	424

	As of or for the Three Months Ended March 31, 2021		
	Regulated Businesses	Market-Based Businesses and Other	Consolidated
Operating revenues	\$ 755	\$ 133	\$ 888
Depreciation and amortization	147	10	157
Total operating expenses, net	543	116	659
Interest expense	(71)	(27)	(98)
Interest income	—	—	—
Income before income taxes	163	(8)	155
Provision for income taxes	28	(6)	22
Net income attributable to common shareholders	135	(2)	133
Total assets	22,032	2,493	24,525
Cash paid for capital expenditures	338	4	342

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

The following discussion should be read together with the unaudited Consolidated Financial Statements and the Notes thereto included elsewhere in this Form 10-Q, and in the Company’s Form 10-K for the year ended December 31, 2021. This discussion contains forward-looking statements that are based on management’s current expectations, estimates and projections about the Company’s business, operations and financial performance. The cautionary statements made in this Form 10-Q should be read as applying to all related forward-looking statements whenever they appear in this Form 10-Q. The Company’s actual results may differ materially from those currently anticipated and expressed in such forward-looking statements as a result of a number of factors, including those that are discussed under “Forward-Looking Statements” and elsewhere in this Form 10-Q. The Company has a disclosure committee consisting of members of senior management and other key employees involved in the preparation of the Company’s SEC reports. The disclosure committee is actively involved in the review and discussion of the Company’s SEC filings.

Overview

American Water is the largest and most geographically diverse, publicly traded water and wastewater utility company in the United States, as measured by both operating revenues and population served. The Company’s primary business involves the ownership of utilities that provide water and wastewater services to residential, commercial, industrial, public authority, fire service and sale for resale customers, collectively presented as the “Regulated Businesses.” Services provided by the Company’s utilities are subject to regulation by multiple state utility commissions or other entities engaged in utility regulation, collectively referred to as public utility commissions (“PUCs”). The Company also operates other market-based businesses not subject to economic regulation by state PUCs that provide water and wastewater services to the U.S. government on military installations, as well as municipalities, and utility customers, collectively included within “Market-Based Businesses and Other.” See Part I, Item 1—Business in the Company’s Form 10-K for additional information.

Financial Results

For the three months ended March 31, 2022, diluted earnings per share, prepared in accordance with accounting principles generally accepted in the United States (“GAAP”), were \$0.87, an increase of \$0.14 per diluted share, as compared to the same period in the prior year. This increase was primarily driven by continued growth in the Regulated Businesses from infrastructure investment, acquisitions and organic growth. Also, included in 2022 results is \$0.06 per share from interest income earned on the seller note and income earned on the revenue share agreement from the sale of HOS. See Note 5—Acquisitions and Divestitures in the Notes to Consolidated Financial Statements for additional information.

Growth Through Capital Investment in Infrastructure and Regulated Acquisitions

The Company continues to grow its businesses, with the majority of its growth to be achieved in the Regulated Businesses through (i) continued capital investment in the Company’s infrastructure to provide safe, clean, reliable and affordable water and wastewater services to its customers, and (ii) regulated acquisitions to expand the Company’s services to new customers. The Company plans to invest approximately \$2.5 billion across its footprint in 2022. During the first three months of 2022, the Company invested \$437 million, primarily in the Regulated Businesses, as discussed below:

Regulated Businesses - Growth and Optimization

- \$430 million capital investment in the Regulated Businesses, the majority for infrastructure improvements and replacements; and
- \$5 million to fund acquisitions in the Regulated Businesses, which added approximately 1,800 water and wastewater customers, in addition to approximately 3,700 customers added through organic growth.

On April 6, 2021, the Company’s Pennsylvania subsidiary entered into an Asset Purchase Agreement with the York City Sewer Authority (the “Seller”) and the City of York, with respect to the purchase of the Seller’s public wastewater collection and treatment system assets (the “System Assets”). On April 14, 2022, the Pennsylvania Public Utility Commission (“PaPUC”) approved the Company’s Pennsylvania subsidiary’s application to acquire the System Assets from the Seller for a purchase price of \$235 million, plus an amount of average daily revenue calculated for the period between the final meter reading and the date of closing. The System Assets serve, directly and indirectly through bulk contracts, more than 45,000 customers. Assuming no successful contest of the PaPUC’s approval occurs within 30 days thereafter, this approval would satisfy a significant remaining condition to the closing of the transaction, which is expected to occur by or before mid-June 2022.

On March 29, 2021, the Company’s New Jersey subsidiary entered into an agreement to acquire the water and wastewater assets of Egg Harbor City for \$22 million. The water and wastewater systems currently serve approximately 1,500 customers each, or 3,000 combined, and are being sold through the New Jersey Water Infrastructure Protection Act process. The Company expects to close this acquisition in the second half of 2022, pending regulatory approval.

As of March 31, 2022, the Company has entered into agreements for pending acquisitions in the Regulated Businesses, including the York City Sewer Authority and Egg Harbor City agreements discussed above, to add approximately 77,300 additional customers.

Sale of New York American Water Company, Inc.

On January 1, 2022, the Company completed the previously disclosed sale of its regulated utility operations in New York to Liberty Utilities (Eastern Water Holdings) Corp. (“Liberty”), an indirect, wholly owned subsidiary of Algonquin Power & Utilities Corp. Liberty purchased from the Company all of the capital stock of the Company’s New York subsidiary for a purchase price of \$608 million in cash.

Sale of Michigan American Water Company

On February 4, 2022, the Company completed the sale of its operations in Michigan for \$6 million.

Operational Excellence

The Company’s adjusted regulated O&M efficiency ratio, which is used as a measure of the operating performance of the Regulated Businesses, was 33.9% for the twelve months ended March 31, 2022, as compared to 34.1% for the twelve months ended March 31, 2021. The ratio reflects the continued focus on operating costs, as well as an increase in operating revenues for the Regulated Businesses after considering the adjustment for the amortization of the excess accumulated deferred income taxes (“EADIT”) shown in the table below.

The Company’s adjusted regulated O&M efficiency ratio is a non-GAAP measure, and is defined by the Company as its operation and maintenance expenses from the Regulated Businesses, divided by the operating revenues from the Regulated Businesses, where both operation and maintenance expenses and operating revenues were adjusted to eliminate purchased water expense. Operating revenues were further adjusted to exclude reductions for the amortization of the EADIT. Also excluded from operation and maintenance expenses is the allocable portion of non-O&M support services costs, mainly depreciation and general taxes, which is reflected in the Regulated Businesses segment as operation and maintenance expenses, but for consolidated financial reporting purposes, is categorized within other line items in the accompanying Consolidated Statements of Operations. The items discussed above were excluded from the O&M efficiency ratio calculation as they are not reflective of management’s ability to increase the efficiency of the Regulated Businesses.

The Company evaluates its operating performance using this ratio, and believes it is useful to investors because it directly measures improvement in the operating performance and efficiency of the Regulated Businesses. This information is derived from the Company’s consolidated financial information but is not presented in its financial statements prepared in accordance with GAAP. This information supplements and should be read in conjunction with the Company’s GAAP disclosures, and should be considered as an addition to, and not a substitute for, any GAAP measure. The Company’s adjusted regulated O&M efficiency ratio (i) is not an accounting measure that is based on GAAP; (ii) is not based on a standard, objective industry definition or method of calculation; (iii) may not be comparable to other companies’ operating measures; and (iv) should not be used in place of the GAAP information provided elsewhere in this Form 10-Q.

Presented in the table below is the calculation of the Company's adjusted regulated O&M efficiency ratio and a reconciliation that compares operation and maintenance expenses and operating revenues, each as determined in accordance with GAAP, to those amounts utilized in the calculation of its adjusted O&M efficiency ratio:

(Dollars in millions)	For the Twelve Months Ended March 31,	
	2022	2021
Total operation and maintenance expenses	\$ 1,723	\$ 1,658
Less:		
Operation and maintenance expenses—Market-Based Businesses and Other	403	378
Total operation and maintenance expenses—Regulated Businesses	1,320	1,280
Less:		
Regulated purchased water expenses	155	152
Allocation of non-operation and maintenance expenses	29	43
Adjusted operation and maintenance expenses—Regulated Businesses (i)	\$ 1,136	\$ 1,085
Total operating revenues	\$ 3,881	\$ 3,822
Less:		
Operating revenues—Market-Based Businesses and Other	474	532
Total operating revenues—Regulated Businesses	3,407	3,290
Less:		
Regulated purchased water revenues (a)	155	152
Revenue reductions from the amortization of EADIT	(102)	(46)
Adjusted operating revenues—Regulated Businesses (ii)	\$ 3,354	\$ 3,184
Adjusted O&M efficiency ratio—Regulated Businesses (i) / (ii)	33.9 %	34.1 %

(a) The calculation assumes regulated purchased water revenues approximate regulated purchased water expenses.

Regulatory Matters

General Rate Cases and Infrastructure Surcharges

Presented in the table below are annualized incremental revenues, excluding reductions for the amortization of EADIT that are generally offset in income tax expense, assuming a constant water sales volume, resulting from general rate case authorizations and infrastructure surcharge authorizations that became effective in the current period:

(In millions)	During the Three Months Ended March 31,	
	2022	2021
General rate cases by state:		
West Virginia (effective February 25, 2022)	\$ 15	\$ —
California (effective January 1, 2022 and January 1, 2021)	13	22
Pennsylvania (effective January 1, 2022 and January 28, 2021)	20	70
Total general rate cases	<u>\$ 48</u>	<u>\$ 92</u>
Infrastructure surcharges by state:		
Indiana (effective March 21, 2022 and March 17, 2021)	\$ 8	\$ 8
West Virginia (effective March 1, 2022 and January 1, 2021)	3	5
Missouri (effective February 1, 2022)	12	—
Illinois (effective January 1, 2022 and January 1, 2021)	6	7
Pennsylvania (effective January 1, 2021)	—	8
Tennessee (effective January 1, 2021)	—	3
Total infrastructure surcharges	<u>\$ 29</u>	<u>\$ 31</u>

Effective April 1, 2022, the Company's Pennsylvania subsidiary implemented infrastructure surcharges for annualized incremental revenues of \$2 million.

On February 24, 2022, the Company's West Virginia subsidiary was authorized additional annual revenues of \$15 million in its general rate case, effective February 25, 2022, excluding agreed to reductions for EADIT as a result of the Tax Cuts and Jobs Act of 2017 (the "TCJA"). The EADIT reduction in revenues is \$2 million and the exclusion for infrastructure surcharges is \$10 million. Staff of the WV Public Service Commission moved for reconsideration of the Commission's final order on several grounds. The Company filed its response to the Staff's Petition for Reconsideration on March 28, 2022 in support of the Commission authorized revenue requirement. The matter is currently pending before the Commission for its consideration.

On November 18, 2021, the California Public Utilities Commission (the "CPUC") unanimously approved a final decision in the test year 2021 general rate case filed by the Company's California subsidiary, which is retroactive to January 1, 2021. The Company's California subsidiary received authorization for additional annualized water and wastewater revenues of \$22 million, excluding agreed to reductions for EADIT as a result of the TCJA. The EADIT reduction in revenues is \$4 million and is offset by a like reduction in income tax expense. On February 16, 2022, the Company's California subsidiary received approval to increase rates by \$13 million in 2022 escalation increases, excluding \$4 million of reductions related to the TCJA, which is retroactive to January 1, 2022.

On March 2, 2021, an administrative law judge ("ALJ") in the Office of Administrative Law of New Jersey filed an initial decision with the New Jersey Board of Public Utilities (the "NJBP") that recommended denial of a petition filed by the Company's New Jersey subsidiary, which sought approval of acquisition adjustments in rate base of \$29 million associated with the acquisitions of Shorelands Water Company, Inc. in 2017 and the Borough of Haddonfield's water and wastewater systems in 2015. On July 29, 2021, the NJBP issued an order adopting the ALJ's initial decision without modification. The Company's New Jersey subsidiary filed a Notice of Appeal with the New Jersey Appellate Division on September 10, 2021. The Company filed its brief in support of the appeal on March 4, 2022. Response briefs are due by May 23, 2022. There is no financial impact to the Company as a result of the NJBP's order, since the acquisition adjustments are currently recorded as goodwill on the Consolidated Balance Sheets.

On February 25, 2021, the Company's Pennsylvania subsidiary was authorized additional annualized revenues of \$90 million, effective January 28, 2021, excluding agreed to reductions in revenues of \$19 million for EADIT as a result of the TCJA. The overall increase, net of TCJA reductions, is \$71 million in revenues combined over two steps. The first step was effective January 28, 2021 in the amount of \$70 million (\$51 million including TCJA reductions) and the second step was effective January 1, 2022 in the amount of \$20 million. The protected EADIT balance of \$200 million is being returned to customers using the average rate assumptions method, and the unprotected EADIT balance of \$116 million is being returned to customers over 20 years. The \$19 million annual reduction to revenue is comprised of both the protected and unprotected EADIT amortizations and a portion of catch-up period EADIT. A bill credit of \$11 million annually for two years returns to customers the remainder of the EADIT catch-up period amortization. The catch-up period of January 1, 2018 through December 31, 2020 covers the period from when the lower federal corporate income tax rate went into effect until new base rates went into effect and will be amortized over two years.

Pending General Rate Case Filings

On February 10, 2022, the Company's Illinois subsidiary filed a general rate case requesting \$71 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA and infrastructure surcharges.

On January 14, 2022, the Company's New Jersey subsidiary filed a general rate case requesting \$110 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA and infrastructure surcharges. Public hearings were held on April 6, 2022. Settlement conferences are scheduled to commence in May 2022 with evidentiary hearings expected to begin in September 2022.

On December 1, 2021, the Company's Kentucky subsidiary filed a wastewater rate case requesting additional revenues of \$1 million, excluding proposed reductions for EADIT as a result of TCJA. The Company's Kentucky subsidiary requested a four-step rate increase for their wastewater operations with effective dates of June 1, 2022, June 1, 2023, June 1, 2024 and June 1, 2025 for annual amounts of less than \$1 million each year. The Company's Kentucky subsidiary filed their wastewater case under the alternative rate filing process for smaller utilities which calculates an operating ratio of 88% rather than a return on equity.

On November 15, 2021, the Company's Virginia subsidiary filed a general rate case requesting \$15 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA.

On August 18, 2021, the Company's Hawaii subsidiary filed a general rate case requesting \$2 million in additional annualized revenues excluding proposed reductions for EADIT as a result of TCJA. On April 11, 2022, the Company and the Division of Consumer Advocacy submitted a joint letter to the Hawaii Public Utilities Commission indicating that the parties had, in principle, reached a settlement that would resolve all disputed issues in the case. In the joint letter, the parties also requested revisions to the procedural schedule.

The Company's California subsidiary submitted its application on May 3, 2021 to set its cost of capital for 2022 through 2024. According to the CPUC's procedural schedule, a decision setting the authorized cost of capital is expected to be issued in the fourth quarter of 2022.

Pending Infrastructure Surcharge Filings

On March 4, 2022, the Company's Missouri subsidiary filed an infrastructure surcharge proceeding requesting \$19 million in additional annualized revenues.

On March 1, 2022, the Company's Kentucky subsidiary filed an infrastructure surcharge proceeding requesting \$3 million in additional annualized revenues.

Other Regulatory Matters

In September 2020, the CPUC released a decision under its Low-Income Rate Payer Assistance program rulemaking that will require the Company's California subsidiary to file a proposal to alter its water revenue adjustment mechanism in its next general rate case filing in 2022, which would become effective in January 2024. On October 5, 2020, the Company's California subsidiary filed an application for rehearing of the decision and following the CPUC's denial of its rehearing application in September 2021, the Company's California subsidiary filed a petition for writ of review with the California Supreme Court on October 27, 2021.

Legislative Updates

During 2022, the Company's regulatory jurisdictions enacted the following legislation that has been approved but is not yet effective as of April 27, 2022:

- Indiana passed Senate Enrolled Act 272, which requires public reporting of a non-jurisdictional utility's asset management programs and creates a water and wastewater research and extension program at a state university to serve as a repository for data collected from utilities. Additionally, the legislation establishes oversight and a receivership program in the Indiana Utility Regulatory Commission for non-jurisdictional utilities with violations that create environmental or human health and safety issues. Legislation was signed by the Governor on March 7, 2022 and becomes effective on July 1, 2022.
- Indiana passed water and wastewater utility asset financing legislation, Senate Enrolled Act 273, which authorizes the recovery of property tax in Distribution System Improvement Charge filings. The legislation also permits the Indiana Utility Regulatory Commission to allow recovery through tracking mechanisms for changes in property tax and for costs attributable to referenda or action by elected or appointed individuals. Legislation was signed by the Governor on March 10, 2022 and becomes effective on July 1, 2022.
- Virginia passed Senate Bill 500 and House Bill 182 which requires the Virginia State Corporation Commission, in any future ratemaking proceeding for an investor-owned water/wastewater utility, to evaluate the utility on a stand-alone basis and utilize the utility's actual end-of-test period capital structure and cost of capital without regard to the cost of capital, capital structure, or investments of any other entities with which the utility may be affiliated. Legislation was signed by the Governor on April 11, 2022 and becomes effective on July 1, 2022.

Condemnation and Eminent Domain

All or portions of the Regulated Businesses' utility assets could be acquired by state, municipal or other government entities through one or more of the following methods: (i) eminent domain (also known as condemnation); (ii) the right of purchase given or reserved by a municipality or political subdivision when the original certificate of public convenience and necessity (a "CPCN") was granted; and (iii) the right of purchase given or reserved under the law of the state in which the utility subsidiary was incorporated or from which it received its CPCN. The acquisition consideration related to such a proceeding initiated by a local government may be determined consistent with applicable eminent domain law, or may be negotiated or fixed by appraisers as prescribed by the law of the state or in the particular CPCN.

As such, the Regulated Businesses are periodically subject to condemnation proceedings in the ordinary course of business. For example, a citizens group in Monterey, California successfully added "Measure J" to the November 2018 election ballot asking voters to decide whether the Monterey Peninsula Water Management District (the "MPWMD") should conduct a feasibility study concerning the potential purchase of the Monterey water service system assets (the "Monterey system assets") of the Company's California subsidiary, and, if feasible, to proceed with a purchase of those assets without an additional public vote. This service territory represents approximately 40,000 customers. In November 2018, Measure J was certified to have passed.

In August 2019, the MPWMD's General Manager issued a report that recommends that the MPWMD board (1) develop criteria to determine which water systems should be considered for acquisition; (2) examine the feasibility of acquiring the Monterey system assets and consider public ownership of smaller systems only if the MPWMD becomes the owner of a larger system; (3) evaluate whether the acquisition of the Monterey system assets by the MPWMD is in the public interest and sufficiently satisfies the criterion of "feasible" as provided in Measure J; (4) ensure there is significant potential for cost savings before agreeing to commence an acquisition; and (5) develop more fully alternate operating plans before deciding whether to consider a Resolution of Necessity.

In November 2019, the MPWMD issued a preliminary valuation and cost of service analysis report, finding in part that (1) an estimate of the Monterey system assets' total value plus adjustments would be approximately \$513 million, (2) the cost of service modeling results indicate significant annual reductions in revenue requirements and projected monthly water bills, and (3) the acquisition of the Monterey system assets by the MPWMD would be economically feasible. In November 2020, the MPWMD certified a final environmental impact report ("FEIR"), analyzing the environmental impacts of the MPWMD's project to (1) acquire the Monterey system assets through the power of eminent domain, if necessary, and (2) expand its geographic boundaries to include all parts of this system. In February 2021, the MPWMD filed an application with the Local Agency Formation Commission of Monterey County ("LAFCO") seeking approval to become a retail water provider and annex approximately 58 parcels of land into the MPWMD's boundaries. In June 2021, LAFCO's commissioners voted to require a third-party independent financial study as to the feasibility of an acquisition by the MPWMD of the Monterey system assets. On December 6, 2021, LAFCO's commissioners denied the MPWMD's application to become a retail water provider, determining that the MPWMD does not have the authority to proceed with a condemnation of the Monterey system assets, and on January 5, 2022, LAFCO's commissioners confirmed the denial. On February 28, 2022, LAFCO's commissioners voted to deny the MPWMD's application for reconsideration of LAFCO's confirmation of denial. On April 1, 2022, the MPWMD filed a lawsuit against LAFCO challenging its decision to deny the MPWMD's application seeking approval to become a retail water provider.

Also, five municipalities in the Chicago, Illinois area (approximately 30,300 customers in total) formed a water agency and filed an eminent domain lawsuit against the Company in January 2013, seeking to condemn the water pipeline that serves those five municipalities. Before filing its eminent domain lawsuit, the water agency made an offer of \$38 million for the pipeline. The parties have filed with the court updated valuation reports. A valuation trial was originally scheduled for October 2021 but has been continued to June 2022.

Furthermore, the law in certain jurisdictions in which the Regulated Businesses operate provides for eminent domain rights allowing private property owners to file a lawsuit to seek just compensation against a public utility, if a public utility's infrastructure has been determined to be a substantial cause of damage to that property. In these actions, the plaintiff would not have to prove that the public utility acted negligently. In California, lawsuits have been filed in connection with large-scale natural events such as wildfires. Some of these lawsuits have included allegations that infrastructure of certain utilities triggered the natural event that resulted in damage to the property. In some cases, the PUC has allowed certain costs or losses incurred by the utility to be recovered from customers in rates, but in other cases such recovery in rates has been disallowed. Also, the utility may have obtained insurance that could respond to some or all of such losses, although the utility would be at risk for any losses not ultimately subject to rate or insurance recovery or losses that exceed the limits of such insurance.

Consolidated Results of Operations

Presented in the table below are the Company's consolidated results of operations:

	For the Three Months Ended March 31,	
	2022	2021
(In millions)		
Operating revenues	\$ 842	\$ 888
Operating expenses:		
Operation and maintenance	364	419
Depreciation and amortization	158	157
General taxes	74	83
Total operating expenses, net	596	659
Operating income	246	229
Other income (expense):		
Interest expense	(100)	(98)
Interest income	13	—
Non-operating benefit costs, net	19	20
Other, net	15	4
Total other income (expense)	(53)	(74)
Income before income taxes	193	155
Provision for income taxes	35	22
Net income attributable to common shareholders	\$ 158	\$ 133

Segment Results of Operations

The Company's operating segments are comprised of the revenue-generating components of its business for which separate financial information is internally produced and regularly used by management to make operating decisions, assess performance and allocate resources. The Company operates its businesses primarily through one reportable segment, the Regulated Businesses segment. "Market-Based Businesses and Other" includes market-based businesses that, individually, do not meet the criteria of a reportable segment in accordance with GAAP, corporate costs that are not allocated to the Company's operating segments, eliminations of inter-segment transactions, and fair value adjustments and associated income and deductions related to acquisitions that have not been allocated to the operating segments for evaluation of performance and allocation of resource purposes. The adjustments related to the acquisitions are reported in Market-Based Businesses and Other as they are excluded from segment performance measures evaluated by management. This presentation is consistent with how management assesses the results of these businesses.

As a result of the sale of HOS, the categories which were previously shown as "Market-Based Businesses" and "Other" have been combined and shown as "Market-Based Businesses and Other." Segment results for the three months ended March 31, 2021 have been adjusted retrospectively to reflect this change.

Regulated Businesses Segment

Presented in the table below is financial information for the Regulated Businesses:

	For the Three Months Ended March 31,	
	2022	2021
(In millions)		
Operating revenues	\$ 778	\$ 755
Operation and maintenance	315	320
Depreciation and amortization	155	147
General taxes	68	76
Other income (expenses)	(44)	(48)
Income before income taxes	196	163
Provision for income taxes	36	28
Net income attributable to common shareholders	160	135

Operating Revenues

Presented in the tables below is information regarding the main components of the Regulated Businesses' operating revenues:

	For the Three Months Ended March 31,	
	2022	2021
(In millions)		
Water services:		
Residential	\$ 428	\$ 430
Commercial	153	144
Fire service	36	37
Industrial	36	32
Public and other	59	53
Total water services	712	696
Wastewater services:		
Residential	41	36
Commercial	10	9
Industrial	1	1
Public and other	3	4
Total wastewater services	55	50
Other (a)	11	9
Total operating revenues	\$ 778	\$ 755

(a) Includes other operating revenues consisting primarily of miscellaneous utility charges, fees and rents.

	For the Three Months Ended March 31,	
	2022	2021
(Gallons in millions)		
Billed water services volumes:		
Residential	34,160	36,859
Commercial	16,339	15,898
Industrial	8,619	8,069
Fire service, public and other	11,756	10,863
Total billed water services volumes	70,874	71,689

Included in operating revenues for the three months ended March 31, 2021 was \$23 million related to the Company's New York operations. Excluding the Company's New York operations, for the three months ended March 31, 2022, operating revenues increased \$46 million, primarily due to a \$40 million increase from authorized rate increases, including infrastructure surcharges, principally to fund infrastructure investment in various states and a \$5 million increase from water and wastewater acquisitions, as well as organic growth in existing systems.

Operation and Maintenance

Presented in the table below is information regarding the main components of the Regulated Businesses' operating and maintenance expense:

(In millions)	For the Three Months Ended March 31,	
	2022	2021
Employee-related costs	\$ 126	\$ 130
Production costs	84	78
Operating supplies and services	57	57
Maintenance materials and supplies	22	24
Customer billing and accounting	13	17
Other	13	14
Total	\$ 315	\$ 320

Included in operation and maintenance expense for the three months ended March 31, 2021 was \$12 million related to the Company's New York operations. Excluding the Company's New York operations, operation and maintenance expense increased \$7 million primarily due to higher purchased water usage in the Company's California subsidiary and increased chemicals costs across several subsidiaries.

Depreciation and Amortization

For the three months ended March 31, 2022, depreciation and amortization increased \$8 million, primarily due to additional utility plant placed in service from capital infrastructure investments and acquisitions.

General Taxes

Included in general taxes for the three months ended March 31, 2021 was \$12 million related to the Company's New York operations. Excluding the Company's New York operations, general taxes increased \$4 million primarily due to increased capital investments, including acquisitions and an increase in the New Jersey Gross Receipts Tax.

Provision for Income Taxes

For the three months ended March 31, 2022, the Regulated Businesses' provision for income taxes increased \$8 million. The Regulated Businesses' effective income tax rate was 18.4% and 17.2% for the three months ended March 31, 2022 and 2021, respectively. The Regulated Businesses' effective income tax rate for the three months ended March 31, 2022 reflects the amortization of EADIT pursuant to regulatory orders.

Market-Based Businesses and Other

Presented in the table below is information for Market-Based Businesses and Other:

(In millions)	For the Three Months Ended March 31,	
	2022	2021
Operating revenues	\$ 64	\$ 133
Operation and maintenance	50	99
Depreciation and amortization	3	10
Interest expense	(30)	(27)
Interest income	13	—
Income before income taxes	(3)	(8)
Provision for income taxes	(1)	(6)
Net income attributable to common shareholders	(2)	(2)

Operating Revenues

For the three months ended March 31, 2022, operating revenues decreased \$69 million, due primarily to the sale of HOS.

Operation and Maintenance

For the three months ended March 31, 2022, operation and maintenance expense decreased \$49 million primarily due to the sale of HOS.

Depreciation and Amortization

For the three months ended March 31, 2022, depreciation and amortization decreased \$7 million primarily due to the sale of HOS.

Interest Income

For the three months ended March 31, 2022, interest income increased \$13 million due to interest recognized on the seller note related to the sale of HOS. See Note 5—Acquisitions and Divestitures in the Notes to Consolidated Financial Statements for additional information.

Liquidity and Capital Resources

For a general overview of the sources and uses of capital resources, see the introductory discussion in Part II, Item 7—Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources in the Company’s Form 10-K.

Liquidity needs for capital investment, working capital and other financial commitments are generally funded through cash flows from operations, public and private debt offerings, commercial paper markets, and, if and to the extent necessary, borrowings under AWCC’s revolving credit facility, and, in the future, issuances of equity.

The Company expects to fund future maturities of long-term debt through a combination of external debt and, to the extent available, cash flows from operations. Since the Company expects its capital investments over the next few years to be greater than its cash flows from operating activities, the Company currently plans to fund the excess of its capital investments over its cash flows from operating activities for the next five years through a combination of long-term debt and equity in addition to the proceeds from the sales of HOS and the Company’s New York subsidiary. If necessary, the Company may delay certain capital investments or other funding requirements, or pursue financing from other sources to preserve liquidity. In this event, the Company believes it can rely upon cash flows from operations to meet its obligations and fund its minimum required capital investments for an extended period of time.

The Company’s revolving credit facility provides \$2.25 billion in aggregate total commitments from a diversified group of financial institutions. The revolving credit facility is used principally to support AWCC’s commercial paper program, to provide additional liquidity support, and to provide for the issuance of up to \$150 million in letters of credit. The maximum aggregate principal amount of short-term borrowings authorized for issuance under AWCC’s commercial paper program is \$2.10 billion. Subject to satisfying certain conditions, the credit agreement also permits AWCC to increase the maximum commitment under the facility by up to an aggregate of \$500 million. As of March 31, 2022 and December 31, 2021, there were no borrowings outstanding under the revolving credit facility. The weighted-average interest rate on AWCC’s outstanding short-term borrowings was approximately 0.26% and 0.25% at March 31, 2022 and December 31, 2021, respectively.

Presented in the tables below is the aggregate credit facility commitments, commercial paper limit and letter of credit availability under the revolving credit facility, as well as the available capacity for each:

	As of March 31, 2022		
	Commercial Paper Limit	Letters of Credit	Total (a)
(In millions)			
Total availability	\$ 2,100	\$ 150	\$ 2,250
Outstanding debt	(321)	(76)	(397)
Remaining availability as of March 31, 2022	<u>\$ 1,779</u>	<u>\$ 74</u>	<u>\$ 1,853</u>

(a) Total remaining availability of \$1.85 billion as of March 31, 2022 may be accessed through revolver draws.

	As of December 31, 2021		
	Commercial Paper Limit	Letters of Credit	Total (a)
(In millions)			
Total availability	\$ 2,100	\$ 150	\$ 2,250
Outstanding debt	(584)	(76)	(660)
Remaining availability as of December 31, 2021	\$ 1,516	\$ 74	\$ 1,590

(a) Total remaining availability of \$1.59 billion as of December 31, 2021 may be accessed through revolver draws.

Presented in the table below is the Company's total available liquidity as of March 31, 2022 and December 31, 2021, respectively:

	Cash and Cash Equivalents	Availability on Revolving Credit Facility	Total Available Liquidity
(In millions)			
Available liquidity as of March 31, 2022	\$ 75	\$ 1,853	\$ 1,928
Available liquidity as of December 31, 2021	\$ 116	\$ 1,590	\$ 1,706

The Company believes that its ability to access the debt and equity capital markets, the revolving credit facility and cash flows from operations will generate sufficient cash to fund the Company's short-term requirements. The Company believes it has sufficient liquidity and the ability to manage its expenditures, should there be a disruption of the capital and credit markets. However, there can be no assurance that the lenders will be able to meet existing commitments to AWCC under the revolving credit facility, or that AWCC will be able to access the commercial paper or loan markets in the future on acceptable terms or at all. See Note 8—Short-Term Debt in the Notes to Consolidated Financial Statements for additional information.

Cash Flows from Operating Activities

Cash flows from operating activities primarily result from the sale of water and wastewater services and, due to the seasonality of demand, are generally greater during the warmer months. Presented in the table below is a summary of the major items affecting the Company's cash flows provided by operating activities:

	For the Three Months Ended March 31,	
	2022	2021
(In millions)		
Net income	\$ 158	\$ 133
Add (less):		
Depreciation and amortization	158	157
Deferred income taxes and amortization of investment tax credits	(61)	26
Other non-cash activities (a)	(11)	(40)
Changes in working capital (b)	(71)	(88)
Pension and non-pension postretirement benefit contributions	(19)	(9)
Net cash provided by operating activities	\$ 154	\$ 179

(a) Includes provision for losses on accounts receivable, pension and non-pension postretirement benefits and other non-cash, net. Details of each component can be found on the Consolidated Statements of Cash Flows.

(b) Changes in working capital include changes to receivables and unbilled revenues, accounts payable and accrued liabilities and other current assets and liabilities, net.

For the three months ended March 31, 2022, cash provided by operating activities decreased \$25 million, primarily due to changes in working capital including the contribution of \$45 million to the American Water Charitable Foundation which was authorized and accrued in the fourth quarter of 2021 and paid in the first quarter of 2022, partially offset by an increase in net income. The decrease in deferred income taxes from the sale of the Company's New York operations is offset in current taxes payable within other assets and liabilities.

Cash Flows from Investing Activities

Presented in the table below is a summary of the major items affecting the Company's cash flows used in investing activities:

(In millions)	For the Three Months Ended March 31,	
	2022	2021
Net capital expenditures	\$ (424)	\$ (342)
Acquisitions	(5)	(3)
Net proceeds from sale of assets	608	—
Other investing activities, net (a)	(20)	(18)
Net cash provided by (used in) investing activities	<u>\$ 159</u>	<u>\$ (363)</u>

(a) Includes removal costs from property, plant and equipment retirements.

For the three months ended March 31, 2022, cash provided by investing activities increased \$522 million, primarily due to proceeds of \$608 million received from the sale of the Company's New York operations offset by increased payments for capital expenditures. The Company plans to invest approximately \$2.5 billion across its footprint in 2022.

Cash Flows from Financing Activities

Presented in the table below is a summary of the major items affecting the Company's cash flows from financing activities:

(In millions)	For the Three Months Ended March 31,	
	2022	2021
Proceeds from long-term debt	\$ 11	\$ 2
Repayments of long-term debt	(5)	(25)
Repayments of term loan	—	(500)
Net short-term (repayments) borrowings with maturities less than three months	(263)	334
Dividends paid	(109)	(100)
Other financing activities, net (a)	13	(4)
Net cash used in financing activities	<u>\$ (353)</u>	<u>\$ (293)</u>

(a) Includes proceeds from issuances of common stock under various employee stock plans and the Company's dividend reinvestment plan, net of taxes paid, and advances and contributions in aid of construction, net of refunds.

For the three months ended March 31, 2022, cash used in financing activities increased \$60 million, primarily due to net repayments of commercial paper borrowings during the first quarter of 2022 offset by the repayment in full at maturity of the \$500 million term loan during the first quarter of 2021.

Debt Covenants

The Company's debt agreements contain financial and non-financial covenants. To the extent that the Company is not in compliance with these covenants, an event of default may occur under one or more debt agreements and the Company, or its subsidiaries, may be restricted in its ability to pay dividends, issue new debt or access the revolving credit facility. The long-term debt indentures contain a number of covenants that, among other things, prohibit or restrict the Company from issuing debt secured by the Company's assets, subject to certain exceptions. Failure to comply with any of these covenants could accelerate repayment obligations.

Covenants in certain long-term notes and the revolving credit facility require the Company to maintain a ratio of consolidated debt to consolidated capitalization (as defined in the relevant documents) of not more than 0.70 to 1.00. On March 31, 2022, the Company's ratio was 0.59 to 1.00 and therefore the Company was in compliance with the covenants.

Security Ratings

Presented in the table below are long-term and short-term credit ratings and rating outlooks as of April 27, 2022 as issued by the following rating agencies:

Securities	Moody's Investors Service	Standard & Poor's Ratings Service
Rating outlook	Stable	Stable
Senior unsecured debt	Baa1	A
Commercial paper	P-2	A-1

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

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

Access to the capital markets, including the commercial paper market, and respective financing costs in those markets, may be directly affected by the Company's securities ratings. The Company primarily accesses the debt capital markets, including the commercial paper market, through AWCC. However, the Company has also issued debt through its regulated subsidiaries, primarily in the form of mortgage bonds and tax-exempt securities or borrowings under state revolving funds, to lower the overall cost of debt.

Dividends

For discussion of the Company's dividends, see Note 6—Shareholders' Equity in the Notes to Consolidated Financial Statements for additional information.

Application of Critical Accounting Policies and Estimates

Financial condition of the Company, results of operations and cash flows are impacted by the methods, assumptions and estimates used in the application of critical accounting policies. See Part II, Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates in the Company's Form 10-K for a discussion of its critical accounting policies. Additionally, see Note 2—Significant Accounting Policies in the Notes to Consolidated Financial Statements for updates, if any, to the significant accounting policies previously disclosed in the Company's Form 10-K.

Recent Accounting Standards

See Note 2—Significant Accounting Policies in the Notes to Consolidated Financial Statements for a description of new accounting standards recently adopted or pending adoption.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risk in the normal course of business, including changes in commodity prices, equity prices and interest rates. For further discussion of its exposure to market risk, see Part II, Item 7A—Quantitative and Qualitative Disclosures about Market Risk in the Company's Form 10-K. There have been no significant changes to the Company's exposure to market risk since December 31, 2021.

The Company had no significant derivative instruments, which are exposed to market risk, outstanding as of March 31, 2022.

ITEM 4. CONTROLS AND PROCEDURES**Evaluation of Disclosure Controls and Procedures**

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

The Company's management, including the Company's President, Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of its disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of March 31, 2022.

Based on that evaluation, the Company's President, Chief Executive Officer and Chief Financial Officer, has concluded that, as of March 31, 2022, the Company's disclosure controls and procedures were effective at a reasonable level of assurance.

Changes in Internal Control over Financial Reporting

The Company concluded that there have been no changes in internal control over financial reporting that occurred during the three months ended March 31, 2022, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION**ITEM 1. LEGAL PROCEEDINGS**

The following information updates and amends the information provided in the Company's Form 10-K in Part I, Item 3—Legal Proceedings. Capitalized terms used but not otherwise defined herein have the meanings set forth in the Company's Form 10-K. In accordance with the SEC's disclosure rules, the Company has elected to disclose environmental proceedings involving the Company and a governmental authority if the amount of potential monetary sanctions, exclusive of interest and costs, that the Company reasonably believes will result from such proceeding is \$1 million or more.

Alternative Water Supply in Lieu of Carmel River Diversions***Monterey Peninsula Water Supply Project******Water Supply Project Land Acquisition and Slant Well Site Use***

The SWRCB has scheduled hearings in late October and early November 2022 related to the referral by Cal Am to the SWRCB of certain issues for the SWRCB's expert advisory opinion. The Monterey County Superior Court has set a trial date of October 23, 2023 for the City's lawsuit seeking declaratory relief.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report, readers should carefully consider the factors discussed in Part I, Item 1A—Risk Factors in the Form 10-K, and in the Company's other filings with the SEC, which could materially affect the Company's business, financial condition, cash flows or future results. There have been no material changes from the risk factors previously disclosed in Part I, Item 1A—Risk Factors in the Form 10-K.

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

In February 2015, the Board of Directors authorized an anti-dilutive stock repurchase program to mitigate the dilutive effect of shares issued through the Company's dividend reinvestment, employee stock purchase and executive compensation activities. The program allows the Company to purchase up to 10 million shares of its outstanding common stock over an unrestricted period of time in the open market or through privately negotiated transactions. The program is conducted in accordance with Rule 10b-18 of the Exchange Act, and, to facilitate these repurchases, the Company enters into Rule 10b5-1 stock repurchase plans with a third-party broker, which allow the Company to repurchase shares of its common stock at times when it otherwise might be prevented from doing so under insider trading laws or because of self-imposed trading blackout periods. Subject to applicable regulations, the Company may elect to amend or cancel the program or the stock repurchase parameters at its discretion to manage dilution.

The Company did not repurchase shares of common stock during the three months ended March 31, 2022. From April 1, 2015, the date repurchases under the anti-dilutive stock repurchase program commenced, through March 31, 2022, the Company repurchased an aggregate of 4,860,000 shares of common stock under the program, leaving an aggregate of 5,140,000 shares available for repurchase under this program.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit Number	Exhibit Description
3.1	Restated Certificate of Incorporation of American Water Works Company, Inc. (incorporated by reference to Exhibit 3.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed November 6, 2008).
3.2	Amended and Restated Bylaws of American Water Works Company, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, File No. 001-34028, filed December 10, 2020).
*10.1	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2022 Restricted Stock Unit Grant.
*10.2	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2022 Restricted Stock Unit Grant (for M. Susan Hardwick).
*10.3	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2022 Restricted Stock Unit Grant (for Cheryl Norton).
*10.4	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2022 Performance Stock Unit Grant Form A.
*10.5	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2022 Performance Stock Unit Grant Form A (for M. Susan Hardwick).
*10.6	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2022 Performance Stock Unit Grant Form A (for Cheryl Norton).
*10.7	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2022 Performance Stock Unit Grant Form B.
*10.8	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2022 Performance Stock Unit Grant Form B (for M. Susan Hardwick).
*10.9	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2022 Performance Stock Unit Grant Form B (for Cheryl Norton).
10.10	Offer Letter for Employment, dated as of February 2, 2022, between American Water Works Company, Inc. and M. Susan Hardwick (incorporated by reference to Exhibit 10.3 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 16, 2022).
*10.11	Offer Letter for Employment, dated January 21, 2022, between American Water Works Company, Inc. and James H. Gallegos.
10.12	Separation Agreement and General Release, dated as of February 2, 2022, between American Water Works Service Company, Inc. and Walter J. Lynch (incorporated by reference to Exhibit 10.7 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 16, 2022).
22.1	Guaranteed Securities (incorporated by reference to Exhibit 22.1 to American Water Works Company, Inc.'s Registration Statement on Form S-3, File No. 333-263068, filed February 28, 2022).
*31.1	Certification of M. Susan Hardwick, President, Chief Executive Officer and Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act.
**32.1	Certification of M. Susan Hardwick, President, Chief Executive Officer and Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act.
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101).

* Filed herewith.

** Furnished herewith.

AMERICAN WATER WORKS COMPANY, INC.
2017 OMNIBUS EQUITY COMPENSATION PLAN
RESTRICTED STOCK UNIT GRANT

This RESTRICTED STOCK UNIT GRANT, dated as of February 15, 2022 (the “Date of Grant”), is delivered by American Water Works Company, Inc. (the “Company”) to _____ (the “Participant”).

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the “Plan”)) has adopted a 2022 Long Term Performance Plan (“2022 LTPP”) pursuant to which designated employees will be granted equity awards (collectively, the “Equity Award”) for shares of Common Stock of the Company, par value \$0.01 per share, (the “Company Stock”);

WHEREAS, the Equity Award is comprised of three separate grants: a restricted stock unit and two performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2022 LTPP and to grant the Participant an Equity Award under the 2022 LTPP; and

WHEREAS, the Committee has determined that the restricted stock unit portion of the Equity Award granted pursuant to the 2022 LTPP to the Participant shall be issued under the Plan and the terms and conditions of such restricted stock unit shall be memorialized in this grant (the “Grant”).

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

1. Grant of Restricted Stock Units. Subject to the terms and conditions set forth in this Grant and the Plan, the Company hereby grants to the Participant _____ units (the “Restricted Stock Units”). Each unit (a “Unit”) shall be a phantom right and shall be equivalent to one share of Company Stock on the applicable Redemption Date (as defined below).
2. Restricted Stock Unit Account. The Company shall establish and maintain a Restricted Stock Unit account as a bookkeeping account on its records (the “Restricted Stock Unit Account”) for the Participant and shall record in such Restricted Stock Unit Account the number of Restricted Stock Units granted to the Participant. The Participant shall not have any interest in any fund or specific assets of the Company by reason of this grant or the Restricted Stock Unit Account established for the Participant.
3. Vesting.
 - (a) Except as provided in subparagraph (c) below, the Restricted Stock Units shall vest on the following dates (each a “Service Date”), provided the Participant continues to be

employed by, or providing service to, the Employer (as defined in the Plan) from the Date of Grant through the applicable Service Date:

<u>Service Date</u>	<u>Units Vesting</u>
January 31, 2023	1/3
January 31, 2024	1/3
January 31, 2025	1/3

The vesting of the Restricted Stock Units is cumulative, but shall not exceed 100% of the Units subject to the Restricted Stock Units. If the foregoing schedule would produce fractional Units, the number of Units for which the Restricted Stock Units becomes vested on a Service Date shall be rounded down to the nearest whole Unit. The Restricted Stock Units shall become vested with respect to 100% of the Units subject to the Restricted Stock Units on January 31, 2025, if the Participant is employed by, or providing service to, the Employer on such date.

(b) Subject to subparagraph (c) below, if at any time prior to January 31, 2025, the Participant's employment or service with the Employer terminates for any reason, including death or disability, then all of the unvested Restricted Stock Units shall be immediately forfeited and the Participant shall not have any rights with respect to the vesting or the redemption of any portion of the Restricted Stock Unit.

(c) If at any time prior to January 31, 2025, but while the Participant is employed by or providing service to the Employer, a Change of Control (as defined below) occurs, the Company is not the surviving corporation (or survives only as a subsidiary of another corporation or entity (the "surviving corporation")) and the Restricted Stock Units are not converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation), then the portion of the Restricted Stock Units that have not yet vested as provided in subparagraph 3(a) above shall become fully vested on the date of the Change of Control (the "Change of Control Date"). In the event the Participant's Restricted Stock Units are assumed by the surviving corporation but the Participant ceases to be employed by, or providing service to, the surviving corporation (or a parent or subsidiary of the surviving corporation) within twelve (12) months after the date of the Change of Control on account of (i) a termination of such Participant's employment by the surviving corporation (or a parent or subsidiary of the surviving corporation) for any reason other than on account of Cause (as defined below), or on account of death or Disability (each as defined in the Plan), or (ii) a termination of employment or service by the Participant for Good Reason (as defined in the Plan), then the portion of the Restricted Stock Units that have not yet vested as provided in subparagraph 3(a) above shall become fully vested on the date of such termination of employment or service (the "Termination Date"). For purposes of this Grant, "Change of Control" shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Agreement unless the event constituting the Change of Control constitutes a change in the ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and its corresponding regulations. For the avoidance of doubt, if the Change of Control does not constitute a permitted change in control event under section 409A of the Code, then the Restricted Stock Unit shall not vest on the occurrence of the Change of Control. For purposes of this Grant, "Cause" shall mean a finding by the Committee that the Participant (i) has breached his or her employment or service contract with the Employer, if any;

(ii) has engaged in disloyalty to the Employer including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty; (iii) has disclosed trade secrets or confidential information of the Employer to persons not entitled to receive such information; (iv) has breached any written noncompetition or nonsolicitation agreement between the Participant and the Employer; or (v) has engaged in such other behavior detrimental to the interests of the Employer as the Committee determines.

4. **Redemption.** Unless an election is made pursuant to Paragraph 5 below, the Restricted Stock Units that have become vested pursuant to Paragraph 3 shall be redeemed by the Company on the earliest of the (i) applicable Service Date, (ii) the Change of Control Date or (iii) the Termination Date, (the date of redemption is hereinafter referred to as the “**Redemption Date**”). As soon as administratively practicable following the applicable Redemption Date, but not later than forty-five (45) days following the Redemption Date, (or, if applicable, the Deferred Date, as defined in Paragraph 5 below), all Restricted Stock Units that become vested pursuant to Paragraph 3 above shall be redeemed and converted to an equivalent number of shares of Company Stock, and the Participant shall receive a single distribution of such shares of Company Stock, which shall be issued under the Plan.

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

6. **Dividend Equivalents.** Until the Redemption Date (or the Deferred Date, if elected), if any dividends are paid with respect to the shares of Company Stock, the Company shall credit to a dividend equivalent account (the “**Dividend Equivalent Account**”) the value of the dividends that would have been distributed if the Restricted Stock Units credited to the Participant’s Restricted Stock Unit Account as of the date of payment of any such dividend were shares of Company Stock. On the Redemption Date (or the Deferred Date, if applicable), the Company shall pay to the Participant in a lump sum cash equal to the value of the dividends credited to the Participant’s Dividend Equivalent Account; provided, however, that any dividends that were credited to the Participant’s Dividend Equivalent Account that are attributable to Units that have been forfeited as provided in Paragraph 3 above shall be immediately forfeited and not payable

to the Participant. No interest shall accrue on any dividend equivalents credited to the Participant's Dividend Equivalent Account.

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

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

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

(a) To the extent permitted by Code section 409A, the obligation of the Company to deliver shares of Company Stock upon the redemption of the Restricted Stock Units shall be subject to the condition that shares of Company Stock be qualified for listing on the New York Stock Exchange or another securities exchange and be registered under the Securities Act of 1933, as amended, and that any consent or approval of any governmental regulatory body that is necessary to issue shares of Company Stock has been so obtained, and that shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

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

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

(i) to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time) regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Insider Trading and Prohibited Transactions Policy and the Personal Securities Trading and Preclearance Practice; and

(ii) that the shares of Company Stock obtained by the Participant upon the redemption of the Restricted Stock Units shall be subject to the guidelines and restrictions set forth in the Company's Executive Stock Ownership Guidelines and Executive Stock Retention Requirements, effective as of July 26, 2019 (and as they may be amended, restated, supplemented and interpreted), and any applicable clawback or recoupment policies and other policies that may be implemented by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

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

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

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

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

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

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

16. Effect on Other Benefits. The value of shares of Company Stock and dividend equivalents distributed with respect to the Restricted Stock Units shall not be considered eligible earnings for purposes of any other plans maintained by the Company or the Employer. Neither shall such value be considered part of the Participant's compensation for purposes of determining or calculating other benefits that are based on compensation, such as life insurance.
17. Applicable Law. The validity, construction, interpretation and effect of this Grant shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to the conflict of laws provisions thereof.
18. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be (i) delivered by hand, (ii) delivered by a national overnight courier or delivery service, (iii) enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service, or (iv) in the case of notices by the Company to the Participant, delivered by e-mail or other electronic means (with confirmation of receipt to be made by any oral, electronic or written means).
19. Taxation; Code Section 409A. As applicable, this Grant is intended to comply with the requirements of section 409A of the Code and shall be interpreted and administered in accordance with Code section 409A. Notwithstanding any provision to the contrary herein, if the Restricted Stock Units constitute "deferred compensation" under section 409A of the Code, distributions made with respect to this Grant may only be made in a manner and upon an event permitted by Code section 409A. To the extent that any provision of the Grant would cause a conflict with the requirements of Code section 409A, or would cause the administration of the Grant to fail to satisfy the requirements of Code section 409A, such provision shall, to the extent practicable if permitted by applicable law, be deemed null and void. In the event that it is determined not feasible to void a provision of this Grant, such provision shall be construed in a manner as to comply with the Code section 409A requirements. This Grant may be amended without the consent of the Participant in any respect deemed by the Committee or its delegate to be necessary in order to comply with Code section 409A. Unless a valid election is made pursuant to Paragraph 5 above, in no event may the Participant, directly or indirectly, designate the calendar year of distribution. Notwithstanding anything in the Plan or the Grant to the contrary, the Participant shall be solely responsible for the tax consequences of this Grant, and in no event shall the Company have any responsibility or liability if this Grant does not meet any applicable requirements of Code section 409A.
20. Severability. In the event one or more of the provisions of this Grant should, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provisions of this Grant, and this Grant will be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

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

AMERICAN WATER WORKS COMPANY, INC.

By: M. Susan Hardwick

A handwritten signature in black ink, appearing to read "M. Susan Hardwick". The signature is written in a cursive, flowing style.

Its: President and CEO

AMERICAN WATER WORKS COMPANY, INC.
2017 OMNIBUS EQUITY COMPENSATION PLAN
RESTRICTED STOCK UNIT GRANT

This RESTRICTED STOCK UNIT GRANT, dated as of February 15, 2022 (the “Date of Grant”), is delivered by American Water Works Company, Inc. (the “Company”) to _____ (the “Participant”).

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the “Plan”)) has adopted a 2022 Long Term Performance Plan (“2022 LTPP”) pursuant to which designated employees will be granted equity awards (collectively, the “Equity Award”) for shares of Common Stock of the Company, par value \$0.01 per share, (the “Company Stock”);

WHEREAS, the Equity Award is comprised of three separate grants: a restricted stock unit and two performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2022 LTPP and to grant the Participant an Equity Award under the 2022 LTPP; and

WHEREAS, the Committee has determined that the restricted stock unit portion of the Equity Award granted pursuant to the 2022 LTPP to the Participant shall be issued under the Plan and the terms and conditions of such restricted stock unit shall be memorialized in this grant (the “Grant”).

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

1. Grant of Restricted Stock Units. Subject to the terms and conditions set forth in this Grant and the Plan, the Company hereby grants to the Participant _____ units (the “Restricted Stock Units”). Each unit (a “Unit”) shall be a phantom right and shall be equivalent to one share of Company Stock on the applicable Redemption Date (as defined below).
2. Restricted Stock Unit Account. The Company shall establish and maintain a Restricted Stock Unit account as a bookkeeping account on its records (the “Restricted Stock Unit Account”) for the Participant and shall record in such Restricted Stock Unit Account the number of Restricted Stock Units granted to the Participant. The Participant shall not have any interest in any fund or specific assets of the Company by reason of this grant or the Restricted Stock Unit Account established for the Participant.
3. Vesting.
 - (a) Except as provided in subparagraphs (c), (d), and (e) below, the Restricted Stock Units shall vest on the following dates (each a “Service Date”), provided the Participant

continues to be employed by, or providing service to, the Employer (as defined in the Plan) from the Date of Grant through the applicable Service Date:

Service Date	<u>Units Vesting</u>
January 31, 2023	1/3
January 31, 2024	1/3
January 31, 2025	1/3

The vesting of the Restricted Stock Units is cumulative, but shall not exceed 100% of the Units subject to the Restricted Stock Units. If the foregoing schedule would produce fractional Units, the number of Units for which the Restricted Stock Units becomes vested on a Service Date shall be rounded down to the nearest whole Unit. The Restricted Stock Units shall become vested with respect to 100% of the Units subject to the Restricted Stock Units on January 31, 2025, if the Participant is employed by, or providing service to, the Employer on such date.

(b) Subject to subparagraphs (c), (d), and (e) below, if at any time prior to January 31, 2025, the Participant's employment or service with the Employer terminates for any reason, including death or disability, then all of the unvested Restricted Stock Units shall be immediately forfeited and the Participant shall not have any rights with respect to the vesting or the redemption of any portion of the Restricted Stock Unit.

(c) If prior to January 31, 2025, the Participant's employment or service with the Employer terminates on account of Normal Retirement (as defined below), then the portion of the Restricted Stock Units that have not yet vested as provided in subparagraph 3(a) above shall continue to become vested following the Participant's termination of employment or service on account of Normal Retirement in accordance with the schedule set forth in subparagraph 3(a). For purposes of this Grant, (i) "Normal Retirement" shall mean termination of employment or service with the Employer (other than for Cause (as defined below)) after the Participant has attained age sixty (60) and has five (5) total years of employment or service with the Employer which includes at least three (3) consecutive full calendar years of service in the position of Chief Executive Officer, Chief Operating Officer or Chief Financial Officer, or any combination thereof and (ii) "Cause" shall mean a finding by the Committee that the Participant (A) has breached his or her employment or service contract with the Employer, if any; (B) has engaged in disloyalty to the Employer including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty; (C) has disclosed trade secrets or confidential information of the Employer to persons not entitled to receive such information; (D) has breached any written noncompetition or nonsolicitation agreement between the Participant and the Employer; or (E) has engaged in such other behavior detrimental to the interests of the Employer as the Committee determines.

(d) If prior to January 31, 2025, the Participant's employment or service with the Employer terminates on account of Early Retirement (as defined below), then 75% of the portion of the Restricted Stock Units that have not yet vested as provided in subparagraph 3(a) above shall continue to become vested following the Participant's termination of employment or service on account of Early Retirement in accordance with the schedule set forth in subparagraph 3(a) and the remaining 25% of the portion of the Restricted Stock Units that have not vested as of the Participant's Early Retirement shall be immediately forfeited. For purposes of this Grant, "Early Retirement" shall mean termination of employment or service with the Employer (other than for Cause) after the Participant has attained age fifty-five (55) and has five (5) total years of

employment or service with the Employer which includes at least three (3) consecutive full calendar years of service in the position of Chief Executive Officer, Chief Operating Officer or Chief Financial Officer, or any combination thereof.

(e) If at any time prior to January 31, 2025, but while the Participant is employed by or providing service to the Employer, a Change of Control (as defined below) occurs, the Company is not the surviving corporation (or survives only as a subsidiary of another corporation or entity (the “surviving corporation”)) and the Restricted Stock Units are not converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation), then the portion of the Restricted Stock Units that have not yet vested as provided in subparagraph 3(a) above shall become fully vested on the date of the Change of Control (the “Change of Control Date”). In the event the Participant’s Restricted Stock Units are assumed by the surviving corporation but the Participant ceases to be employed by, or providing service to, the surviving corporation (or a parent or subsidiary of the surviving corporation) within twelve (12) months after the date of the Change of Control on account of (i) a termination of such Participant’s employment by the surviving corporation (or a parent or subsidiary of the surviving corporation) for any reason other than on account of Cause (as defined in 3(c)), or on account of death or Disability (each as defined in the Plan), or (ii) a termination of employment or service by the Participant for Good Reason (as defined in the Plan), then the portion of the Restricted Stock Units that have not yet vested as provided in subparagraph 3(a) above shall become fully vested on the date of such termination of employment or service (the “Termination Date”). For purposes of this Grant, “Change of Control” shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Agreement unless the event constituting the Change of Control constitutes a change in the ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the “Code”) and its corresponding regulations. For the avoidance of doubt, if the Change of Control does not constitute a permitted change in control event under section 409A of the Code, then the Restricted Stock Unit shall not vest on the occurrence of the Change of Control.

4. Redemption. Unless an election is made pursuant to Paragraph 5 below, the Restricted Stock Units that have become vested pursuant to Paragraph 3 shall be redeemed by the Company on the earliest of the (i) applicable Service Date, (ii) the Change of Control Date or (iii) the Termination Date, (the date of redemption is hereinafter referred to as the “Redemption Date”). As soon as administratively practicable following the applicable Redemption Date, but not later than forty-five (45) days following the Redemption Date, (or, if applicable, the Deferred Date, as defined in Paragraph 5 below), all Restricted Stock Units that become vested pursuant to Paragraph 3 above shall be redeemed and converted to an equivalent number of shares of Company Stock, and the Participant shall receive a single distribution of such shares of Company Stock, which shall be issued under the Plan. For purposes of clarity, if any Restricted Stock Units become vested pursuant to subparagraphs 3(c) or 3(d) above as a result of termination of employment or service with the Employer on account of Normal Retirement or Early Retirement, the Redemption Date for such vested Restricted Stock Units shall be the applicable Service Date or Change of Control Date to which such Restricted Stock Units would have been redeemed if the Participant had remained in the employment or service of the Employer (i.e., the Redemption Date continues to be the originally scheduled Service Date as provided in subparagraph 3(a) above or the Change of Control Date, if earlier, and is not accelerated to an earlier Service Date or to the date on which the termination of employment or service occurs).

5. Deferrals. The Participant may make an irrevocable election to defer the Redemption Date (or further defer the Deferred Date (as defined below), if applicable) of any of the Restricted Stock Units that vest, plus dividend equivalents earned on such Restricted Stock Units

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

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

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

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

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

(a) To the extent permitted by Code section 409A, the obligation of the Company to deliver shares of Company Stock upon the redemption of the Restricted Stock Units shall be subject to the condition that shares of Company Stock be qualified for listing on the New York

Stock Exchange or another securities exchange and be registered under the Securities Act of 1933, as amended, and that any consent or approval of any governmental regulatory body that is necessary to issue shares of Company Stock has been so obtained, and that shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

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

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

(i) to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time) regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Insider Trading and Prohibited Transactions Policy and the Personal Securities Trading and Preclearance Practice; and

(ii) that the shares of Company Stock obtained by the Participant upon the redemption of the Restricted Stock Units shall be subject to the guidelines and restrictions set forth in the Company's Executive Stock Ownership Guidelines and Executive Stock Retention Requirements, effective as of July 26, 2019 (and as they may be amended, restated, supplemented and interpreted), and any applicable clawback or recoupment policies and other policies that may be implemented by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

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

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

beneficiaries and any other person having or claiming an interest under this Grant and the Plan on behalf of the Participant.

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

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

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

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

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

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

18. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be (i) delivered by hand, (ii) delivered by a national overnight courier or delivery service, (iii) enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service, or (iv) in the case of notices by the Company to the Participant, delivered by e-mail or other electronic means (with confirmation of receipt to be made by any oral, electronic or written means).

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

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

IN WITNESS WHEREOF, the Company has caused this Grant to be executed, effective as of the Date of Grant.
AMERICAN WATER WORKS COMPANY, INC.

By: Karl F. Kurz

A handwritten signature in black ink, appearing to read "Karl F. Kurz". The signature is written in a cursive, somewhat stylized font.

Its: Chairman of the Board

AMERICAN WATER WORKS COMPANY, INC.
2017 OMNIBUS EQUITY COMPENSATION PLAN
RESTRICTED STOCK UNIT GRANT

This RESTRICTED STOCK UNIT GRANT, dated as of February 15, 2022 (the “Date of Grant”), is delivered by American Water Works Company, Inc. (the “Company”) to _____ (the “Participant”).

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the “Plan”)) has adopted a 2022 Long Term Performance Plan (“2022 LTPP”) pursuant to which designated employees will be granted equity awards (collectively, the “Equity Award”) for shares of Common Stock of the Company, par value \$0.01 per share, (the “Company Stock”);

WHEREAS, the Equity Award is comprised of three separate grants: a restricted stock unit and two performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2022 LTPP and to grant the Participant an Equity Award under the 2022 LTPP; and

WHEREAS, the Committee has determined that the restricted stock unit portion of the Equity Award granted pursuant to the 2022 LTPP to the Participant shall be issued under the Plan and the terms and conditions of such restricted stock unit shall be memorialized in this grant (the “Grant”).

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

1. Grant of Restricted Stock Units. Subject to the terms and conditions set forth in this Grant and the Plan, the Company hereby grants to the Participant _____ units (the “Restricted Stock Units”). Each unit (a “Unit”) shall be a phantom right and shall be equivalent to one share of Company Stock on the applicable Redemption Date (as defined below).
2. Restricted Stock Unit Account. The Company shall establish and maintain a Restricted Stock Unit account as a bookkeeping account on its records (the “Restricted Stock Unit Account”) for the Participant and shall record in such Restricted Stock Unit Account the number of Restricted Stock Units granted to the Participant. The Participant shall not have any interest in any fund or specific assets of the Company by reason of this grant or the Restricted Stock Unit Account established for the Participant.
3. Vesting.
 - (a) Except as provided in subparagraphs (c), (d), and (e) below, the Restricted Stock Units shall vest on the following dates (each a “Service Date”), provided the Participant

continues to be employed by, or providing service to, the Employer (as defined in the Plan) from the Date of Grant through the applicable Service Date:

<u>Service Date</u>	<u>Units Vesting</u>
January 31, 2023	1/3
January 31, 2024	1/3
January 31, 2025	1/3

The vesting of the Restricted Stock Units is cumulative, but shall not exceed 100% of the Units subject to the Restricted Stock Units. If the foregoing schedule would produce fractional Units, the number of Units for which the Restricted Stock Units becomes vested on a Service Date shall be rounded down to the nearest whole Unit. The Restricted Stock Units shall become vested with respect to 100% of the Units subject to the Restricted Stock Units on January 31, 2025, if the Participant is employed by, or providing service to, the Employer on such date.

(b) Subject to subparagraphs (c), (d), and (e) below, if at any time prior to January 31, 2025, the Participant's employment or service with the Employer terminates for any reason, including death or disability, then all of the unvested Restricted Stock Units shall be immediately forfeited and the Participant shall not have any rights with respect to the vesting or the redemption of any portion of the Restricted Stock Unit.

(c) If prior to January 31, 2025, the Participant's employment or service with the Employer terminates on account of Normal Retirement (as defined below), then the portion of the Restricted Stock Units that have not yet vested as provided in subparagraph 3(a) above shall continue to become vested following the Participant's termination of employment or service on account of Normal Retirement in accordance with the schedule set forth in subparagraph 3(a). For purposes of this Grant, (i) "Normal Retirement" shall mean termination of employment or service with the Employer (other than for Cause (as defined below)) after the Participant has attained age sixty (60) and has five (5) total years of employment or service with the Employer which includes at least three (3) consecutive full calendar years of service in the position of Chief Executive Officer, Chief Operating Officer or Chief Financial Officer, or any combination thereof and (ii) "Cause" shall mean a finding by the Committee that the Participant (A) has breached his or her employment or service contract with the Employer, if any; (B) has engaged in disloyalty to the Employer including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty; (C) has disclosed trade secrets or confidential information of the Employer to persons not entitled to receive such information; (D) has breached any written noncompetition or nonsolicitation agreement between the Participant and the Employer; or (E) has engaged in such other behavior detrimental to the interests of the Employer as the Committee determines.

(d) If prior to January 31, 2025, the Participant's employment or service with the Employer terminates on account of Early Retirement (as defined below), then 75% of the portion of the Restricted Stock Units that have not yet vested as provided in subparagraph 3(a) above shall continue to become vested following the Participant's termination of employment or service on account of Early Retirement in accordance with the schedule set forth in subparagraph 3(a) and the remaining 25% of the portion of the Restricted Stock Units that have not vested as of the Participant's Early Retirement shall be immediately forfeited. For purposes of this Grant, "Early Retirement" shall mean termination of employment or service with the Employer (other than for Cause) after the Participant has attained age fifty-five (55) and has five (5) total years of

employment or service with the Employer which includes at least three (3) consecutive full calendar years of service in the position of Chief Executive Officer, Chief Operating Officer or Chief Financial Officer, or any combination thereof.

(e) If at any time prior to January 31, 2025, but while the Participant is employed by or providing service to the Employer, a Change of Control (as defined below) occurs, the Company is not the surviving corporation (or survives only as a subsidiary of another corporation or entity (the “surviving corporation”)) and the Restricted Stock Units are not converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation), then the portion of the Restricted Stock Units that have not yet vested as provided in subparagraph 3(a) above shall become fully vested on the date of the Change of Control (the “Change of Control Date”). In the event the Participant’s Restricted Stock Units are assumed by the surviving corporation but the Participant ceases to be employed by, or providing service to, the surviving corporation (or a parent or subsidiary of the surviving corporation) within twelve (12) months after the date of the Change of Control on account of (i) a termination of such Participant’s employment by the surviving corporation (or a parent or subsidiary of the surviving corporation) for any reason other than on account of Cause (as defined in 3(c)), or on account of death or Disability (each as defined in the Plan), or (ii) a termination of employment or service by the Participant for Good Reason (as defined in the Plan), then the portion of the Restricted Stock Units that have not yet vested as provided in subparagraph 3(a) above shall become fully vested on the date of such termination of employment or service (the “Termination Date”). For purposes of this Grant, “Change of Control” shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Agreement unless the event constituting the Change of Control constitutes a change in the ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the “Code”) and its corresponding regulations. For the avoidance of doubt, if the Change of Control does not constitute a permitted change in control event under section 409A of the Code, then the Restricted Stock Unit shall not vest on the occurrence of the Change of Control.

4. Redemption. Unless an election is made pursuant to Paragraph 5 below, the Restricted Stock Units that have become vested pursuant to Paragraph 3 shall be redeemed by the Company on the earliest of the (i) applicable Service Date, (ii) the Change of Control Date or (iii) the Termination Date, (the date of redemption is hereinafter referred to as the “Redemption Date”). As soon as administratively practicable following the applicable Redemption Date, but not later than forty-five (45) days following the Redemption Date, (or, if applicable, the Deferred Date, as defined in Paragraph 5 below), all Restricted Stock Units that become vested pursuant to Paragraph 3 above shall be redeemed and converted to an equivalent number of shares of Company Stock, and the Participant shall receive a single distribution of such shares of Company Stock, which shall be issued under the Plan. For purposes of clarity, if any Restricted Stock Units become vested pursuant to subparagraphs 3(c) or 3(d) above as a result of termination of employment or service with the Employer on account of Normal Retirement or Early Retirement, the Redemption Date for such vested Restricted Stock Units shall be the applicable Service Date or Change of Control Date to which such Restricted Stock Units would have been redeemed if the Participant had remained in the employment or service of the Employer (*i.e.*, the Redemption Date continues to be the originally scheduled Service Date as provided in subparagraph 3(a) above or the Change of Control Date, if earlier, and is not accelerated to an earlier Service Date or to the date on which the termination of employment or service occurs).

5. Deferrals. The Participant may make an irrevocable election to defer the Redemption Date (or further defer the Deferred Date (as defined below), if applicable) of any of the Restricted Stock Units that vest, plus dividend equivalents earned on such Restricted Stock Units as described in Paragraph 6 below, to a later date, provided that, except as to any election made

by the Participant to accelerate the Deferred Date in the event of his or her death prior to the Deferred Date, (a) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (b) the new Redemption Date cannot be earlier than five (5) years from the original Redemption Date under Paragraph 4 above (or five (5) years from the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (c) the election must be made no less than twelve (12) months prior to the date of the Redemption Date (twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Redemption Date, the Participant must complete the deferral election form provided to the Participant, and return such form to the Company in the manner and by the deadline provided therein. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant's election pursuant to this Paragraph, if the Change of Control Date or the Termination Date occurs prior to the Deferred Date, the redemption of the Participant's Restricted Stock Units, plus corresponding dividend equivalents, will be the Change of Control Date or the Termination Date, as applicable. If a Redemption Date is delayed one or more times pursuant to any election made by the Participant pursuant to this Paragraph 5, the new Redemption Date shall be referred to as the "Deferred Date."

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

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

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

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

(a) To the extent permitted by Code section 409A, the obligation of the Company to deliver shares of Company Stock upon the redemption of the Restricted Stock Units shall be subject to the condition that shares of Company Stock be qualified for listing on the New York Stock Exchange or another securities exchange and be registered under the Securities Act of 1933, as amended, and that any consent or approval of any governmental regulatory body that is

necessary to issue shares of Company Stock has been so obtained, and that shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

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

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

(i) to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time) regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Insider Trading and Prohibited Transactions Policy and the Personal Securities Trading and Preclearance Practice; and

(ii) that the shares of Company Stock obtained by the Participant upon the redemption of the Restricted Stock Units shall be subject to the guidelines and restrictions set forth in the Company's Executive Stock Ownership Guidelines and Executive Stock Retention Requirements, effective as of July 26, 2019 (and as they may be amended, restated, supplemented and interpreted), and any applicable clawback or recoupment policies and other policies that may be implemented by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

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

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

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

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

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

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

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

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

18. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be (i) delivered by hand, (ii) delivered by a national overnight courier or delivery service, (iii) enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service, or (iv) in the case of notices by the Company to the Participant, delivered by e-mail or other electronic means (with confirmation of receipt to be made by any oral, electronic or written means).

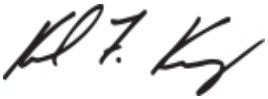
19. Taxation; Code Section 409A. As applicable, this Grant is intended to comply with the requirements of section 409A of the Code and shall be interpreted and administered in accordance with Code section 409A. Notwithstanding any provision to the contrary herein, if the Restricted Stock Units constitute "deferred compensation" under section 409A of the Code,

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

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

IN WITNESS WHEREOF, the Company has caused this Grant to be executed, effective as of the Date of Grant.
AMERICAN WATER WORKS COMPANY, INC.

By: Karl F. Kurz

A handwritten signature in black ink, appearing to read "Karl F. Kurz". The signature is written in a cursive, somewhat stylized font.

Its: Chairman of the Board

AMERICAN WATER WORKS COMPANY, INC.
2017 OMNIBUS EQUITY COMPENSATION PLAN
PERFORMANCE STOCK UNIT GRANT

This PERFORMANCE STOCK UNIT GRANT, dated as of February 15, 2022 (the "Date of Grant"), is delivered by American Water Works Company, Inc. (the "Company") to _____ (the "Participant").

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "Plan")) has adopted a 2022 Long Term Performance Plan ("2022 LTTP") pursuant to which designated employees will be granted equity awards (collectively, the "Equity Award") for shares of Common Stock of the Company, par value \$0.01 per share (the "Company Stock");

WHEREAS, the Equity Award is comprised of three separate grants: a restricted stock unit and two performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2022 LTTP and to grant the Participant an Equity Award under the 2022 LTTP; and

WHEREAS, the Committee has determined that the performance stock unit portion of the Equity Award granted to the Participant pursuant to the 2022 LTTP shall be issued under the Plan, and the terms and conditions of the performance stock unit grant that may be earned based on the Performance Goal (defined below) relating to the Company's Total Stockholder Return shall be memorialized in this grant (the "Grant").

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

1. Grant of Performance Stock Units. Subject to the terms and conditions set forth in this Grant and the Plan, the Company hereby grants to the Participant _____ performance stock units (the "Performance Units"). The Performance Units are contingently awarded and will be earned and distributable if and only to the extent that the Performance Goal and other conditions set forth in this Grant are met. Each Performance Unit shall be a phantom right and shall be equivalent to one share of Company Stock on the applicable payment date, as described in Paragraph 5 below. The number of Performance Units set forth above is equal to the target number of shares of Company Stock that the Participant will earn for 100% achievement of the Performance Goal described in Paragraph 3 below (the "Target Award").
2. Performance Unit Account. The Company shall establish and maintain a Performance Unit account as a bookkeeping account on its records (the "Performance Unit Account") for the Participant and shall record in such Performance Unit Account the number of Performance Units granted to the Participant. The Participant shall not have any interest in any fund or specific assets of the Company by reason of this grant or the Performance Unit Account established for the Participant.
3. Performance Goal.
 - (a) Unless a Change of Control (as defined below) occurs prior to the end of the Performance Period (as defined below), the distribution of the shares of Company Stock attributable to the Performance Units is contingent upon achievement of the performance goal

described in subparagraph (b) below for the Performance Period (the “Performance Goal”) and the Participant satisfying the continuation of employment and service with the Employer (as defined in the Plan) requirement described in Paragraph 4 below.

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

<u>Level of Achievement</u>	<u>Percentile Ranking Relative to Peer Group</u>	<u>Percentage of Target Award Earned</u>
Maximum	90%	200%
Target	50%	100%
Threshold	25%	25%

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

(c) TSR represents stock price performance and dividend accumulation over the Performance Period for the Company and Peer Group. For purposes of this calculation, the initial stock price and the ending stock price are determined using the twenty (20) day average stock price for December 31, 2021, and December 31, 2024, as applicable. The twenty (20) day average stock price is the average of the daily closing stock prices for the twenty (20) trading days that end on the applicable December 31. If December 31 is not a trading day, the closing stock price on the first trading day prior to December 31 shall be used. To determine stock price performance, each closing stock price shall be adjusted by a dividend adjustment factor. The dividend adjustment factor takes into account each per share dividend paid for the Performance Period as well as the effect of any appreciation in stock price by reason of deeming the dividend to be reinvested in the stock. The dividend adjusted price provides the closing price for the requested day, week, or month, adjusted for all applicable splits and dividend distributions. At the end of the Performance Period, the TSR for the Company, and for each company in the Peer Group, shall be determined pursuant to the following formula:

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

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

(d) As soon as administratively practicable following the end of the Performance Period (as defined in Paragraph 3(f) below), the Committee will determine whether and to what extent the Performance Goal has been met and the number of Performance Units the Participant has earned, if any. Except as described in Paragraph 4 below, the Participant must be employed by, or providing service to, the Employer on the last day of the Performance Period in order to earn the Performance Units.

(e) If a Change of Control occurs prior to the end of the Performance Period, the Company is not the surviving corporation (or survives only as a subsidiary of another corporation or entity (the “surviving corporation”)) and the Performance Units are not converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation), then the Performance Period will end on the date of the Change of Control and the Performance Units will be deemed earned at the Target Award level as of the date of the Change of Control (the “Change of Control Date”). In the event the Participant’s Performance Units are assumed by the surviving corporation but the Participant ceases to be employed by, or providing service to, the surviving corporation (or a parent or subsidiary of the surviving corporation) within twelve (12) months after the date of the Change of Control on account of (i) a termination of such Participant’s employment by the surviving corporation (or a parent or subsidiary of the surviving corporation) for any reason other than on account of Cause (as defined in paragraph 4(c) hereof), or on account of death or Disability (each as defined in the Plan), or (ii) a termination of employment or service by the Participant for Good Reason (as defined in the Plan), then the Performance Period will end on the date of such termination of employment or service (the “Termination Date”) and the Performance Units will be deemed earned at the Target Award level as of the Termination Date. For purposes of this Grant, “Change of Control” shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Grant unless the event constituting the Change of Control constitutes a change in ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the “Code”), and its corresponding regulations.

(f) For purposes of this Grant, the term “Performance Period” shall mean the three (3)-year period beginning on January 1, 2022 and ending December 31, 2024, and the term “Peer Group” shall mean those companies included in Exhibit A. If at any time during the Performance Period a company in the Peer Group is no longer a publicly traded entity, such company shall be removed from the Peer Group as of January 1 of the year in which the company is no longer publicly traded.

4. Termination of Employment or Service.

(a) Except as set forth in Paragraph 3(e), if, at least one year after the beginning of the Performance Period, but prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of any reason other than a termination for Cause (as defined below), the Participant will earn a pro-rata portion of the Performance Units, if the Performance Goal and the requirements of this Grant are met as of the last day of the Performance Period. The pro-rata portion earned will be equal to the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, multiplied by a fraction, which fraction shall be equal to (i) 1/3, if the Participant’s employment or service with the Employer terminates on or after January 31, 2023, but prior to January 31, 2024; (ii) 2/3, if the Participant’s employment or service with the Employer terminates on or after January 31, 2024, but prior to January 31, 2025; and (iii) 3/3, if the Participant’s employment or service terminates with the Employer on or after January 31, 2025. If the Participant ceases to be employed by, or provide service to, the Employer for any reason other than on account of Cause, the prorated number of Performance Units earned by the Participant pursuant to this Paragraph 4(a) will be distributed in accordance with Paragraph 5.

(b) If at any time prior to the earlier of January 31, 2023 or a Change of Control, the Participant’s employment or service with the Employer is terminated by the Employer on account of any reason or no reason or by the Participant for any reason or no reason, all of the Performance Units subject to this Grant shall be immediately forfeited as of the date of the

Participant's termination of employment or service with the Employer and the Participant shall not have any rights with respect to the distribution of any portion of the Performance Units.

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

5. Time and Form of Payment with Respect to Performance Units. Unless an election is made pursuant to Paragraph 6 below, the Participant will receive a distribution with respect to the Performance Units earned as described in Paragraphs 3 and 4 above within seventy (70) days following the earliest of (a) January 31, 2025 (the "Distribution Date"), (b) the Change of Control Date or (c) the Termination Date. The Performance Units will be distributed in shares of Company Stock, with each Performance Unit earned equivalent to one share of Company Stock. Any Performance Units not earned because of the failure to attain the Performance Goal and service condition will be immediately forfeited.

6. Deferrals. The Participant may make an irrevocable election to defer the Distribution Date (or further defer the Deferred Date (as defined below), if applicable) of all of the Performance Units that are earned, plus dividend equivalents earned on such Performance Units as described in Paragraph 7 below, to a later date, provided that, except as to any election made by the Participant to accelerate the Deferred Date in the event of his or her death prior to the Deferred Date, (a) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (b) the deferred Distribution Date cannot be earlier than five (5) years from the original Distribution Date under Paragraph 5 above (or five (5) years from the applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (c) the election must be made no less than twelve (12) months prior to the date of the Distribution Date (twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Distribution Date, the Participant must elect to defer 100% of the Performance Units, including corresponding dividend equivalents, earned by the Participant under this Grant, as well as 100% of the other performance stock units, including corresponding dividend equivalents, earned by the Participant under the 2022 LTPP, complete the deferral election form provided to the Participant and return such form to the Company in the manner and by the deadline provided therein. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant's election pursuant to this Paragraph, if the Change of Control Date or the Termination Date occurs prior to the Deferred Date, the distribution of the Participant's earned Performance Units, plus corresponding dividend equivalents, will be the Change of Control Date or the Termination Date, as applicable. If a Distribution Date is delayed one or more times pursuant to any election made by the Participant pursuant to this Paragraph 6, the new Distribution Date shall be referred to as the "Deferred Date."

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

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

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

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

(a) To the extent permitted by Code section 409A, the obligation of the Company to deliver shares of Company Stock upon the Participant earning the Performance Units shall be subject to the condition that shares of Company Stock be qualified for listing on the New York Stock Exchange or another securities exchange and be registered under the Securities Act of 1933, as amended, and that any consent or approval of any governmental regulatory body that is necessary to issue shares of Company Stock has been so obtained, and that shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

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

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

i. to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time) regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and/or from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the

Company's Insider Trading and Prohibited Transactions Policy and the Personal Securities Trading and Preclearance Practice; and

ii. that any shares of Company Stock received by the Participant upon the distribution of the earned Performance Units pursuant to this Grant shall be subject to the guidelines and restrictions set forth in the Company's Executive Stock Ownership Guidelines and Executive Stock Retention Requirements, effective as of July 26, 2019 (and as they may be amended, restated, supplemented and interpreted), and any applicable clawback or recoupment policies and other policies that may be implemented by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

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

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

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

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

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

hereunder shall extend to any successors or assigns of the Company. This Grant may be assigned by the Company without the Participant's consent.

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

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

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

19. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be (i) delivered by hand, (ii) delivered by a national overnight courier or delivery service, (iii) enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service, or (iv) in the case of notices by the Company to the Participant, delivered by e-mail or other electronic means (with confirmation of receipt to be made by any oral, electronic or written means).

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

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

[SIGNATURE PAGE FOLLOWS]

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

AMERICAN WATER WORKS COMPANY, INC.

By: M. Susan Hardwick

A handwritten signature in black ink, appearing to read "M. Susan Hardwick". The signature is fluid and cursive, with a large initial "M" and a long, sweeping tail.

Its: President and CEO

PSU Grant A

Exhibit A

PEER GROUP COMPANIES

1. Alliant Energy Corporation
2. Ameren Corporation
3. Atmos Energy Group
4. CenterPoint Energy
5. CMS Energy Corporation
6. Entergy Corporation
7. Essential Utilities
8. Evergy, Inc.
9. Eversource Energy
10. NiSource Inc.
11. OGE Energy Corp.
12. Pinnacle West Capital Corporation
13. PPL Corporation
14. UGI Corporation
15. WEC Energy Group, Inc.

AMERICAN WATER WORKS COMPANY, INC.
2017 OMNIBUS EQUITY COMPENSATION PLAN
PERFORMANCE STOCK UNIT GRANT

This PERFORMANCE STOCK UNIT GRANT, dated as of February 15, 2022 (the "Date of Grant"), is delivered by American Water Works Company, Inc. (the "Company") to _____ (the "Participant").

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "Plan")) has adopted a 2022 Long Term Performance Plan ("2022 LTTP") pursuant to which designated employees will be granted equity awards (collectively, the "Equity Award") for shares of Common Stock of the Company, par value \$0.01 per share (the "Company Stock");

WHEREAS, the Equity Award is comprised of three separate grants: a restricted stock unit and two performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2022 LTTP and to grant the Participant an Equity Award under the 2022 LTTP; and

WHEREAS, the Committee has determined that the performance stock unit portion of the Equity Award granted to the Participant pursuant to the 2022 LTTP shall be issued under the Plan, and the terms and conditions of the performance stock unit grant that may be earned based on the Performance Goal (defined below) relating to the Company's Total Stockholder Return shall be memorialized in this grant (the "Grant").

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

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

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

3. Performance Goal.

(a) Unless a Change of Control (as defined below) occurs prior to the end of the Performance Period (as defined below), the distribution of the shares of Company Stock attributable to the Performance Units is contingent upon achievement of the performance goal

described in subparagraph (b) below for the Performance Period (the “Performance Goal”) and the Participant satisfying the continuation of employment and service with the Employer (as defined in the Plan) requirement described in Paragraph 4 below.

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

<u>Level of Achievement</u>	<u>Percentile Ranking Relative to Peer Group</u>	<u>Percentage of Target Award Earned</u>
Maximum	90%	200%
Target	50%	100%
Threshold	25%	25%

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

(c) TSR represents stock price performance and dividend accumulation over the Performance Period for the Company and Peer Group. For purposes of this calculation, the initial stock price and the ending stock price are determined using the twenty (20) day average stock price for December 31, 2021, and December 31, 2024, as applicable. The twenty (20) day average stock price is the average of the daily closing stock prices for the twenty (20) trading days that end on the applicable December 31. If December 31 is not a trading day, the closing stock price on the first trading day prior to December 31 shall be used. To determine stock price performance, each closing stock price shall be adjusted by a dividend adjustment factor. The dividend adjustment factor takes into account each per share dividend paid for the Performance Period as well as the effect of any appreciation in stock price by reason of deeming the dividend to be reinvested in the stock. The dividend adjusted price provides the closing price for the requested day, week, or month, adjusted for all applicable splits and dividend distributions. At the end of the Performance Period, the TSR for the Company, and for each company in the Peer Group, shall be determined pursuant to the following formula:

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

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

(d) As soon as administratively practicable following the end of the Performance Period (as defined in Paragraph 3(f) below), the Committee will determine whether and to what extent the Performance Goal has been met and the number of Performance Units the Participant has earned, if any. Except as described in Paragraph 4 below, the Participant must be employed by, or providing service to, the Employer on the last day of the Performance Period in order to earn the Performance Units.

(e) If a Change of Control occurs prior to the end of the Performance Period, the Company is not the surviving corporation (or survives only as a subsidiary of another corporation or entity (the “surviving corporation”)) and the Performance Units are not converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation), then the Performance Period will end on the date of the Change of Control and the Performance Units will be deemed earned at the Target Award level as of the date of the Change of Control (the “Change of Control Date”). In the event the Participant’s Performance Units are assumed by the surviving corporation but the Participant ceases to be employed by, or providing service to, the surviving corporation (or a parent or subsidiary of the surviving corporation) within twelve (12) months after the date of the Change of Control on account of (i) a termination of such Participant’s employment by the surviving corporation (or a parent or subsidiary of the surviving corporation) for any reason other than on account of Cause (as defined in paragraph 4(e) hereof), or on account of death or Disability (each as defined in the Plan), or (ii) a termination of employment or service by the Participant for Good Reason (as defined in the Plan), then the Performance Period will end on the date of such termination of employment or service (the “Termination Date”) and the Performance Units will be deemed earned at the Target Award level as of the Termination Date. For purposes of this Grant, “Change of Control” shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Grant unless the event constituting the Change of Control constitutes a change in ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the “Code”), and its corresponding regulations.

(f) For purposes of this Grant, the term “Performance Period” shall mean the three (3)-year period beginning on January 1, 2022 and ending December 31, 2024, and the term “Peer Group” shall mean those companies included in Exhibit A. If at any time during the Performance Period a company in the Peer Group is no longer a publicly traded entity, such company shall be removed from the Peer Group as of January 1 of the year in which the company is no longer publicly traded.

4. Termination of Employment or Service.

(a) Except as set forth in Paragraphs 3(e), 4(b), or 4(c), if, at least one year after the beginning of the Performance Period, but prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of any reason other than a termination for Cause (as defined below), the Participant will earn a pro-rata portion of the Performance Units, if the Performance Goal and the requirements of this Grant are met as of the last day of the Performance Period. The pro-rata portion earned will be equal to the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, multiplied by a fraction, which fraction shall be equal to (i) 1/3, if the Participant’s employment or service with the Employer terminates on or after January 31, 2023, but prior to January 31, 2024; (ii) 2/3, if the Participant’s employment or service with the Employer terminates on or after January 31, 2024, but prior to January 31, 2025; and (iii) 3/3, if the Participant’s employment or service terminates with the Employer on or after January 31, 2025. If the Participant ceases to be employed by, or provide service to, the Employer for any reason other than on account of Cause, the prorated number of Performance Units earned by the Participant pursuant to this Paragraph 4(a) will be distributed in accordance with Paragraph 5.

(b) Notwithstanding any provision of this Agreement to the contrary, if prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of Normal Retirement, then the Participant will earn the number of Performance Units that would have been earned if the Participant has remained employed

through the last day of the Performance Period, if the Performance Goal and the requirements of this Grant are met as of the last day of the Performance Period. If the Participant ceases to be employed by, or provide service to, the Employer on account of Normal Retirement pursuant to this subparagraph (b), the number of Performance Units that are earned based on the Performance Goal and other requirements of this Grant will be distributed in accordance with Paragraph 5. For purposes of this Grant, "Normal Retirement" shall mean termination of employment or service with the Employer (other than for Cause) after the Participant has attained age sixty (60) and has five (5) total years of employment or service with the Employer which includes at least three (3) consecutive full calendar years of service in the position of Chief Executive Officer, Chief Operating Officer or Chief Financial Officer, or any combination thereof.

(c) Notwithstanding any provision of this Agreement to the contrary, if prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of Early Retirement, then the Participant will earn 75% of the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, if the Performance Goal and the requirements of this Grant are met as of the last day of the Performance Period, and unearned Performance Units shall be immediately forfeited. If the Participant ceases to be employed by, or provide service to, the Employer on account of Early Retirement pursuant to this subparagraph (c), then the number of Performance Units that are earned based on the Performance Goal and other requirements of this Grant will be distributed in accordance with Paragraph 5. For purposes of this Grant, "Early Retirement" shall mean termination of employment or service with the Employer (other than for Cause) after the Participant has attained age fifty-five (55) and has five (5) total years of employment or service with the Employer which includes at least three (3) consecutive full calendar years of service in the position of Chief Executive Officer, Chief Operating Officer or Chief Financial Officer, or any combination thereof.

(d) Except as set forth in Paragraphs 4(b) or 4(c), if at any time prior to the earlier of January 31, 2023 or a Change of Control, the Participant's employment or service with the Employer is terminated by the Employer on account of any reason or no reason or by the Participant for any reason or no reason, all of the Performance Units subject to this Grant shall be immediately forfeited as of the date of the Participant's termination of employment or service with the Employer and the Participant shall not have any rights with respect to the distribution of any portion of the Performance Units.

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

5. Time and Form of Payment with Respect to Performance Units. Unless an election is made pursuant to Paragraph 6 below, the Participant will receive a distribution with respect to the Performance Units earned as described in Paragraphs 3 and 4 above within seventy (70) days

following the earliest of (a) January 31, 2025 (the “Distribution Date”), (b) the Change of Control Date or (c) the Termination Date. The Performance Units will be distributed in shares of Company Stock, with each Performance Unit earned equivalent to one share of Company Stock. Any Performance Units not earned because of the failure to attain the Performance Goal and service condition will be immediately forfeited.

6. Deferrals. The Participant may make an irrevocable election to defer the Distribution Date (or further defer the Deferred Date (as defined below), if applicable) of all of the Performance Units that are earned, plus dividend equivalents earned on such Performance Units as described in Paragraph 7 below, to a later date, provided that, except as to any election made by the Participant to accelerate the Deferred Date in the event of his or her death prior to the Deferred Date, (a) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (b) the deferred Distribution Date cannot be earlier than five (5) years from the original Distribution Date under Paragraph 5 above (or five (5) years from the applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (c) the election must be made no less than twelve (12) months prior to the date of the Distribution Date (twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Distribution Date, the Participant must elect to defer 100% of the Performance Units, including corresponding dividend equivalents, earned by the Participant under this Grant, as well as 100% of the other performance stock units, including corresponding dividend equivalents, earned by the Participant under the 2022 LTPP, complete the deferral election form provided to the Participant and return such form to the Company in the manner and by the deadline provided therein. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant’s election pursuant to this Paragraph, if the Change of Control Date or the Termination Date occurs prior to the Deferred Date, the distribution of the Participant’s earned Performance Units, plus corresponding dividend equivalents, will be the Change of Control Date or the Termination Date, as applicable. If a Distribution Date is delayed one or more times pursuant to any election made by the Participant pursuant to this Paragraph 6, the new Distribution Date shall be referred to as the “Deferred Date.”

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

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

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

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

(a) To the extent permitted by Code section 409A, the obligation of the Company to deliver shares of Company Stock upon the Participant earning the Performance Units shall be subject to the condition that shares of Company Stock be qualified for listing on the New York Stock Exchange or another securities exchange and be registered under the Securities Act of 1933, as amended, and that any consent or approval of any governmental regulatory body that is necessary to issue shares of Company Stock has been so obtained, and that shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

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

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

i. to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time) regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and/or from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Insider Trading and Prohibited Transactions Policy and the Personal Securities Trading and Preclearance Practice; and

ii. that any shares of Company Stock received by the Participant upon the distribution of the earned Performance Units pursuant to this Grant shall be subject to the guidelines and restrictions set forth in the Company's Executive Stock Ownership Guidelines and Executive Stock Retention Requirements, effective as of July 26, 2019 (and as they may be amended, restated, supplemented and interpreted), and any applicable clawback or recoupment policies and other policies that may be implemented by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

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

12. Grant Subject to Plan Provisions. This Grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. In the event of any contradiction, distinction or difference between this Grant and the terms of the Plan, the terms of the Plan will control. Except as otherwise defined in this

Grant, capitalized terms used in this Grant shall have the meanings set forth in the Plan. This Grant is subject to the interpretations, regulations and determinations concerning the Plan established from time to time by the Committee in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (a) rights and obligations with respect to withholding taxes, (b) the registration, qualification or listing of the shares of Company Stock, (c) changes in capitalization of the Company, and (d) other requirements of applicable law. The Committee shall have the authority to interpret and construe this Grant pursuant to the terms of the Plan, its decisions shall be conclusive as to any questions arising hereunder. By accepting this Grant, the Participant agrees (i) to be bound by the terms of the Plan and this Grant, (ii) to be bound by the determinations and decisions of the Committee with respect to this Grant, the Plan and the Participant's rights to benefits under this Grant and the Plan, and (iii) that all such determinations and decisions of the Committee shall be binding on the Participant, his or her beneficiaries and any other person having or claiming an interest under this Grant and the Plan on behalf of the Participant.

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

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

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

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

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

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

19. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be (i) delivered by hand, (ii) delivered by a national overnight courier or delivery service, (iii) enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service, or (iv) in the case of notices by the Company to the Participant, delivered by e-mail or other electronic means (with confirmation of receipt to be made by any oral, electronic or written means).

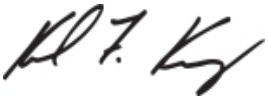
20. Taxation; Code Section 409A. As applicable, this Grant is intended to comply with the requirements of section 409A of the Code and shall be interpreted and administered in accordance with Code section 409A. Notwithstanding any provision to the contrary herein, if the Performance Units constitute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

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

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Company has caused this Grant to be executed, effective as of the Date of Grant.
AMERICAN WATER WORKS COMPANY, INC.

By: Karl F. Kurz

A handwritten signature in black ink, appearing to read "Karl F. Kurz". The signature is written in a cursive, slightly slanted style.

Its: Chairman of the Board

PSU Grant A

Exhibit A

PEER GROUP COMPANIES

1. Alliant Energy Corporation
2. Ameren Corporation
3. Atmos Energy Group
4. CenterPoint Energy
5. CMS Energy Corporation
6. Entergy Corporation
7. Essential Utilities
8. Evergy, Inc.
9. Eversource Energy
10. NiSource Inc.
11. OGE Energy Corp.
12. Pinnacle West Capital Corporation
13. PPL Corporation
14. UGI Corporation
15. WEC Energy Group, Inc.

AMERICAN WATER WORKS COMPANY, INC.
2017 OMNIBUS EQUITY COMPENSATION PLAN
PERFORMANCE STOCK UNIT GRANT

This PERFORMANCE STOCK UNIT GRANT, dated as of February 15, 2022 (the "Date of Grant"), is delivered by American Water Works Company, Inc. (the "Company") to _____ (the "Participant").

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "Plan")) has adopted a 2022 Long Term Performance Plan ("2022 LTTP") pursuant to which designated employees will be granted equity awards (collectively, the "Equity Award") for shares of Common Stock of the Company, par value \$0.01 per share (the "Company Stock");

WHEREAS, the Equity Award is comprised of three separate grants: a restricted stock unit and two performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2022 LTTP and to grant the Participant an Equity Award under the 2022 LTTP; and

WHEREAS, the Committee has determined that the performance stock unit portion of the Equity Award granted to the Participant pursuant to the 2022 LTTP shall be issued under the Plan, and the terms and conditions of the performance stock unit grant that may be earned based on the Performance Goal (defined below) relating to the Company's Total Stockholder Return shall be memorialized in this grant (the "Grant").

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

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

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

3. Performance Goal.

(a) Unless a Change of Control (as defined below) occurs prior to the end of the Performance Period (as defined below), the distribution of the shares of Company Stock attributable to the Performance Units is contingent upon achievement of the performance goal

described in subparagraph (b) below for the Performance Period (the “Performance Goal”) and the Participant satisfying the continuation of employment and service with the Employer (as defined in the Plan) requirement described in Paragraph 4 below.

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

<u>Level of Achievement</u>	<u>Percentile Ranking Relative to Peer Group</u>	<u>Percentage of Target Award Earned</u>
Maximum	90%	200%
Target	50%	100%
Threshold	25%	25%

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

(c) TSR represents stock price performance and dividend accumulation over the Performance Period for the Company and Peer Group. For purposes of this calculation, the initial stock price and the ending stock price are determined using the twenty (20) day average stock price for December 31, 2021, and December 31, 2024, as applicable. The twenty (20) day average stock price is the average of the daily closing stock prices for the twenty (20) trading days that end on the applicable December 31. If December 31 is not a trading day, the closing stock price on the first trading day prior to December 31 shall be used. To determine stock price performance, each closing stock price shall be adjusted by a dividend adjustment factor. The dividend adjustment factor takes into account each per share dividend paid for the Performance Period as well as the effect of any appreciation in stock price by reason of deeming the dividend to be reinvested in the stock. The dividend adjusted price provides the closing price for the requested day, week, or month, adjusted for all applicable splits and dividend distributions. At the end of the Performance Period, the TSR for the Company, and for each company in the Peer Group, shall be determined pursuant to the following formula:

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

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

(d) As soon as administratively practicable following the end of the Performance Period (as defined in Paragraph 3(f) below), the Committee will determine whether and to what extent the Performance Goal has been met and the number of Performance Units the Participant has earned, if any. Except as described in Paragraph 4 below, the Participant must be employed by, or providing service to, the Employer on the last day of the Performance Period in order to earn the Performance Units.

(e) If a Change of Control occurs prior to the end of the Performance Period, the Company is not the surviving corporation (or survives only as a subsidiary of another corporation or entity (the “surviving corporation”)) and the Performance Units are not converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation), then the Performance Period will end on the date of the Change of Control and the Performance Units will be deemed earned at the Target Award level as of the date of the Change of Control (the “Change of Control Date”). In the event the Participant’s Performance Units are assumed by the surviving corporation but the Participant ceases to be employed by, or providing service to, the surviving corporation (or a parent or subsidiary of the surviving corporation) within twelve (12) months after the date of the Change of Control on account of (i) a termination of such Participant’s employment by the surviving corporation (or a parent or subsidiary of the surviving corporation) for any reason other than on account of Cause (as defined in paragraph 4(e) hereof), or on account of death or Disability (each as defined in the Plan), or (ii) a termination of employment or service by the Participant for Good Reason (as defined in the Plan), then the Performance Period will end on the date of such termination of employment or service (the “Termination Date”) and the Performance Units will be deemed earned at the Target Award level as of the Termination Date. For purposes of this Grant, “Change of Control” shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Grant unless the event constituting the Change of Control constitutes a change in ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the “Code”), and its corresponding regulations.

(f) For purposes of this Grant, the term “Performance Period” shall mean the three (3)-year period beginning on January 1, 2022 and ending December 31, 2024, and the term “Peer Group” shall mean those companies included in Exhibit A. If at any time during the Performance Period a company in the Peer Group is no longer a publicly traded entity, such company shall be removed from the Peer Group as of January 1 of the year in which the company is no longer publicly traded.

4. Termination of Employment or Service.

(a) Except as set forth in Paragraphs 3(e), 4(b), or 4(c), if, at least one year after the beginning of the Performance Period, but prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of any reason other than a termination for Cause (as defined below), the Participant will earn a pro-rata portion of the Performance Units, if the Performance Goal and the requirements of this Grant are met as of the last day of the Performance Period. The pro-rata portion earned will be equal to the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, multiplied by a fraction, which fraction shall be equal to (i) 1/3, if the Participant’s employment or service with the Employer terminates on or after January 31, 2023, but prior to January 31, 2024; (ii) 2/3, if the Participant’s employment or service with the Employer terminates on or after January 31, 2024, but prior to January 31, 2025; and (iii) 3/3, if the Participant’s employment or service terminates with the Employer on or after January 31, 2025. If the Participant ceases to be employed by, or provide service to, the Employer for any reason other than on account of Cause, the prorated number of Performance Units earned by the Participant pursuant to this Paragraph 4(a) will be distributed in accordance with Paragraph 5.

(b) Notwithstanding any provision of this Agreement to the contrary, if prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of Normal Retirement, then the Participant will earn the number of Performance Units that would have been earned if the Participant has remained employed

through the last day of the Performance Period, if the Performance Goal and the requirements of this Grant are met as of the last day of the Performance Period. If the Participant ceases to be employed by, or provide service to, the Employer on account of Normal Retirement pursuant to this subparagraph (b), the number of Performance Units that are earned based on the Performance Goal and other requirements of this Grant will be distributed in accordance with Paragraph 5. For purposes of this Grant, "Normal Retirement" shall mean termination of employment or service with the Employer (other than for Cause) after the Participant has attained age sixty (60) and has five (5) total years of employment or service with the Employer which includes at least three (3) consecutive full calendar years of service in the position of Chief Executive Officer, Chief Operating Officer or Chief Financial Officer, or any combination thereof.

(c) Notwithstanding any provision of this Agreement to the contrary, if prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of Early Retirement, then the Participant will earn 75% of the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, if the Performance Goal and the requirements of this Grant are met as of the last day of the Performance Period, and unearned Performance Units shall be immediately forfeited. If the Participant ceases to be employed by, or provide service to, the Employer on account of Early Retirement pursuant to this subparagraph (c), then the number of Performance Units that are earned based on the Performance Goal and other requirements of this Grant will be distributed in accordance with Paragraph 5. For purposes of this Grant, "Early Retirement" shall mean termination of employment or service with the Employer (other than for Cause) after the Participant has attained age fifty-five (55) and has five (5) total years of employment or service with the Employer which includes at least three (3) consecutive full calendar years of service in the position of Chief Executive Officer, Chief Operating Officer or Chief Financial Officer, or any combination thereof.

(d) Except as set forth in Paragraphs 4(b) or 4(c), if at any time prior to the earlier of January 31, 2023 or a Change of Control, the Participant's employment or service with the Employer is terminated by the Employer on account of any reason or no reason or by the Participant for any reason or no reason, all of the Performance Units subject to this Grant shall be immediately forfeited as of the date of the Participant's termination of employment or service with the Employer and the Participant shall not have any rights with respect to the distribution of any portion of the Performance Units.

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

5. Time and Form of Payment with Respect to Performance Units. Unless an election is made pursuant to Paragraph 6 below, the Participant will receive a distribution with respect to the Performance Units earned as described in Paragraphs 3 and 4 above within seventy (70) days

following the earliest of (a) January 31, 2025 (the “Distribution Date”), (b) the Change of Control Date or (c) the Termination Date. The Performance Units will be distributed in shares of Company Stock, with each Performance Unit earned equivalent to one share of Company Stock. Any Performance Units not earned because of the failure to attain the Performance Goal and service condition will be immediately forfeited.

6. Deferrals. The Participant may make an irrevocable election to defer the Distribution Date (or further defer the Deferred Date (as defined below), if applicable) of all of the Performance Units that are earned, plus dividend equivalents earned on such Performance Units as described in Paragraph 7 below, to a later date, provided that, except as to any election made by the Participant to accelerate the Deferred Date in the event of his or her death prior to the Deferred Date, (a) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (b) the deferred Distribution Date cannot be earlier than five (5) years from the original Distribution Date under Paragraph 5 above (or five (5) years from the applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (c) the election must be made no less than twelve (12) months prior to the date of the Distribution Date (twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Distribution Date, the Participant must elect to defer 100% of the Performance Units, including corresponding dividend equivalents, earned by the Participant under this Grant, as well as 100% of the other performance stock units, including corresponding dividend equivalents, earned by the Participant under the 2022 LTTP, complete the deferral election form provided to the Participant and return such form to the Company in the manner and by the deadline provided therein. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant’s election pursuant to this Paragraph, if the Change of Control Date or the Termination Date occurs prior to the Deferred Date, the distribution of the Participant’s earned Performance Units, plus corresponding dividend equivalents, will be the Change of Control Date or the Termination Date, as applicable. If a Distribution Date is delayed one or more times pursuant to any election made by the Participant pursuant to this Paragraph 6, the new Distribution Date shall be referred to as the “Deferred Date.”

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

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

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

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

(a) To the extent permitted by Code section 409A, the obligation of the Company to deliver shares of Company Stock upon the Participant earning the Performance Units shall be subject to the condition that shares of Company Stock be qualified for listing on the New York Stock Exchange or another securities exchange and be registered under the Securities Act of 1933, as amended, and that any consent or approval of any governmental regulatory body that is necessary to issue shares of Company Stock has been so obtained, and that shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

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

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

i. to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time) regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and/or from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Insider Trading and Prohibited Transactions Policy and the Personal Securities Trading and Preclearance Practice; and

ii. that any shares of Company Stock received by the Participant upon the distribution of the earned Performance Units pursuant to this Grant shall be subject to the guidelines and restrictions set forth in the Company's Executive Stock Ownership Guidelines and Executive Stock Retention Requirements, effective as of July 26, 2019 (and as they may be amended, restated, supplemented and interpreted), and any applicable clawback or recoupment policies and other policies that may be implemented by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

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

12. Grant Subject to Plan Provisions. This Grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. In the event of any contradiction, distinction or difference between this Grant and the terms of the Plan, the terms of the Plan will control. Except as otherwise defined in this

Grant, capitalized terms used in this Grant shall have the meanings set forth in the Plan. This Grant is subject to the interpretations, regulations and determinations concerning the Plan established from time to time by the Committee in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (a) rights and obligations with respect to withholding taxes, (b) the registration, qualification or listing of the shares of Company Stock, (c) changes in capitalization of the Company, and (d) other requirements of applicable law. The Committee shall have the authority to interpret and construe this Grant pursuant to the terms of the Plan, its decisions shall be conclusive as to any questions arising hereunder. By accepting this Grant, the Participant agrees (i) to be bound by the terms of the Plan and this Grant, (ii) to be bound by the determinations and decisions of the Committee with respect to this Grant, the Plan and the Participant's rights to benefits under this Grant and the Plan, and (iii) that all such determinations and decisions of the Committee shall be binding on the Participant, his or her beneficiaries and any other person having or claiming an interest under this Grant and the Plan on behalf of the Participant.

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

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

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

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

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

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

19. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be (i) delivered by hand, (ii) delivered by a national overnight courier or delivery service, (iii) enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service, or (iv) in the case of notices by the Company to the Participant, delivered by e-mail or other electronic means (with confirmation of receipt to be made by any oral, electronic or written means).

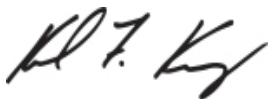
20. Taxation; Code Section 409A. As applicable, this Grant is intended to comply with the requirements of section 409A of the Code and shall be interpreted and administered in accordance with Code section 409A. Notwithstanding any provision to the contrary herein, if the Performance Units constitute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

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

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Company has caused this Grant to be executed, effective as of the Date of Grant.
AMERICAN WATER WORKS COMPANY, INC.

By: Karl F. Kurz

A handwritten signature in black ink, appearing to read "Karl F. Kurz". The signature is written in a cursive, somewhat stylized font.

Its: Chairman of the Board

PSU Grant A

Exhibit A

PEER GROUP COMPANIES

1. Alliant Energy Corporation
2. Ameren Corporation
3. Atmos Energy Group
4. CenterPoint Energy
5. CMS Energy Corporation
6. Entergy Corporation
7. Essential Utilities
8. Evergy, Inc.
9. Eversource Energy
10. NiSource Inc.
11. OGE Energy Corp.
12. Pinnacle West Capital Corporation
13. PPL Corporation
14. UGI Corporation
15. WEC Energy Group, Inc.

AMERICAN WATER WORKS COMPANY, INC.
2017 OMNIBUS EQUITY COMPENSATION PLAN
PERFORMANCE STOCK UNIT GRANT

This PERFORMANCE STOCK UNIT GRANT, dated as of February 15, 2022 (the “Date of Grant”), is delivered by American Water Works Company, Inc. (the “Company”) to _____ (the “Participant”).

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the “Plan”)) has adopted a 2022 Long Term Performance Plan (“2022 LTPP”) pursuant to which designated employees will be granted equity awards (collectively, the “Equity Award”) for shares of Common Stock of the Company, par value \$0.01 per share (the “Company Stock”);

WHEREAS, the Equity Award is comprised of three separate grants: a restricted stock unit and two performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2022 LTPP and to grant the Participant an Equity Award under the 2022 LTPP; and

WHEREAS, the Committee has determined that the performance stock unit portion of the Equity Award granted to the Participant pursuant to the 2022 LTPP shall be issued under the Plan, and the terms and conditions of the performance stock unit grant that may be earned based on Performance Goals (defined below) relating to compounded earnings per share, as set forth in Exhibit A attached hereto, shall be memorialized in this grant (the “Grant”).

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

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

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

3. Performance Goals.

(a) Unless a Change of Control (as defined below) occurs prior to the end of the Performance Period (as defined below), the distribution of the shares of Company Stock attributable to the Performance Units is contingent upon achievement of the performance goals

set forth in Exhibit A attached hereto (the “Performance Goals”) and the Participant satisfying the continuation of employment and service with the Employer (as defined in the Plan) requirement described in Paragraph 4 below.

(b) As soon as administratively practicable following the end of the Performance Period (as defined in Paragraph 3(d) below), the Committee will determine whether and to what extent the Performance Goals have been met and the number of Performance Units the Participant has earned, if any. Except as described in Paragraph 4 below, the Participant must be employed by, or providing service to, the Employer on the last day of the Performance Period in order to earn the Performance Units.

(c) If a Change of Control occurs prior to the end of the Performance Period, the Company is not the surviving corporation (or survives only as a subsidiary of another corporation or entity (the “surviving corporation”)) and the Performance Units are not converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation), then the Performance Period will end on the date of the Change of Control and the Performance Units will be deemed earned at the Target Award level as of the date of the Change of Control (the “Change of Control Date”). In the event the Participant’s Performance Units are assumed by the surviving corporation but the Participant ceases to be employed by, or providing service to, the surviving corporation (or a parent or subsidiary of the surviving corporation) within twelve (12) months after the date of the Change of Control on account of (i) a termination of such Participant’s employment by the surviving corporation (or a parent or subsidiary of the surviving corporation) for any reason other than on account of Cause (as defined in paragraph 4(c) hereof), or on account of death or Disability (each as defined in the Plan), or (ii) a termination of employment or service by the Participant for Good Reason (as defined in the Plan), then the Performance Period will end on the date of such termination of employment or service (the “Termination Date”) and the Performance Units will be deemed earned at the Target Award level as of the Termination Date. For purposes of this Grant, “Change of Control” shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Grant unless the event constituting the Change of Control constitutes a change in ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the “Code”) and its corresponding regulations.

(d) For purposes of this Grant, the term “Performance Period” shall mean the three (3)-year period beginning on January 1, 2022 and ending December 31, 2024.

4. Termination of Employment or Service.

(a) Except as set forth in Paragraph 3(c), if, at least one year after the beginning of the Performance Period, but prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of any reason other than a termination for Cause (as defined below), the Participant will earn a pro-rata portion of the Performance Units, if the Performance Goals and the requirements of this Grant are met as of the last day of the Performance Period. The pro-rata portion earned will be equal to the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, multiplied by a fraction, which fraction shall be equal to (i) 1/3, if the Participant’s employment or service with the Employer terminates on or after January 31, 2023, but prior to January 31, 2024; (ii) 2/3, if the Participant’s employment or service with the Employer terminates on or after January 31, 2024, but prior to January 31, 2025; and (iii) 3/3, if the Participant’s employment or service terminates with the Employer on or after January 31, 2025. If the Participant ceases to be employed by, or provide service to, the Employer for any reason other than on account of Cause, the prorated number of Performance

Units earned by the Participant pursuant to this Paragraph 4(a) will be distributed in accordance with Paragraph 5.

(b) If at any time prior to the earlier of January 31, 2023 or a Change of Control, the Participant's employment or service with the Employer is terminated by the Employer on account of any reason or no reason or by the Participant for any reason or no reason, all of the Performance Units subject to this Grant shall be immediately forfeited as of the date of the Participant's termination of employment or service with the Employer and the Participant shall not have any rights with respect to the distribution of any portion of the Performance Units.

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

5. Time and Form of Payment with Respect to Performance Units. Unless an election is made pursuant to Paragraph 6 below, the Participant will receive a distribution with respect to the Performance Units earned as described in Paragraphs 3 and 4 above within seventy (70) days following the earliest of (a) January 31, 2025 (the "Distribution Date"), (b) the Change of Control Date, or (c) the Termination Date. The Performance Units will be distributed in shares of Company Stock, with each Performance Unit earned equivalent to one share of Company Stock. Any Performance Units not earned because of the failure to attain the Performance Goals and service condition will be immediately forfeited.

6. Deferrals. The Participant may make an irrevocable election to defer the Distribution Date (or further defer the Deferred Date (as defined below), if applicable) of all of the Performance Units that are earned, plus dividend equivalents earned on such Performance Units as described in Paragraph 7 below, to a later date, provided that, except as to any election made by the Participant to accelerate the Deferred Date in the event of his or her death prior to the Deferred Date, (a) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (b) the deferred Distribution Date cannot be earlier than five (5) years from the original Distribution Date under Paragraph 5 above (or five (5) years from the applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (c) the election must be made no less than twelve (12) months prior to the date of the Distribution Date (twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Distribution Date, the Participant must elect to defer 100% of the Performance Units, including corresponding dividend equivalents, earned by the Participant under this Grant, as well as 100% of the other performance stock units, including corresponding dividend equivalents, earned by the Participant under the 2022 LTTP, complete the deferral election form provided to the Participant, and return such form to the Company in the manner and by the deadline provided therein. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding

a Participant's election pursuant to this Paragraph, if the Change of Control Date or the Termination Date occurs prior to the Deferred Date, the distribution of the Participant's earned Performance Units, plus corresponding dividend equivalents, will be the Change of Control Date or the Termination Date, as applicable. If a Distribution Date is delayed one or more times pursuant to any election made by the Participant pursuant to this Paragraph 6, the new Distribution Date shall be referred to as the "Deferred Date."

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

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

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

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

(a) To the extent permitted by Code section 409A, the obligation of the Company to deliver shares of Company Stock upon the Participant earning the Performance Units shall be subject to the condition that shares of Company Stock be qualified for listing on the New York Stock Exchange or another securities exchange and be registered under the Securities Act of 1933, as amended, and that any consent or approval of any governmental regulatory body that is necessary to issue shares of Company Stock has been so obtained, and that shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

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

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

(i) to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time) regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and/or from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Insider Trading and Prohibited Transactions Policy and the Personal Securities Trading and Preclearance Practice; and

(ii) that any shares of Company Stock received by the Participant upon the distribution of the earned Performance Units pursuant to this Grant shall be subject to the guidelines and restrictions set forth in the Company's Executive Stock Ownership Guidelines and Executive Stock Retention Requirements, effective as of July 26, 2019 (and as they may be amended, restated, supplemented and interpreted), and any applicable clawback or recoupment policies and other policies that may be implemented by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

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

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

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

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

15. Assignment and Transfers. No Performance Units or dividend equivalents awarded to the Participant under this Grant may be transferred, assigned, pledged, or encumbered by the Participant and the Performance Units and dividend equivalents shall be distributed during the lifetime of the Participant only for the benefit of the Participant. Any attempt to transfer, assign, pledge, or encumber the Performance Units or dividend equivalents under this Grant by the Participant shall be null, void and without effect. The rights and protections of the Company hereunder shall extend to any successors or assigns of the Company. This Grant may be assigned by the Company without the Participant's consent.
16. Withholding. The Participant shall be required to pay to the Employer, or make other arrangements satisfactory to the Employer to provide for the payment of, any federal, state, local or other taxes that the Employer is required to withhold with respect to the grant, vesting and distribution of the Performance Units and dividend equivalents. Any tax withholding obligation of the Employer with respect to the distribution of shares of Company Stock pursuant to the Performance Units that are earned by the Participant under this Grant may, at the Committee's discretion, be satisfied by having shares of Company Stock withheld up to an amount that does not exceed the minimum applicable withholding tax rate for federal (including FICA), state, local and other tax liabilities.
17. Effect on Other Benefits. The value of shares of Company Stock and dividend equivalents distributed with respect to the Performance Units shall not be considered eligible earnings for purposes of any other plans maintained by the Company or the Employer. Neither shall such value be considered part of the Participant's compensation for purposes of determining or calculating other benefits that are based on compensation, such as life insurance.
18. Applicable Law. The validity, construction, interpretation and effect of this Grant shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to the conflict of laws provisions thereof.
19. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be (i) delivered by hand, (ii) delivered by a national overnight courier or delivery service, (iii) enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service, or (iv) in the case of notices by the Company to the Participant, delivered by e-mail or other electronic means (with confirmation of receipt to be made by any oral, electronic or written means).
20. Taxation; Code Section 409A. As applicable, this Grant is intended to comply with the requirements of section 409A of the Code and shall be interpreted and administered in accordance with Code section 409A. Notwithstanding any provision to the contrary herein, if the Performance Units constitute "deferred compensation" under section 409A of the Code, distributions made with respect to this Grant may only be made in a manner and upon an event permitted by Code section 409A. To the extent that any provision of the Grant would cause a conflict with the requirements of Code section 409A, or would cause the administration of the Grant to fail to satisfy the requirements of Code section 409A, such provision shall, to the extent practicable if permitted by applicable law, be deemed null and void. In the event that it is determined not feasible to void a provision of this Grant, such provision shall be construed in a manner as to comply with the Code section 409A requirements. This Grant may be amended without the consent of the Participant in any respect deemed by the Committee or its delegate to be necessary in order to comply with Code section 409A. Unless a valid election is made

pursuant to Paragraph 6 above, in no event may the Participant, directly or indirectly, designate the calendar year of distribution. Notwithstanding anything in the Plan or the Grant to the contrary, the Participant shall be solely responsible for the tax consequences of this Grant, and in no event shall the Company have any responsibility or liability if this Grant does not meet any applicable requirements of Code section 409A.

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

[SIGNATURE PAGE FOLLOWS]

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

AMERICAN WATER WORKS COMPANY, INC.

By: M. Susan Hardwick

A handwritten signature in black ink, appearing to read "M. Susan Hardwick". The signature is written in a cursive style with a large initial "M".

Its: President and CEO

“PSU GRANT B – EPS”

EXHIBIT A

PERFORMANCE GOALS

The number of Performance Units that may be earned shall be determined based on the achievement of Compounded Earnings Per Share Growth (as described below) over the Performance Period.

Compounded Earnings Per Share (“EPS”) Growth – will be calculated based on fully diluted EPS calculated in accordance with US GAAP as reported in the Company’s audited consolidated financial statements adjusted to exclude all items of gain, loss or expense for the fiscal year determined to be extraordinary or unusual in nature or infrequent in occurrence or related to the disposal of a segment of a business or related to a change in accounting principle or, as determined by the Committee, any other change or event similar in nature. The starting point for the calculation will be adjusted EPS of \$4.25 for the year ended December 31, 2021. The ending point for the calculation will be EPS for the year ended December 31, 2024, adjusted to exclude all items of gain, loss or expense for the fiscal year determined to be extraordinary or unusual in nature or infrequent in occurrence or related to the disposal of a segment of a business or related to a change in accounting principle or, as determined by the Committee, any other change or event similar in nature.

The award scale for Compounded EPS Growth is as follows:

Compounded EPS Growth	
Actual Compounded EPS Growth	Target Award
8.0% or more	200%
5.0%	100%
4.0%	0%

If actual achievement of the Performance Goal does not meet threshold performance (i.e., less than 4.0% for Compounded EPS Growth), then that Performance Goal will be reflected in the final result for determining the number of earned Performance Units at its assigned weighting with a 0%. The maximum award that may be earned for each Performance Goal is capped at 200%, and the maximum award that may be earned by the Participant is capped at 200% of the Target Award.

Example:

The following is an example calculation for a Participant with a Target Award of 1,000 Performance Units:

Earnings Per Share

	<u>12/31/2021 Adjusted</u>	<u>12/31/2024 Illustration</u>
Adjusted diluted earnings per share from continuing operations	\$ 4.25	\$5.17
Compounded EPS growth		<u>6.75%</u>

Earned Performance Units

	<u>Achievement</u>	<u>Award</u>
Compounded EPS Growth	6.75%	158.3%

In this example, the individual who was awarded a Target Grant of 1,000 Performance Units would earn 1,583 Performance Units (1,000 x 1.583), which is convertible into an equivalent number of shares of Company Stock assuming all other terms and conditions of the Grant have been satisfied.

AMERICAN WATER WORKS COMPANY, INC.
2017 OMNIBUS EQUITY COMPENSATION PLAN
PERFORMANCE STOCK UNIT GRANT

This PERFORMANCE STOCK UNIT GRANT, dated as of February 15, 2022 (the "Date of Grant"), is delivered by American Water Works Company, Inc. (the "Company") to _____ (the "Participant").

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "Plan")) has adopted a 2022 Long Term Performance Plan ("2022 LTPP") pursuant to which designated employees will be granted equity awards (collectively, the "Equity Award") for shares of Common Stock of the Company, par value \$0.01 per share (the "Company Stock");

WHEREAS, the Equity Award is comprised of three separate grants: a restricted stock unit and two performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2022 LTPP and to grant the Participant an Equity Award under the 2022 LTPP; and

WHEREAS, the Committee has determined that the performance stock unit portion of the Equity Award granted to the Participant pursuant to the 2022 LTPP shall be issued under the Plan, and the terms and conditions of the performance stock unit grant that may be earned based on Performance Goals (defined below) relating to compounded earnings per share, as set forth in Exhibit A attached hereto, shall be memorialized in this grant (the "Grant").

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

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

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

3. Performance Goals.

(a) Unless a Change of Control (as defined below) occurs prior to the end of the Performance Period (as defined below), the distribution of the shares of Company Stock

attributable to the Performance Units is contingent upon achievement of the performance goals set forth in Exhibit A attached hereto (the “Performance Goals”) and the Participant satisfying the continuation of employment and service with the Employer (as defined in the Plan) requirement described in Paragraph 4 below.

(b) As soon as administratively practicable following the end of the Performance Period (as defined in Paragraph 3(d) below), the Committee will determine whether and to what extent the Performance Goals have been met and the number of Performance Units the Participant has earned, if any. Except as described in Paragraph 4 below, the Participant must be employed by, or providing service to, the Employer on the last day of the Performance Period in order to earn the Performance Units.

(c) If a Change of Control occurs prior to the end of the Performance Period, the Company is not the surviving corporation (or survives only as a subsidiary of another corporation or entity (the “surviving corporation”)) and the Performance Units are not converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation), then the Performance Period will end on the date of the Change of Control and the Performance Units will be deemed earned at the Target Award level as of the date of the Change of Control (the “Change of Control Date”). In the event the Participant’s Performance Units are assumed by the surviving corporation but the Participant ceases to be employed by, or providing service to, the surviving corporation (or a parent or subsidiary of the surviving corporation) within twelve (12) months after the date of the Change of Control on account of (i) a termination of such Participant’s employment by the surviving corporation (or a parent or subsidiary of the surviving corporation) for any reason other than on account of Cause (as defined in Paragraph 4(e) hereof), or on account of death or Disability (each as defined in the Plan), or (ii) a termination of employment or service by the Participant for Good Reason (as defined in the Plan), then the Performance Period will end on the date of such termination of employment or service (the “Termination Date”) and the Performance Units will be deemed earned at the Target Award level as of the Termination Date. For purposes of this Grant, “Change of Control” shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Grant unless the event constituting the Change of Control constitutes a change in ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the “Code”) and its corresponding regulations.

(d) For purposes of this Grant, the term “Performance Period” shall mean the three (3)-year period beginning on January 1, 2022 and ending December 31, 2024.

4. Termination of Employment or Service.

(a) Except as set forth in Paragraphs 3(c) 4(b) or 4(c), if, at least one year after the beginning of the Performance Period, but prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of any reason other than a termination for Cause (as defined below), the Participant will earn a pro-rata portion of the Performance Units, if the Performance Goals and the requirements of this Grant are met as of the last day of the Performance Period. The pro-rata portion earned will be equal to the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, multiplied by a fraction, which fraction shall be equal to (i) 1/3, if the Participant’s employment or service with the Employer terminates on or after January 31, 2023, but prior to January 31, 2024; (ii) 2/3, if the Participant’s employment or service with the Employer terminates on or after January 31, 2024, but prior to January 31, 2025; and (iii) 3/3, if the Participant’s employment or service terminates with the

Employer on or after January 31, 2025. If the Participant ceases to be employed by, or provide service to, the Employer for any reason other than on account of Cause, the prorated number of Performance Units earned by the Participant pursuant to this Paragraph 4(a) will be distributed in accordance with Paragraph 5.

(b) Notwithstanding any provision of this Agreement to the contrary, if prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of Normal Retirement, then the Participant will earn the number of Performance Units that would have been earned if the Participant has remained employed through the last day of the Performance Period, if the Performance Goals and the requirements of this Grant are met as of the last day of the Performance Period. If the Participant ceases to be employed by, or provide service to, the Employer on account of Normal Retirement pursuant to this subparagraph (b), the number of Performance Units that are earned based on the Performance Goals and other requirements of this Grant will be distributed in accordance with Paragraph 5. For purposes of this Grant, "Normal Retirement" shall mean termination of employment or service with the Employer (other than for Cause) after the Participant has attained age sixty (60) and has five (5) total years of employment or service with the Employer which includes at least three (3) consecutive full calendar years of service in the position of Chief Executive Officer, Chief Operating Officer or Chief Financial Officer, or any combination thereof.

(c) Notwithstanding any provision of this Agreement to the contrary, if prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of Early Retirement, then the Participant will earn 75% of the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, if the Performance Goals and the requirements of this Grant are met as of the last day of the Performance Period, and unearned Performance Units shall be immediately forfeited. If the Participant ceases to be employed by, or provide service to, the Employer on account of Early Retirement pursuant to this subparagraph (c), then the number of Performance Units that are earned based on the Performance Goals and other requirements of this Grant will be distributed in accordance with Paragraph 5. For purposes of this Grant, "Early Retirement" shall mean termination of employment or service with the Employer (other than for Cause) after the Participant has attained age fifty-five (55) and has five (5) total years of employment or service with the Employer which includes at least three (3) consecutive full calendar years of service in the position of Chief Executive Officer, Chief Operating Officer or Chief Financial Officer, or any combination thereof.

(d) Except as set forth in Paragraphs 4(b) or 4(c), if at any time prior to the earlier of January 31, 2023 or a Change of Control, the Participant's employment or service with the Employer is terminated by the Employer on account of any reason or no reason or by the Participant for any reason or no reason, all of the Performance Units subject to this Grant shall be immediately forfeited as of the date of the Participant's termination of employment or service with the Employer and the Participant shall not have any rights with respect to the distribution of any portion of the Performance Units.

(e) If at any time prior to the date the Performance Units are distributed in accordance with Paragraph 5 the Participant's employment or service with the Employer is terminated on account of Cause, all of the Performance Units subject to this Grant shall be immediately forfeited and the Participant will not have any rights with respect to the distribution of any portion of the Performance Units, irrespective of the level of achievement of the Performance Goals. For purposes of this Grant, "Cause" shall mean a finding by the Committee that the Participant (i) has breached his or her employment or service contract with the Employer, if any;

(ii) has engaged in disloyalty to the Employer, including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty; (iii) has disclosed trade secrets or confidential information of the Employer to persons not entitled to receive such information; (iv) has breached any written noncompetition or non-solicitation agreement between the Participant and the Employer; or (v) has engaged in such other behavior detrimental to the interests of the Employer as the Committee determines.

5. Time and Form of Payment with Respect to Performance Units. Unless an election is made pursuant to Paragraph 6 below, the Participant will receive a distribution with respect to the Performance Units earned as described in Paragraphs 3 and 4 above within seventy (70) days following the earliest of (a) January 31, 2025 (the “Distribution Date”), (b) the Change of Control Date, or (c) the Termination Date. The Performance Units will be distributed in shares of Company Stock, with each Performance Unit earned equivalent to one share of Company Stock. Any Performance Units not earned because of the failure to attain the Performance Goals and service condition will be immediately forfeited.

6. Deferrals. The Participant may make an irrevocable election to defer the Distribution Date (or further defer the Deferred Date (as defined below), if applicable) of all of the Performance Units that are earned, plus dividend equivalents earned on such Performance Units as described in Paragraph 7 below, to a later date, provided that, except as to any election made by the Participant to accelerate the Deferred Date in the event of his or her death prior to the Deferred Date, (a) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (b) the deferred Distribution Date cannot be earlier than five (5) years from the original Distribution Date under Paragraph 5 above (or five (5) years from the applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (c) the election must be made no less than twelve (12) months prior to the date of the Distribution Date (twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Distribution Date, the Participant must elect to defer 100% of the Performance Units, including corresponding dividend equivalents, earned by the Participant under this Grant, as well as 100% of the other performance stock units, including corresponding dividend equivalents, earned by the Participant under the 2022 LTTP, complete the deferral election form provided to the Participant, and return such form to the Company in the manner and by the deadline provided therein. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant’s election pursuant to this Paragraph, if the Change of Control Date or the Termination Date occurs prior to the Deferred Date, the distribution of the Participant’s earned Performance Units, plus corresponding dividend equivalents, will be the Change of Control Date or the Termination Date, as applicable. If a Distribution Date is delayed one or more times pursuant to any election made by the Participant pursuant to this Paragraph 6, the new Distribution Date shall be referred to as the “Deferred Date.”

7. Dividend Equivalents. Until the earlier of the Distribution Date (or the Deferred Date, if elected), the Change of Control Date or the Termination Date, if any dividends are paid with respect to the shares of Company Stock, the Company shall credit to a dividend equivalent account (the “Dividend Equivalent Account”) the value of the dividends that would have been distributed if the Performance Units credited to the Participant’s Performance Unit Account as of the date of payment of any such dividend were shares of Company Stock. At the same time that the Performance Units are converted to shares of Company Stock and distributed to the Participant, the Company shall pay to the Participant in a lump sum cash equal to the value of the dividends credited to the Participant’s Dividend Equivalent Account; provided, however, that

any dividends that were credited to the Participant's Dividend Equivalent Account that are attributable to Performance Units that have been forfeited as provided in Paragraph 3 and 4 above shall be forfeited and not payable to the Participant. No interest shall accrue on any dividend equivalents credited to the Participant's Dividend Equivalent Account.

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

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

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

(a) To the extent permitted by Code section 409A, the obligation of the Company to deliver shares of Company Stock upon the Participant earning the Performance Units shall be subject to the condition that shares of Company Stock be qualified for listing on the New York Stock Exchange or another securities exchange and be registered under the Securities Act of 1933, as amended, and that any consent or approval of any governmental regulatory body that is necessary to issue shares of Company Stock has been so obtained, and that shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

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

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

(i) to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time) regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and/or from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Insider Trading and Prohibited Transactions Policy and the Personal Securities Trading and Preclearance Practice; and

(ii) that any shares of Company Stock received by the Participant upon the distribution of the earned Performance Units pursuant to this Grant shall be subject to the guidelines and restrictions set forth in the Company's Executive Stock Ownership Guidelines and Executive Stock Retention Requirements,

effective as of July 26, 2019 (and as they may be amended, restated, supplemented and interpreted), and any applicable clawback or recoupment policies and other policies that may be implemented by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

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

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

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

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

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

16. Withholding. The Participant shall be required to pay to the Employer, or make other arrangements satisfactory to the Employer to provide for the payment of, any federal, state, local or other taxes that the Employer is required to withhold with respect to the grant, vesting and

distribution of the Performance Units and dividend equivalents. Any tax withholding obligation of the Employer with respect to the distribution of shares of Company Stock pursuant to the Performance Units that are earned by the Participant under this Grant may, at the Committee's discretion, be satisfied by having shares of Company Stock withheld up to an amount that does not exceed the minimum applicable withholding tax rate for federal (including FICA), state, local and other tax liabilities.

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

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

19. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be (i) delivered by hand, (ii) delivered by a national overnight courier or delivery service, (iii) enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service, or (iv) in the case of notices by the Company to the Participant, delivered by e-mail or other electronic means (with confirmation of receipt to be made by any oral, electronic or written means).

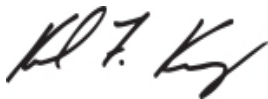
20. Taxation; Code Section 409A. As applicable, this Grant is intended to comply with the requirements of section 409A of the Code and shall be interpreted and administered in accordance with Code section 409A. Notwithstanding any provision to the contrary herein, if the Performance Units constitute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

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

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Company has caused this Grant to be executed, effective as of the Date of Grant.
AMERICAN WATER WORKS COMPANY, INC.

By: Karl F. Kurz

A handwritten signature in black ink, appearing to read "Karl F. Kurz". The signature is written in a cursive, somewhat stylized font.

Its: Chairman of the Board

“PSU GRANT B – EPS”

EXHIBIT A

PERFORMANCE GOALS

The number of Performance Units that may be earned shall be determined based on the achievement of Compounded Earnings Per Share Growth (as described below) over the Performance Period.

Compounded Earnings Per Share (“EPS”) Growth – will be calculated based on fully diluted EPS calculated in accordance with US GAAP as reported in the Company’s audited consolidated financial statements adjusted to exclude all items of gain, loss or expense for the fiscal year determined to be extraordinary or unusual in nature or infrequent in occurrence or related to the disposal of a segment of a business or related to a change in accounting principle or, as determined by the Committee, any other change or event similar in nature. The starting point for the calculation will be adjusted EPS of \$4.25 for the year ended December 31, 2021. The ending point for the calculation will be EPS for the year ended December 31, 2024, adjusted to exclude all items of gain, loss or expense for the fiscal year determined to be extraordinary or unusual in nature or infrequent in occurrence or related to the disposal of a segment of a business or related to a change in accounting principle or, as determined by the Committee, any other change or event similar in nature.

The award scale for Compounded EPS Growth is as follows:

Compounded EPS Growth	
Actual Compounded EPS Growth	Target Award
8.0% or more	200%
5.0%	100%
4.0%	0%

If actual achievement of the Performance Goal does not meet threshold performance (i.e., less than 4.0% for Compounded EPS Growth, then that Performance Goal will be reflected in the final result for determining the number of earned Performance Units at its assigned weighting with a 0%. The maximum award that may be earned for each Performance Goal is capped at 200%, and the maximum award that may be earned by the Participant is capped at 200% of the Target Award.

Example:

The following is an example calculation for a Participant with a Target Award of 1,000 Performance Units:

Earnings Per Share

	12/31/2021 Adjusted	12/31/2024 Illustration
Adjusted diluted earnings per share from continuing operations	\$ 4.25	\$5.17
Compounded EPS growth		6.75%

Earned Performance Units

	Achievement	Award
Compounded EPS Growth	6.75%	158.3%

In this example, the individual who was awarded a Target Grant of 1,000 Performance Units would earn 1,583 Performance Units (1,000 x 1.583), which is convertible into an equivalent number of shares of Company Stock assuming all other terms and conditions of the Grant have been satisfied.

AMERICAN WATER WORKS COMPANY, INC.
2017 OMNIBUS EQUITY COMPENSATION PLAN
PERFORMANCE STOCK UNIT GRANT

This PERFORMANCE STOCK UNIT GRANT, dated as of February 15, 2022 (the “Date of Grant”), is delivered by American Water Works Company, Inc. (the “Company”) to _____ (the “Participant”).

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the “Plan”)) has adopted a 2022 Long Term Performance Plan (“2022 LTPP”) pursuant to which designated employees will be granted equity awards (collectively, the “Equity Award”) for shares of Common Stock of the Company, par value \$0.01 per share (the “Company Stock”);

WHEREAS, the Equity Award is comprised of three separate grants: a restricted stock unit and two performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2022 LTPP and to grant the Participant an Equity Award under the 2022 LTPP; and

WHEREAS, the Committee has determined that the performance stock unit portion of the Equity Award granted to the Participant pursuant to the 2022 LTPP shall be issued under the Plan, and the terms and conditions of the performance stock unit grant that may be earned based on Performance Goals (defined below) relating to compounded earnings per share, as set forth in Exhibit A attached hereto, shall be memorialized in this grant (the “Grant”).

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

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

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

3. Performance Goals.

(a) Unless a Change of Control (as defined below) occurs prior to the end of the Performance Period (as defined below), the distribution of the shares of Company Stock

attributable to the Performance Units is contingent upon achievement of the performance goals set forth in Exhibit A attached hereto (the “Performance Goals”) and the Participant satisfying the continuation of employment and service with the Employer (as defined in the Plan) requirement described in Paragraph 4 below.

(b) As soon as administratively practicable following the end of the Performance Period (as defined in Paragraph 3(d) below), the Committee will determine whether and to what extent the Performance Goals have been met and the number of Performance Units the Participant has earned, if any. Except as described in Paragraph 4 below, the Participant must be employed by, or providing service to, the Employer on the last day of the Performance Period in order to earn the Performance Units.

(c) If a Change of Control occurs prior to the end of the Performance Period, the Company is not the surviving corporation (or survives only as a subsidiary of another corporation or entity (the “surviving corporation”)) and the Performance Units are not converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation), then the Performance Period will end on the date of the Change of Control and the Performance Units will be deemed earned at the Target Award level as of the date of the Change of Control (the “Change of Control Date”). In the event the Participant’s Performance Units are assumed by the surviving corporation but the Participant ceases to be employed by, or providing service to, the surviving corporation (or a parent or subsidiary of the surviving corporation) within twelve (12) months after the date of the Change of Control on account of (i) a termination of such Participant’s employment by the surviving corporation (or a parent or subsidiary of the surviving corporation) for any reason other than on account of Cause (as defined in Paragraph 4(e) hereof), or on account of death or Disability (each as defined in the Plan), or (ii) a termination of employment or service by the Participant for Good Reason (as defined in the Plan), then the Performance Period will end on the date of such termination of employment or service (the “Termination Date”) and the Performance Units will be deemed earned at the Target Award level as of the Termination Date. For purposes of this Grant, “Change of Control” shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Grant unless the event constituting the Change of Control constitutes a change in ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the “Code”) and its corresponding regulations.

(d) For purposes of this Grant, the term “Performance Period” shall mean the three (3)-year period beginning on January 1, 2022 and ending December 31, 2024.

4. Termination of Employment or Service.

(a) Except as set forth in Paragraphs 3(c) 4(b) or 4(c), if, at least one year after the beginning of the Performance Period, but prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of any reason other than a termination for Cause (as defined below), the Participant will earn a pro-rata portion of the Performance Units, if the Performance Goals and the requirements of this Grant are met as of the last day of the Performance Period. The pro-rata portion earned will be equal to the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, multiplied by a fraction, which fraction shall be equal to (i) 1/3, if the Participant’s employment or service with the Employer terminates on or after January 31, 2023, but prior to January 31, 2024; (ii) 2/3, if the Participant’s employment or service with the Employer terminates on or after January 31, 2024, but prior to January 31, 2025; and (iii) 3/3, if the Participant’s employment or service terminates with the

Employer on or after January 31, 2025. If the Participant ceases to be employed by, or provide service to, the Employer for any reason other than on account of Cause, the prorated number of Performance Units earned by the Participant pursuant to this Paragraph 4(a) will be distributed in accordance with Paragraph 5.

(b) Notwithstanding any provision of this Agreement to the contrary, if prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of Normal Retirement, then the Participant will earn the number of Performance Units that would have been earned if the Participant has remained employed through the last day of the Performance Period, if the Performance Goals and the requirements of this Grant are met as of the last day of the Performance Period. If the Participant ceases to be employed by, or provide service to, the Employer on account of Normal Retirement pursuant to this subparagraph (b), the number of Performance Units that are earned based on the Performance Goals and other requirements of this Grant will be distributed in accordance with Paragraph 5. For purposes of this Grant, "Normal Retirement" shall mean termination of employment or service with the Employer (other than for Cause) after the Participant has attained age sixty (60) and has five (5) total years of employment or service with the Employer which includes at least three (3) consecutive full calendar years of service in the position of Chief Executive Officer, Chief Operating Officer or Chief Financial Officer, or any combination thereof.

(c) Notwithstanding any provision of this Agreement to the contrary, if prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of Early Retirement, then the Participant will earn 75% of the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, if the Performance Goals and the requirements of this Grant are met as of the last day of the Performance Period, and unearned Performance Units shall be immediately forfeited. If the Participant ceases to be employed by, or provide service to, the Employer on account of Early Retirement pursuant to this subparagraph (c), then the number of Performance Units that are earned based on the Performance Goals and other requirements of this Grant will be distributed in accordance with Paragraph 5. For purposes of this Grant, "Early Retirement" shall mean termination of employment or service with the Employer (other than for Cause) after the Participant has attained age fifty-five (55) and has five (5) total years of employment or service with the Employer which includes at least three (3) consecutive full calendar years of service in the position of Chief Executive Officer, Chief Operating Officer or Chief Financial Officer, or any combination thereof.

(d) Except as set forth in Paragraphs 4(b) or 4(c), if at any time prior to the earlier of January 31, 2023 or a Change of Control, the Participant's employment or service with the Employer is terminated by the Employer on account of any reason or no reason or by the Participant for any reason or no reason, all of the Performance Units subject to this Grant shall be immediately forfeited as of the date of the Participant's termination of employment or service with the Employer and the Participant shall not have any rights with respect to the distribution of any portion of the Performance Units.

(e) If at any time prior to the date the Performance Units are distributed in accordance with Paragraph 5 the Participant's employment or service with the Employer is terminated on account of Cause, all of the Performance Units subject to this Grant shall be immediately forfeited and the Participant will not have any rights with respect to the distribution of any portion of the Performance Units, irrespective of the level of achievement of the Performance Goals. For purposes of this Grant, "Cause" shall mean a finding by the Committee that the Participant (i) has breached his or her employment or service contract with the Employer, if any;

(ii) has engaged in disloyalty to the Employer, including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty; (iii) has disclosed trade secrets or confidential information of the Employer to persons not entitled to receive such information; (iv) has breached any written noncompetition or non-solicitation agreement between the Participant and the Employer; or (v) has engaged in such other behavior detrimental to the interests of the Employer as the Committee determines.

5. Time and Form of Payment with Respect to Performance Units. Unless an election is made pursuant to Paragraph 6 below, the Participant will receive a distribution with respect to the Performance Units earned as described in Paragraphs 3 and 4 above within seventy (70) days following the earliest of (a) January 31, 2025 (the "Distribution Date"), (b) the Change of Control Date, or (c) the Termination Date. The Performance Units will be distributed in shares of Company Stock, with each Performance Unit earned equivalent to one share of Company Stock. Any Performance Units not earned because of the failure to attain the Performance Goals and service condition will be immediately forfeited.

6. Deferrals. The Participant may make an irrevocable election to defer the Distribution Date (or further defer the Deferred Date (as defined below), if applicable) of all of the Performance Units that are earned, plus dividend equivalents earned on such Performance Units as described in Paragraph 7 below, to a later date, provided that, except as to any election made by the Participant to accelerate the Deferred Date in the event of his or her death prior to the Deferred Date, (a) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (b) the deferred Distribution Date cannot be earlier than five (5) years from the original Distribution Date under Paragraph 5 above (or five (5) years from the applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (c) the election must be made no less than twelve (12) months prior to the date of the Distribution Date (twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Distribution Date, the Participant must elect to defer 100% of the Performance Units, including corresponding dividend equivalents, earned by the Participant under this Grant, as well as 100% of the other performance stock units, including corresponding dividend equivalents, earned by the Participant under the 2022 LTTP, complete the deferral election form provided to the Participant, and return such form to the Company in the manner and by the deadline provided therein. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant's election pursuant to this Paragraph, if the Change of Control Date or the Termination Date occurs prior to the Deferred Date, the distribution of the Participant's earned Performance Units, plus corresponding dividend equivalents, will be the Change of Control Date or the Termination Date, as applicable. If a Distribution Date is delayed one or more times pursuant to any election made by the Participant pursuant to this Paragraph 6, the new Distribution Date shall be referred to as the "Deferred Date."

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

any dividends that were credited to the Participant's Dividend Equivalent Account that are attributable to Performance Units that have been forfeited as provided in Paragraph 3 and 4 above shall be forfeited and not payable to the Participant. No interest shall accrue on any dividend equivalents credited to the Participant's Dividend Equivalent Account.

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

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

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

(a) To the extent permitted by Code section 409A, the obligation of the Company to deliver shares of Company Stock upon the Participant earning the Performance Units shall be subject to the condition that shares of Company Stock be qualified for listing on the New York Stock Exchange or another securities exchange and be registered under the Securities Act of 1933, as amended, and that any consent or approval of any governmental regulatory body that is necessary to issue shares of Company Stock has been so obtained, and that shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

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

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

(i) to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time) regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and/or from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Insider Trading and Prohibited Transactions Policy and the Personal Securities Trading and Preclearance Practice; and

(ii) that any shares of Company Stock received by the Participant upon the distribution of the earned Performance Units pursuant to this Grant shall be subject to the guidelines and restrictions set forth in the Company's Executive Stock Ownership Guidelines and Executive Stock Retention Requirements,

effective as of July 26, 2019 (and as they may be amended, restated, supplemented and interpreted), and any applicable clawback or recoupment policies and other policies that may be implemented by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

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

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

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

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

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

16. Withholding. The Participant shall be required to pay to the Employer, or make other arrangements satisfactory to the Employer to provide for the payment of, any federal, state, local or other taxes that the Employer is required to withhold with respect to the grant, vesting and

distribution of the Performance Units and dividend equivalents. Any tax withholding obligation of the Employer with respect to the distribution of shares of Company Stock pursuant to the Performance Units that are earned by the Participant under this Grant may, at the Committee's discretion, be satisfied by having shares of Company Stock withheld up to an amount that does not exceed the minimum applicable withholding tax rate for federal (including FICA), state, local and other tax liabilities.

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

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

19. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be (i) delivered by hand, (ii) delivered by a national overnight courier or delivery service, (iii) enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service, or (iv) in the case of notices by the Company to the Participant, delivered by e-mail or other electronic means (with confirmation of receipt to be made by any oral, electronic or written means).

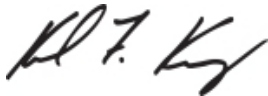
20. Taxation; Code Section 409A. As applicable, this Grant is intended to comply with the requirements of section 409A of the Code and shall be interpreted and administered in accordance with Code section 409A. Notwithstanding any provision to the contrary herein, if the Performance Units constitute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

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

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Company has caused this Grant to be executed, effective as of the Date of Grant.
AMERICAN WATER WORKS COMPANY, INC.

By: Karl F. Kurz

A handwritten signature in black ink, appearing to read "Karl F. Kurz". The signature is written in a cursive, somewhat stylized font.

Its: Chairman of the Board

“PSU GRANT B – EPS”

EXHIBIT A

PERFORMANCE GOALS

The number of Performance Units that may be earned shall be determined based on the achievement of Compounded Earnings Per Share Growth (as described below) over the Performance Period.

Compounded Earnings Per Share (“EPS”) Growth – will be calculated based on fully diluted EPS calculated in accordance with US GAAP as reported in the Company’s audited consolidated financial statements adjusted to exclude all items of gain, loss or expense for the fiscal year determined to be extraordinary or unusual in nature or infrequent in occurrence or related to the disposal of a segment of a business or related to a change in accounting principle or, as determined by the Committee, any other change or event similar in nature. The starting point for the calculation will be adjusted EPS of \$4.25 for the year ended December 31, 2021. The ending point for the calculation will be EPS for the year ended December 31, 2024, adjusted to exclude all items of gain, loss or expense for the fiscal year determined to be extraordinary or unusual in nature or infrequent in occurrence or related to the disposal of a segment of a business or related to a change in accounting principle or, as determined by the Committee, any other change or event similar in nature.

The award scale for Compounded EPS Growth is as follows:

Compounded EPS Growth	
Actual Compounded EPS Growth	Target Award
8.0% or more	200%
5.0%	100%
4.0%	0%

If actual achievement of the Performance Goal does not meet threshold performance (i.e., less than 4.0% for Compounded EPS Growth, then that Performance Goal will be reflected in the final result for determining the number of earned Performance Units at its assigned weighting with a 0%. The maximum award that may be earned for each Performance Goal is capped at 200%, and the maximum award that may be earned by the Participant is capped at 200% of the Target Award.

Example:

The following is an example calculation for a Participant with a Target Award of 1,000 Performance Units:

Earnings Per Share

	12/31/2021 Adjusted	12/31/2024 Illustration
Adjusted diluted earnings per share from continuing operations	\$ 4.25	\$5.17
Compounded EPS growth		6.75%

Earned Performance Units

	Achievement	Award
Compounded EPS Growth	6.75%	158.3%

In this example, the individual who was awarded a Target Grant of 1,000 Performance Units would earn 1,583 Performance Units (1,000 x 1.583), which is convertible into an equivalent number of shares of Company Stock assuming all other terms and conditions of the Grant have been satisfied.



January 21, 2022

Mr. James Gallegos

Dear James:

On behalf of American Water Works Service Company, Inc., I am pleased to offer you the full-time position of EVP, General Counsel, reporting to the President and CEO at our Camden, New Jersey headquarters office. The anticipated start date of your new position will be Tuesday, March 1, 2022. We are confident that you will find this new role to be personally rewarding and one in which you can make significant contributions to the company. ***The terms of this offer letter are subject to the approval of the Executive Development & Compensation Committee of the American Water Board of Directors (the Committee).***

Safety, trust, teamwork, high performance, and environmental leadership define our culture – a culture where every employee feels valued and lives up to his or her potential. Creating an environment where differences are embraced and where every person feels engaged and included makes us safer, stronger, and more successful. We believe that our success is based upon our employees having a vested interest in our business. As a part of our team, you will be tasked with helping make a great company even better – in doing so, you will be rewarded for your contributions. The following is our offer to you:

Base Salary: Your annual salary will be approximately \$600,000.00, which will be paid on a bi-weekly basis in accordance with American Water's standard payroll practices. The salary level for your position is 90. Your job performance will be reviewed annually as part of our performance management process and you may be eligible for a merit increase in 2023.

APP: You are eligible to participate in American Water's Annual Performance Plan with a target award amount equal to 75% of your annual base salary. For 2022 you will be eligible for a pro-rated APP payout based on your date of hire. Awards from the Annual Performance Plan are based on several factors including company performance and attainment of individual performance objectives, and payments may be higher or lower than target.

LTPP: You are eligible to participate in the American Water Long Term Performance Plan (LTPP), and will receive a target opportunity with a fair value equal to 160% of your base salary as of grant date. Your 2022 LTPP grant will be issued and valued as of your date of hire. For reference purposes, awards are currently granted under the terms and conditions of the Company's 2017 Omnibus Equity Compensation Plan (the "Plan") and related grant documents, in the form of restricted stock units and performance stock units, as follows: 30% Restricted Stock Units, 35% performance stock units based on TSR ranking and 35% performance stock units based on an internal measure determined by the Committee. In the event of any conflict between your offer letter and the terms of the award grant documents and the Plan, the terms of the award documents and the Plan will govern. Please note that all employees in salary levels 70 and above are subject to the Company's Executive Stock Ownership Guidelines and Stock Retention Requirements, and you will be required to hold Company stock with a value of 3 times your base salary by March 1, 2027.

You will receive a one-time restricted stock unit grant under the Long Term Performance Plan with a fair value of approximately \$1,000,000.00. The number of shares will be determined based on the closing price of American Water stock on your first day of your new role and will vest ratably over three (3) years beginning on January 31, 2023.

The grant of any and all equity awards referenced in this offer letter remains subject to the approval of the Committee.

Benefits: American Water offers a competitive benefits program for you and your eligible dependents. An outline of our benefits is attached for your review. Our benefit plans include medical, prescription drug, dental, vision, flexible spending accounts (Health and Dependent Care), employer paid life/disability insurance, voluntary life insurance, Healthy Solutions incentive based wellness program, employee assistance program and educational assistance. Your enrollment is effective the 1st day of the month after your hire date.

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Mr. James Gallegos
January 21, 2022
Page 2

Defined Contribution Plan: You will be eligible to participate in the 401(k) Savings Plan and Defined Contribution plans effective the date of hire. Approximately one week after your hire date, you will receive a letter from Merrill Lynch advising that you will be automatically enrolled into the plan at a 3% contribution level. If you do not enroll on your own, the automatic enrollment will take place 30 days from the date of the letter. You can stop or change your contribution percentage at any time.

American Water contributes on your behalf an amount equal to 5.25% of your base salary or hourly pay, regardless of whether you chose to make contributions to the 401(k) Plan. Your Defined Contributions will be invested in the same funds as you direct your 401(k) contributions to be invested. If you do not select an investment option, your account balance will be invested in the Vanguard Target Retirement Funds based on when you would attain age 65.

Non-Qualified Deferred Compensation: You will also be eligible to participate in our Non-Qualified Deferred Compensation Plan beginning in 2023, based on annual enrollment in December. The Company may make Employer Matching and Defined Contribution Account contributions as soon as administratively practicable after the end of the applicable plan year. Under the Non-Qualified Deferred Compensation Plan, Employer Matching contributions are immediately vested; Defined Contribution Account contributions will generally vest after five years of service.

Additional Considerations: You are eligible for a one time cash sign-on bonus valued at \$100,000, subject to applicable withholdings, which will be paid to you within 30 days of your start date.

Relocation: You will be eligible for the Blue package for relocation benefits under American Water's relocation policy according to the parameters of our policy and eligibility criteria as set forth by the IRS. You will be required to sign a Relocation Services Payback Agreement stating that if an employee resigns within 24 months of the effective date of their transfer with the Company, they are required to reimburse the relocation expenses to the Company on a pro-rated basis. The specific terms of the Blue package are otherwise confidential between you and American Water. The management of your relocation will be handled by NEI Global Relocation. Information regarding their services is attached. Please note that your signature on the attached Relocation Payback Agreement is required to initiate the relocation process with NEI.

Holidays/Vacation: You will be eligible for 25 days of paid vacation, 6 floating holidays and 8 fixed holidays per calendar year. Your time will be pro-rated for 2022.

Sick Days: You are eligible for 10 sick days annually. For the balance of 2022, you will be eligible for 10 sick days.

Executive Severance Policy: You will be an eligible participant under the executive severance policy which provides severance benefits to certain executives whose employment is involuntarily terminated by American Water for reasons other than cause, and other than in connection with a change of control. A copy of the Executive Severance policy has been provided with this offer.

Change of Control Severance Policy: You will be an eligible participant under the Change of Control Severance Policy which provides severance benefits to certain executives whose employment is involuntarily terminated for reasons other than cause or if the executive resigns from employment for Good Reason (as defined therein), and such termination occurs within a period beginning on the date a Change of Control is completed and ending 24 months thereafter.

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Mr. James Gallegos
January 21, 2022
Page 3

This offer is contingent upon the successful completion and results of both a background check and a drug screen as well as approvals by the Committee and the American Water Board of Directors. You will be receiving an email from our vendor, CareerBuilder, on behalf of American Water Careers, asking you to complete information for the background check and drug screen. Please complete this information as quickly as possible, and report for your drug screening within 48 hours.

Additionally, as part of our new hire process, you will be asked to complete a Form 1-9 in compliance with the Immigration Reform and Control Act after the offer acceptance or no later than the first date of hire. Please refer to this link-Click Here and follow the instructions. If you experience technical difficulty with this link, please contact your Recruiter.

Your signature below indicates your acceptance of our offer and the terms of employment with American Water. Please review all attachments and sign and return the Confidentiality and Intellectual Property Agreements with your offer letter.

As you will be a Section 16 officer of the Company, American Water may be required to disclose your compensation and/or this offer letter in an SEC filing. Your signature below indicates your acknowledgment of this requirement of your position.

Your signature below indicates your acceptance of our offer and the terms of employment with American Water. Please review, sign and return a copy of this promotion letter.

Jim, we wish you the best of luck in your new role and future opportunities with American Water!

Sincerely,

Susan Hardwick

Susan Hardwick
Interim CEO
Executive Vice President, Chief Financial Officer
American Water

cc: Melanie Kennedy, Executive Vice President, Chief Human Resources Officer

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

/s/ JAMES GALLEGOS February 6, 2022
Signature

Date

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CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

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

I, M. Susan Hardwick, certify that:

1. I have reviewed this quarterly report on Form 10-Q of American Water Works Company, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the consolidated financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. I am the registrant's sole certifying officer, and I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. As the registrant's sole certifying officer, I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 27, 2022

By: /s/ M. SUSAN HARDWICK

M. Susan Hardwick
President, Chief Executive Officer and Chief Financial Officer
(Principal Executive Officer and Principal Financial Officer)

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

In connection with the quarterly report of American Water Works Company, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, M. Susan Hardwick, President, Chief Executive Officer and Chief Financial Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ M. SUSAN HARDWICK

M. Susan Hardwick
President, Chief Executive Officer and Chief Financial Officer
(Principal Executive Officer and Principal Financial Officer)
April 27, 2022

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2021

OR

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

For the transition period from _____ to _____

Commission file number: 001-34028

AMERICAN WATER WORKS COMPANY, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

51-0063696

(I.R.S. Employer Identification No.)

1 Water Street, Camden, NJ 08102-1658

(Address of principal executive offices) (Zip Code)

(856) 955-4001

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of each exchange on which registered</u>
Common stock, par value \$0.01 per share	AWK	New York Stock Exchange

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>	Non-accelerated filer	<input type="checkbox"/>
Smaller reporting company	<input type="checkbox"/>	Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

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

<u>Class</u>	<u>Shares Outstanding as of October 27, 2021</u>
Common Stock, par value \$0.01 per share	181,537,748

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* * *

Throughout this Quarterly Report on Form 10-Q (“Form 10-Q”), unless the context otherwise requires, references to the “Company” and “American Water” mean American Water Works Company, Inc. and all of its subsidiaries, taken together as a whole. References to the “parent company” mean American Water Works Company, Inc., without its subsidiaries.

FORWARD-LOOKING STATEMENTS

Statements included in Part I, Item 2—Management’s Discussion and Analysis of Financial Condition and Results of Operations and in other sections of this Form 10-Q are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and the Private Securities Litigation Reform Act of 1995. In some cases, these forward-looking statements can be identified by words with prospective meanings such as “intend,” “plan,” “estimate,” “believe,” “anticipate,” “expect,” “predict,” “project,” “propose,” “assume,” “forecast,” “likely,” “uncertain,” “outlook,” “future,” “pending,” “goal,” “objective,” “potential,” “continue,” “seek to,” “may,” “can,” “should,” “will” and “could” or the negative of such terms or other variations or similar expressions. Forward-looking statements may relate to, among other things: the Company’s future financial performance, liquidity and cash flows; the timing and amount of rate and revenue adjustments, including through general rate case filings, filings for infrastructure surcharges and other governmental agency authorizations and proceedings, and filings to address regulatory lag; the Company’s growth and portfolio optimization strategies, including the timing and outcome of pending or future acquisition activity; the ability to complete the announced sales of the Company’s New York subsidiary and its Homeowner Services Group (“HOS”) (including the ability to obtain required regulatory approvals and required consents), the accounting, financial and other impacts of each of these transactions (including impacts on the Company’s current and short- and long-term expectations, guidance and plans with respect to its current and future debt and equity capital needs, capital expenditures, dividends, earnings, earnings per share, growth, future regulatory outcomes, rate base growth, and other financial and operational plans), the amount and timing of proceeds anticipated to be received therefrom, and the ability to achieve the Company’s regulatory and other strategies, benefits, plans and goals related to the transactions; the ability of the Company’s California subsidiary to obtain adequate alternative water supplies in lieu of diversions from the Carmel River and to comply with certain regulatory orders and interpretations thereof with respect to such diversions; the amount and allocation of projected capital expenditures and related funding requirements; the Company’s ability to repay or refinance debt; the ability to execute its current and long-term business, operational and capital expenditures strategies; its ability to finance current operations, capital expenditures and growth initiatives by accessing the debt and equity capital markets; the outcome and impact on the Company of governmental and regulatory investigations and proceedings and related potential fines, penalties and other sanctions; the ability to complete, and the timing and efficacy of, the design, development, implementation and improvement of technology and other strategic initiatives; the impacts to the Company of the pandemic health event resulting from COVID-19; the ability to capitalize on existing or future utility privatization opportunities; trends in the industries in which the Company operates, including macro trends with respect to the Company’s efforts related to customer, technology and work execution; regulatory, legislative, tax policy or legal developments; and impacts that future significant tax legislation may have on the Company and on its business, results of operations, cash flows and liquidity.

Forward-looking statements are predictions based on the Company’s current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, financial results, levels of activity, performance or achievements, and readers are cautioned not to place undue reliance upon them. These forward-looking statements are subject to a number of estimates, assumptions, known and unknown risks, uncertainties and other factors. The Company’s actual results may vary materially from those discussed in the forward-looking statements included herein as a result of the following important factors:

- the decisions of governmental and regulatory bodies, including decisions to raise or lower customer rates and regulatory responses to the COVID-19 pandemic;
- the timeliness and outcome of regulatory commissions’ and other authorities’ actions concerning rates, capital structure, authorized return on equity, capital investment, system acquisitions and dispositions, taxes, permitting, water supply and management, and other decisions;
- changes in customer demand for, and patterns of use of, water, such as may result from conservation efforts, impacts of the COVID-19 pandemic, or otherwise;
- limitations on the availability of the Company’s water supplies or sources of water, or restrictions on its use thereof, resulting from allocation rights, governmental or regulatory requirements and restrictions, drought, overuse or other factors;
- a loss of one or more large industrial or commercial customers due to adverse economic conditions, the COVID-19 pandemic, or other factors;
- changes in laws, governmental regulations and policies, including with respect to the environment, health and safety, consumer and data privacy, water quality and water quality accountability, contaminants of emerging concern, public utility and tax regulations and policies, and impacts resulting from U.S., state and local elections and changes in federal, state and local executive administrations;
- weather conditions and events, climate variability patterns, and natural disasters, including drought or abnormally high rainfall, prolonged and abnormal ice or freezing conditions, strong winds, coastal and intercoastal flooding, pandemics (including COVID-19) and epidemics, earthquakes, landslides, hurricanes, tornadoes, wildfires, electrical storms, sinkholes and solar flares;
- the outcome of litigation and similar governmental and regulatory proceedings, investigations or actions;

- the risks associated with the Company’s aging infrastructure, and its ability to appropriately improve the resiliency of, or maintain and replace, current or future infrastructure and systems, including its technology and other assets, and manage the expansion of its businesses;
- exposure or infiltration of the Company’s technology and critical infrastructure systems, including the disclosure of sensitive, personal or confidential information contained therein, through physical or cyber attacks or other means;
- the Company’s ability to obtain permits and other approvals for projects and construction of various water and wastewater facilities;
- changes in the Company’s capital requirements;
- the Company’s ability to control operating expenses and to achieve operating efficiencies;
- the intentional or unintentional actions of a third party, including contamination of the Company’s water supplies or the water provided to its customers;
- the Company’s ability to obtain adequate and cost-effective supplies of equipment (including personal protective equipment), chemicals, electricity, fuel, water and other raw materials;
- the Company’s ability to successfully meet growth projections for the Regulated Businesses and the Market-Based Businesses (each as defined in this Form 10-Q), either individually or in the aggregate, and capitalize on growth opportunities, including, among other things, with respect to:
 - acquiring, closing and successfully integrating regulated operations and market-based businesses;
 - entering into contracts and other agreements with, or otherwise obtaining, new customers or partnerships in the Market-Based Businesses; and
 - realizing anticipated benefits and synergies from new acquisitions;
- risks and uncertainties associated with the Company’s potential sale of HOS, including:
 - the ability to obtain the expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (the “HSR Act”), and other required consents, and to make timely all required closing deliveries;
 - closing and post-closing adjustments to the consideration to be received in the transaction, as well as the tax impacts thereof;
 - the Company’s ability to receive any contingent consideration provided for in the transaction, as well as amounts due, payable and owing to the Company from time to time under the seller note to be issued pursuant thereto;
 - the ability to redeploy successfully and timely the net proceeds of the transaction into the Company’s Regulated Businesses;
 - unexpected costs, liabilities or delays associated with this transaction; and
 - regulatory, legislative, local or municipal actions affecting the home warranty services and the water and wastewater industries;
- risks and uncertainties associated with contracting with the U.S. government, including ongoing compliance with applicable government procurement and security regulations;
- cost overruns relating to improvements in or the expansion of the Company’s operations;
- the Company’s ability to successfully develop and implement new technologies and to protect related intellectual property;
- the Company’s ability to maintain safe work sites;
- the Company’s exposure to liabilities related to environmental laws and similar matters resulting from, among other things, water and wastewater service provided to customers;
- changes in general economic, political, business and financial market conditions, including without limitation conditions and collateral consequences associated with the COVID-19 pandemic health event;
- access to sufficient debt and/or equity capital on satisfactory terms and when and as needed to support operations and capital expenditures;
- fluctuations in interest rates;
- the ability to comply with affirmative or negative covenants in the current or future indebtedness of the Company or any of its subsidiaries, or the issuance of new or modified credit ratings or outlooks or other communications by credit rating agencies with respect to the Company or any of its subsidiaries (or any current or future indebtedness thereof), which could increase financing costs or funding requirements and affect the Company’s or its subsidiaries’ ability to issue, repay or redeem debt, pay dividends or make distributions;
- fluctuations in the value of benefit plan assets and liabilities that could increase the Company’s cost and funding requirements;
- changes in federal or state general, income and other tax laws, including (i) future significant tax legislation, (ii) further rules, regulations, interpretations and guidance by the U.S. Department of the Treasury and state or local taxing authorities related to the enactment of the Tax Cuts and Jobs Act of 2017 (the “TCJA”), (iii) the availability of, or the Company’s compliance with, the terms of applicable tax credits and tax abatement programs, and (iv) the Company’s ability to utilize its U.S. federal and state income tax net operating loss carryforwards;
- migration of customers into or out of the Company’s service territories;

- the use by municipalities of the power of eminent domain or other authority to condemn the systems of one or more of the Company's utility subsidiaries, or the assertion by private landowners of similar rights against such utility subsidiaries;
- any difficulty or inability to obtain insurance for the Company, its inability to obtain insurance at acceptable rates and on acceptable terms and conditions, or its inability to obtain reimbursement under existing or future insurance programs and coverages for any losses sustained;
- the incurrence of impairment charges related to the Company's goodwill or other assets;
- labor actions, including work stoppages and strikes;
- the Company's ability to retain and attract qualified employees;
- civil disturbances or unrest, or terrorist threats or acts, or public apprehension about future disturbances, unrest, or terrorist threats or acts; and
- the impact of new, and changes to existing, accounting standards.

These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above, and the risk factors and other statements contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2020 (the "Form 10-K") and in this Form 10-Q, and readers should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements the Company makes shall speak only as of the date this Form 10-Q was filed with the U.S. Securities and Exchange Commission ("SEC"). Except as required by the federal securities laws, the Company does not have any obligation, and it specifically disclaims any undertaking or intention, to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or otherwise. New factors emerge from time to time, and it is not possible for the Company to predict all such factors. Furthermore, it may not be possible to assess the impact of any such factor on the Company's businesses, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.

PART I. FINANCIAL INFORMATION**ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS****American Water Works Company, Inc. and Subsidiary Companies****Consolidated Balance Sheets (Unaudited)**

(In millions, except share and per share data)

	September 30, 2021	December 31, 2020
ASSETS		
Property, plant and equipment	\$ 26,877	\$ 25,614
Accumulated depreciation	(6,292)	(5,904)
Property, plant and equipment, net	<u>20,585</u>	<u>19,710</u>
Current assets:		
Cash and cash equivalents	70	547
Restricted funds	30	29
Accounts receivable, net of allowance for uncollectible accounts of \$76 and \$60, respectively	348	321
Unbilled revenues	249	206
Materials and supplies	53	47
Assets held for sale	678	629
Other	162	127
Total current assets	<u>1,590</u>	<u>1,906</u>
Regulatory and other long-term assets:		
Regulatory assets	1,128	1,127
Operating lease right-of-use assets	95	95
Goodwill	1,511	1,504
Postretirement benefit assets	175	173
Intangible assets	47	55
Other	202	196
Total regulatory and other long-term assets	<u>3,158</u>	<u>3,150</u>
Total assets	<u>\$ 25,333</u>	<u>\$ 24,766</u>

The accompanying notes are an integral part of these Consolidated Financial Statements.

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

	September 30, 2021	December 31, 2020
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock (\$0.01 par value; 500,000,000 shares authorized; 186,795,975 and 186,466,707 shares issued, respectively)	\$ 2	\$ 2
Paid-in-capital	6,772	6,747
Retained earnings	500	102
Accumulated other comprehensive loss	(45)	(49)
Treasury stock, at cost (5,260,279 and 5,168,215 shares, respectively)	(363)	(348)
Total common shareholders' equity	6,866	6,454
Long-term debt	10,349	9,329
Redeemable preferred stock at redemption value	3	4
Total long-term debt	10,352	9,333
Total capitalization	17,218	15,787
Current liabilities:		
Short-term debt	684	1,282
Current portion of long-term debt	48	329
Accounts payable	175	189
Accrued liabilities	520	591
Accrued taxes	73	50
Accrued interest	103	88
Liabilities related to assets held for sale	78	137
Other	163	215
Total current liabilities	1,844	2,881
Regulatory and other long-term liabilities:		
Advances for construction	284	270
Deferred income taxes and investment tax credits	2,285	2,113
Regulatory liabilities	1,660	1,770
Operating lease liabilities	81	81
Accrued pension expense	346	388
Other	180	83
Total regulatory and other long-term liabilities	4,836	4,705
Contributions in aid of construction	1,435	1,393
Commitments and contingencies (See Note 12)		
Total capitalization and liabilities	\$ 25,333	\$ 24,766

The accompanying notes are an integral part of these Consolidated Financial Statements.

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
Operating revenues	\$ 1,092	\$ 1,079	\$ 2,979	\$ 2,854
Operating expenses:				
Operation and maintenance	436	419	1,286	1,193
Depreciation and amortization	161	154	476	451
General taxes	78	73	241	225
Total operating expenses, net	675	646	2,003	1,869
Operating income	417	433	976	985
Other income (expense):				
Interest, net	(101)	(99)	(300)	(296)
Non-operating benefit costs, net	20	12	59	37
Other, net	4	6	11	17
Total other (expense) income	(77)	(81)	(230)	(242)
Income before income taxes	340	352	746	743
Provision for income taxes	62	88	128	179
Net income attributable to common shareholders	\$ 278	\$ 264	\$ 618	\$ 564
Basic earnings per share: (a)				
Net income attributable to common shareholders	\$ 1.53	\$ 1.46	\$ 3.40	\$ 3.11
Diluted earnings per share: (a)				
Net income attributable to common shareholders	\$ 1.53	\$ 1.46	\$ 3.40	\$ 3.11
Weighted-average common shares outstanding:				
Basic	182	181	182	181
Diluted	182	182	182	181

(a) Amounts may not calculate due to rounding.

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Comprehensive Income (Unaudited)
(In millions)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
Net income attributable to common shareholders	\$ 278	\$ 264	\$ 618	\$ 564
Other comprehensive income (loss), net of tax:				
Defined benefit pension plan actuarial loss, net of tax of \$0 and \$1 for the three months ended September 30, 2021 and 2020, respectively and \$1 and \$1 for the nine months ended September 30, 2021 and 2020, respectively	1	1	3	2
Unrealized gain (loss) on cash flow hedges, net of tax of \$0 and \$0 for the three months ended September 30, 2021 and 2020, respectively and \$0 and \$(1) for the nine months ended September 30, 2021 and 2020, respectively	—	—	1	(4)
Net other comprehensive income (loss)	1	1	4	(2)
Comprehensive income attributable to common shareholders	<u>\$ 279</u>	<u>\$ 265</u>	<u>\$ 622</u>	<u>\$ 562</u>

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Cash Flows (Unaudited)
(In millions)

	For the Nine Months Ended September 30,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 618	\$ 564
Adjustments to reconcile to net cash flows provided by operating activities:		
Depreciation and amortization	476	451
Deferred income taxes and amortization of investment tax credits	121	174
Provision for losses on accounts receivable	28	22
Pension and non-pension postretirement benefits	(31)	(10)
Other non-cash, net	(34)	(37)
Changes in assets and liabilities:		
Receivables and unbilled revenues	(103)	(121)
Pension and postretirement benefit contributions	(31)	(31)
Accounts payable and accrued liabilities	28	(17)
Other assets and liabilities, net	(43)	(7)
Net cash provided by operating activities	<u>1,029</u>	<u>988</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(1,205)	(1,314)
Acquisitions, net of cash acquired	(78)	(59)
Proceeds from sale of assets	—	2
Removal costs from property, plant and equipment retirements, net	(70)	(75)
Net cash used in investing activities	<u>(1,353)</u>	<u>(1,446)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	1,113	1,250
Repayments of long-term debt	(370)	(266)
(Repayments of) proceeds from term loan	(500)	500
Net short-term borrowings with maturities less than three months	(97)	(242)
Proceeds from issuances of employee stock plans and direct stock purchase plan, net of taxes paid of \$15 and \$17 for the nine months ended September 30, 2021 and 2020, respectively	(4)	6
Advances and contributions for construction, net of refunds of \$17 and \$20 for the nine months ended September 30, 2021 and 2020, respectively	50	20
Debt issuance costs and make-whole premium on early debt redemption	(26)	(12)
Dividends paid	(318)	(290)
Net cash (used in) provided by financing activities	<u>(152)</u>	<u>966</u>
Net (decrease) increase in cash, cash equivalents and restricted funds	(476)	508
Cash, cash equivalents and restricted funds at beginning of period	576	91
Cash, cash equivalents and restricted funds at end of period	<u>\$ 100</u>	<u>\$ 599</u>
Non-cash investing activity:		
Capital expenditures acquired on account but unpaid as of the end of period	\$ 238	\$ 236

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Changes in Shareholders' Equity (Unaudited)
(In millions)

	Common Stock			Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock		Total Shareholders' Equity
	Shares	Par Value	Paid-in-Capital			Shares	At Cost	
Balance as of December 31, 2020	186.5	\$ 2	\$ 6,747	\$ 102	\$ (49)	(5.2)	\$ (348)	\$ 6,454
Net income attributable to common shareholders	—	—	—	133	—	—	—	133
Common stock issuances (a)	0.2	—	10	—	—	(0.1)	(15)	(5)
Net other comprehensive loss	—	—	—	—	1	—	—	1
Balance as of March 31, 2021	186.7	\$ 2	\$ 6,757	\$ 235	\$ (48)	(5.3)	\$ (363)	\$ 6,583
Net income attributable to common shareholders	—	—	—	207	—	—	—	207
Common stock issuances (a)	0.1	—	8	—	—	—	—	8
Net other comprehensive loss	—	—	—	—	2	—	—	2
Dividends (\$0.6025 declared per common share)	—	—	—	(110)	—	—	—	(110)
Balance as of June 30, 2021	186.8	\$ 2	\$ 6,765	\$ 332	\$ (46)	(5.3)	\$ (363)	\$ 6,690
Net income attributable to common shareholders	—	—	—	278	—	—	—	278
Common stock issuances (a)	—	—	7	—	—	—	—	7
Net other comprehensive loss	—	—	—	—	1	—	—	1
Dividends (\$0.6025 declared per common share)	—	—	—	(110)	—	—	—	(110)
Balance as of September 30, 2021	186.8	\$ 2	\$ 6,772	\$ 500	\$ (45)	(5.3)	\$ (363)	\$ 6,866

(a) Includes stock-based compensation, employee stock purchase plan and direct stock reinvestment and purchase plan activity.

	Common Stock			Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Treasury Stock		Total Shareholders' Equity
	Shares	Par Value	Paid-in-Capital			Shares	At Cost	
Balance as of December 31, 2019	185.9	\$ 2	\$ 6,700	\$ (207)	\$ (36)	(5.1)	\$ (338)	\$ 6,121
Net income attributable to common shareholders	—	—	—	124	—	—	—	124
Common stock issuances (a)	0.3	—	13	—	—	(0.1)	(10)	3
Net other comprehensive loss	—	—	—	—	(5)	—	—	(5)
Balance as of March 31, 2020	186.2	\$ 2	\$ 6,713	\$ (83)	\$ (41)	(5.2)	\$ (348)	\$ 6,243
Net income attributable to common shareholders	—	—	—	176	—	—	—	176
Common stock issuances (a)	0.2	—	17	—	—	—	—	17
Net other comprehensive loss	—	—	—	—	2	—	—	2
Dividends (\$0.55 declared per common share)	—	—	—	(100)	—	—	—	(100)
Balance as of June 30, 2020	186.4	\$ 2	\$ 6,730	\$ (7)	\$ (39)	(5.2)	\$ (348)	\$ 6,338
Net income attributable to common shareholders	—	—	—	264	—	—	—	264
Common stock issuances (a)	—	—	9	—	—	—	—	9
Net other comprehensive loss	—	—	—	—	1	—	—	1
Dividends (\$0.55 declared per common share)	—	—	—	(100)	—	—	—	(100)
Balance as of September 30, 2020	186.4	\$ 2	\$ 6,739	\$ 157	\$ (38)	(5.2)	\$ (348)	\$ 6,512

(a) Includes stock-based compensation, employee stock purchase plan and direct stock reinvestment and purchase plan activity.

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Notes to Consolidated Financial Statements (Unaudited)
(Unless otherwise noted, in millions, except per share data)

Note 1: Basis of Presentation

The unaudited Consolidated Financial Statements included in this report include the accounts of American Water Works Company, Inc. and all of its subsidiaries (the “Company” or “American Water”), in which a controlling interest is maintained after the elimination of intercompany balances and transactions. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) for interim financial reporting, and the rules and regulations for reporting on Quarterly Reports on Form 10-Q (“Form 10-Q”). Accordingly, they do not contain certain information and disclosures required by GAAP for comprehensive financial statements. In the opinion of management, all adjustments necessary for a fair statement of the financial position as of September 30, 2021, and the results of operations and cash flows for all periods presented, have been made. All adjustments are of a normal, recurring nature, except as otherwise disclosed.

The unaudited Consolidated Financial Statements and Notes included in this report should be read in conjunction with the Company’s Annual Report on Form 10-K for the year ended December 31, 2020 (“Form 10-K”), which provides a more complete discussion of the Company’s accounting policies, financial position, operating results and other matters. The results of operations for interim periods are not necessarily indicative of the results that may be expected for the year, primarily due to the seasonality of the Company’s operations.

Note 2: Significant Accounting Policies

New Accounting Standards

Presented in the table below are new accounting standards that were adopted by the Company in 2021:

Standard	Description	Date of Adoption	Application	Effect on the Consolidated Financial Statements
Facilitation of the Effects of Reference Rate Reform on Financial Reporting	Provided optional guidance for a limited time to ease the potential accounting burden associated with the transition from London Interbank Offered Rate (“LIBOR”). The guidance contains optional expedients and exceptions for contract modifications, hedging relationships, and other transactions that reference LIBOR or other reference rates expected to be discontinued. The expedients elected must be applied for all eligible contracts or transactions, with the exception of hedging relationships, which can be applied on an individual basis.	March 12, 2020 through December 31, 2022	Prospective for contract modifications and hedging relationships; applied as of January 1, 2020.	The standard did not have a material impact on the Consolidated Financial Statements.
Simplifying the Accounting for Income Taxes	The guidance removes exceptions related to the incremental approach for intraperiod tax allocation, the requirement to recognize a deferred tax liability for changes in ownership of a foreign subsidiary or equity method investment, and the general methodology for calculating income taxes in an interim period when the year-to-date loss exceeds the anticipated loss. The guidance adds requirements to reflect changes to tax laws or rates in the annual effective tax rate computation in the interim period in which the changes were enacted, to recognize franchise or other similar taxes that are partially based on income as an income-based tax and any incremental amounts as non-income-based tax, and to evaluate when a step up in the tax basis of goodwill should be considered part of the business combination in which the book goodwill was originally recognized and when it should be considered a separate transaction.	January 1, 2021	Modified retrospective for amendments related to changes in ownership of a foreign subsidiary or equity method investment; modified retrospective or retrospective for amendments related to taxes partially based on income; prospective for all other amendments.	The standard did not have a material impact on the Consolidated Financial Statements.

Presented in the table below are recently issued accounting standards that have not yet been adopted by the Company as of September 30, 2021:

Standard	Description	Date of Adoption	Application	Estimated Effect on the Consolidated Financial Statements
Accounting for Convertible Instruments and Contracts in an Entity's Own Equity	Simplification of financial reporting associated with accounting for convertible instruments and contracts in an entity's own equity. The standard reduced the number of accounting models for convertible debt instruments and convertible preferred stock. This will result in fewer embedded conversion features being separately recognized from the host contract. Earnings per share ("EPS") calculations have been simplified for certain instruments.	January 1, 2022; early adoption is not permitted before fiscal years beginning after December 15, 2020	Either modified retrospective or fully retrospective.	The Company is evaluating any impact on its Consolidated Financial Statements, as well as the timing of adoption.
Accounting for Contract Assets and Contract Liabilities from Contracts with Customers	Enhances the accounting for acquired revenue contracts with customers in a business combination by addressing diversity in practice and inconsistency related to the recognition of an acquired contract liability, and payment terms and their effect on subsequent revenue recognized by the acquirer.	January 1, 2023; early adoption permitted	Prospective to business combinations occurring on or after the effective date of the amendments	The Company is evaluating any impact on its Consolidated Financial Statements, as well as the timing of adoption.

Cash, Cash Equivalents and Restricted Funds

Presented in the table below is a reconciliation of the cash and cash equivalents and restricted funds amounts as presented on the Consolidated Balance Sheets to the sum of such amounts presented on the Consolidated Statements of Cash Flows for the periods ended September 30:

	2021	2020
Cash and cash equivalents (a)	\$ 70	\$ 560
Restricted funds	30	39
Cash, cash equivalents and restricted funds as presented on the Consolidated Statements of Cash Flows	<u>\$ 100</u>	<u>\$ 599</u>

- (a) The majority of the change in the cash and cash equivalents balance is due to the repayment, at maturity, of the \$500 million in outstanding principal under the Term Loan Facility (as defined below). See Note 9—Short-Term Debt for additional information.

Allowance for Uncollectible Accounts

Allowances for uncollectible accounts are maintained for estimated probable losses resulting from the Company's inability to collect receivables from customers. Accounts that are outstanding longer than the payment terms are considered past due. A number of factors are considered in determining the allowance for uncollectible accounts, including the length of time receivables are past due, previous loss history, current economic and societal conditions and reasonable and supportable forecasts that affect the collectability of receivables from customers. The Company generally writes off accounts when they become uncollectible or are over a certain number of days outstanding. An increase in the allowance for uncollectible accounts for the period ending September 30, 2021 reflects the impacts from the COVID-19 pandemic, including an increase in uncollectible accounts expense and a reduction in amounts written off due to shutoff moratoria in place in certain of the Company's subsidiaries.

Presented in the table below are the changes in the allowance for uncollectible accounts for the nine months ended September 30:

	2021	2020
Balance as of January 1	\$ (60)	\$ (41)
Amounts charged to expense	(28)	(22)
Amounts written off	7	9
Less: Allowance for uncollectible accounts included in assets held for sale (a)	5	2
Balance as of September 30	<u>\$ (76)</u>	<u>\$ (52)</u>

(a) This portion of the allowance for uncollectible accounts is related to the pending transactions contemplated by the Stock Purchase Agreement among the Company, the Company's New York subsidiary and Liberty (as defined below), and is included in assets held for sale on the Consolidated Balance Sheets. See Note 6—Acquisitions and Divestitures for additional information.

Reclassifications

Certain reclassifications have been made to prior periods in the Consolidated Financial Statements and Notes to conform to the current presentation.

Note 3: Impact of the COVID-19 Pandemic

American Water continues to monitor the COVID-19 pandemic and has experienced financial impacts since the start of the pandemic resulting from lower revenues from the suspension of late fees and foregone reconnect fees in certain states, certain incremental operation and maintenance ("O&M") expenses, an increase in uncollectible accounts expense and additional debt costs. These impacts are collectively referred to as "financial impacts."

As of November 2, 2021, American Water has commission orders authorizing deferred accounting or cost recovery for COVID-19 financial impacts in 11 of 14 jurisdictions, with proceedings in New York and Tennessee pending. One jurisdiction, Kentucky, issued an order denying a request to defer to a regulatory asset the financial impacts related to the COVID-19 pandemic. Other regulatory actions to date are presented in the table below:

Commission Actions	Description	States
Orders issued with deferred accounting	Allows the Company to establish regulatory assets to record certain financial impacts related to the COVID-19 pandemic.	HI, IN, MD, NJ, PA, VA, WV
Orders issued with cost recovery	California's Catastrophic Event Memorandum Account allows the Company's California subsidiary to track certain financial impacts related to the COVID-19 pandemic for future recovery requests. Iowa issued a base rate case order on June 28, 2021, authorizing recovery in rates of the COVID-19 financial impacts deferred within its annual non-recurring expense rider. Illinois has authorized cost recovery of the COVID-19 financial impacts through a special purpose rider over a 24-month period, which was implemented effective October 1, 2020. Additionally, Illinois approved a bad debt rider tariff on December 16, 2020, allowing collection of actual bad debt expense over last authorized beginning April 2021 through February 2023. Illinois approved a stipulation in March 2021 to allow the rider to be extended through the end of 2023. Missouri issued a base rate case order on April 7, 2021, authorizing recovery in rates of the COVID-19 financial impacts deferred through March 31, 2021 over a three-year period.	CA, IA, IL, MO
Proceedings pending	Pending proceedings considering deferred accounting authorization for the future recovery of COVID-19 financial impacts.	NY, TN

The Company's Pennsylvania subsidiary filed for a request with the Pennsylvania Public Utility Commission (the "PaPUC") to defer as a regulatory asset all identified COVID-19 financial impacts. On September 15, 2021, the PaPUC issued an order approving the request to defer, with carrying costs, incremental uncollectible expense and other incremental costs net of savings attributed to the COVID-19 pandemic. The PaPUC order denied the request to include lost revenues attributed to the waiver of late fees and reconnect fees and expenses associated with additional interest costs. Additionally, the PaPUC order approved the request to allow for the continuation of the deferral of financial impacts, rejecting proposals from the intervening parties to define an end date to the deferral in 2021. As a result of the order discussed above, the Company recorded a net \$7 million reduction to its regulatory assets and corresponding impacts to revenue, interest expense and uncollectible expense during the third quarter of 2021. The Company continues to evaluate options within its next base rate case to address these denied items and the resulting financial impact.

On July 28, 2021, the Company’s Tennessee subsidiary filed a stipulation and settlement agreement with the Consumer Advocate Unit in the Financial Division of the Office of the Tennessee Attorney General, which reflected agreement on the deferral of COVID-19-related financial impacts through April 30, 2021. On August 9, 2021, the Tennessee Public Utility Commission denied the stipulation and settlement agreement and moved to address the Company’s Tennessee subsidiary’s petition to defer the COVID-19 financial impacts in a future hearing. On August 26, 2021, the Company’s Tennessee subsidiary filed a motion to withdraw its pending petition, preserving its right to seek recovery of the COVID-19 financial impacts in a future proceeding.

Consistent with these regulatory orders, the Company has recorded \$39 million in regulatory assets and \$6 million of regulatory liabilities for the financial impacts related to the COVID-19 pandemic on the Consolidated Balance Sheets as of September 30, 2021.

As of November 2, 2021, three states continue moratoria on the suspension of service disconnections due to non-payment. The moratoria on disconnects have expired in 11 states.

Note 4: Regulatory Matters

General Rate Cases and Infrastructure Surcharges

Presented in the table below are annualized incremental revenues, excluding reductions for the amortization of excess accumulated deferred income tax (“EADIT”) that are generally offset in income tax expense, assuming a constant water sales volume, resulting from general rate case authorizations and infrastructure surcharge authorizations that became effective in the current period:

(In millions)	During the Three Months Ended September 30,		During the Nine Months Ended September 30,	
	2021	2020	2021	2020
General rate cases by state:				
Missouri (effective May 28, 2021)	\$ —	\$ —	\$ 22	\$ —
New York (effective May 1, 2021)	—	—	7	—
Pennsylvania (effective January 28, 2021)	—	—	70	—
Indiana (effective May 1, 2020)	—	—	—	13
California (effective January 1, 2020)	—	—	—	5
Total general rate cases	\$ —	\$ —	\$ 99	\$ 18
Infrastructure surcharges by state:				
Kentucky (effective July 1, 2021 and July 1, 2020)	\$ 1	\$ 1	\$ 1	\$ 1
New Jersey (effective June 28, 2021, June 29, 2020 and January 1, 2020)	—	—	14	20
Indiana (effective March 17, 2021)	—	—	8	—
Pennsylvania (effective January 1, 2021, July 1, 2020, April 1, 2020 and January 1, 2020)	—	4	8	19
Illinois (effective January 1, 2021 and January 1, 2020)	—	—	7	7
West Virginia (effective January 1, 2021 and January 1, 2020)	—	—	5	3
Tennessee (effective January 1, 2021 and January 1, 2020)	—	—	3	2
Missouri (effective June 27, 2020)	—	—	—	10
Total infrastructure surcharges	\$ 1	\$ 5	\$ 46	\$ 62

Effective October 7, 2021, the Company’s Missouri subsidiary implemented infrastructure surcharges for annualized incremental revenues of \$7 million.

On August 28, 2020, the Company's Iowa subsidiary filed a general rate case requesting \$3 million in annualized incremental revenues. An order was issued on June 28, 2021 authorizing an increase of \$1 million. On July 9, 2021, the Company's Iowa subsidiary filed a Motion for Clarification with respect to the required accelerated flow back of unprotected EADIT over a three-year period to recognize the increase to rate base and incremental revenues as the unprotected EADIT is amortized. On September 21, 2021, that motion was denied. The Company's Iowa subsidiary filed tariffs consistent with the order on September 23, 2021. Effective October 11, 2021, the Iowa Utilities Board approved the tariffs and implemented the new rates.

On April 7, 2021, the Company's Missouri subsidiary was authorized additional annualized revenues of \$22 million, effective May 28, 2021, excluding agreed to reductions for EADIT as a result of the Tax Cuts and Jobs Act of 2017 (the "TCJA"). The EADIT reduction in revenues is \$25 million and is offset by a like reduction in income tax expense. The protected EADIT balance of \$72 million is being returned to customers using the average rate assumption method ("ARAM"), and the unprotected EADIT balance of \$74 million is being returned to customers over 10 years. The \$25 million EADIT reduction includes both the protected and unprotected catch-up period EADIT of \$13 million. The catch-up period of January 1, 2018 through May 31, 2021 covers the period from when the lower federal corporate income tax rate went into effect until new base rates went into effect and will be amortized over 2.5 years.

On March 2, 2021, an administrative law judge ("ALJ") in the Office of Administrative Law of New Jersey filed an initial decision with the New Jersey Board of Public Utilities (the "NJBPU") that recommended denial of a petition filed by the Company's New Jersey subsidiary, which sought approval of acquisition adjustments in rate base of \$29 million associated with the acquisitions of Shorelands Water Company, Inc. in 2017 and the Borough of Haddonfield's water and wastewater systems in 2015. On July 29, 2021, the NJBPU issued an order adopting the ALJ's initial decision without modification. The Company's New Jersey subsidiary filed a Notice of Appeal with the New Jersey Appellate Division on September 10, 2021. A scheduling order was issued on October 18, 2021 establishing a briefing schedule through January 2022. There is no financial impact to the Company as a result of the NJBPU's order, since the acquisition adjustments are currently recorded as goodwill on the Consolidated Balance Sheets.

On February 25, 2021, the Company's Pennsylvania subsidiary was authorized additional annualized revenues of \$90 million, effective January 28, 2021, excluding agreed to reductions for EADIT as a result of the TCJA, over two steps. The EADIT reduction in revenues is \$19 million. The overall increase, net of TCJA reductions, is \$71 million in revenues combined over two steps. The first step was effective January 28, 2021 in the amount of \$70 million (\$51 million including TCJA reductions) and the second step will be effective January 1, 2022 in the amount of \$20 million. The protected EADIT balance of \$200 million is being returned to customers using the ARAM, and the unprotected EADIT balance of \$116 million is being returned to customers over 20 years. The \$19 million annually includes both the protected and unprotected EADIT amortizations and a portion of catch-up period EADIT. A bill credit of \$11 million annually for two years returns to customers the remainder of the EADIT catch-up period amortization. The catch-up period of January 1, 2018 through December 31, 2020 covers the period from when the lower federal corporate income tax rate went into effect until new base rates went into effect and will be amortized over two years.

Pending General Rate Case Filings

On August 18, 2021, the Company's Hawaii subsidiary filed a general rate case requesting \$2 million in additional annualized revenues.

On April 30, 2021, the Company's West Virginia subsidiary filed a general rate case requesting \$32 million in annualized incremental revenues excluding proposed reductions for EADIT as a result of TCJA and infrastructure surcharges. The proposed EADIT reduction in revenues is \$1 million and the exclusion for infrastructure surcharges is \$10 million. Intervenor testimony was received on September 20, 2021. The Company's rebuttal testimony was filed on October 5, 2021. Hearings are scheduled to start November 3, 2021.

On July 1, 2019, the Company's California subsidiary filed a general rate case requesting \$29 million in annualized incremental revenues for 2021, and increases of \$10 million and \$11 million in the escalation year of 2022 and the attrition year of 2023, respectively. On October 11, 2019, the Company filed its 100-day update for the same proceeding and updated the request to \$27 million in annualized incremental revenues for 2021, and increases of \$10 million in both the escalation year of 2022 and the attrition year of 2023, respectively. On September 10, 2020, the California Public Utilities Commission (the "CPUC") approved the Company's California subsidiary's motion for interim rates, establishing a memorandum account to track the difference between interim and final rates adopted by the CPUC in this proceeding, which were effective on January 1, 2021. Following settlement discussions among all parties to the proceeding, on January 22, 2021, January 25, 2021, and February 11, 2021, the Company's California subsidiary filed with the CPUC comprehensive settlements entered into among the Company's California subsidiary, the Public Advocates Office, and other intervenors. These settlement agreements resolved all matters in dispute among the parties to the settlements, with the exception of a few disputed items between the Company's California subsidiary and the Monterey Peninsula Water Management District (the "MPWMD"). On October 19, 2021, the CPUC issued a proposed decision in the general rate case proceeding for rates effective January 1, 2021. With minor exceptions, the proposed decision would adopt the comprehensive settlements reached with the Public Advocates Office, and other intervenors. Comments on the proposed decision are due November 8, 2021 and reply comments are due November 15, 2021. The earliest the decision could be adopted is November 18, 2021 at the CPUC's voting meeting. The Company expects a final decision by December 31, 2021.

On January 5, 2021, the Company's California subsidiary submitted a request to delay by one year its cost of capital filing and maintain the authorized cost of capital through 2022. On February 22, 2021, the CPUC denied the request to further delay the cost of capital filing. The Company's California subsidiary submitted its cost of capital application on May 3, 2021. Once approved by the CPUC, the new authorized cost of capital will be effective January 1, 2022.

Pending Infrastructure Surcharge Filings

On September 3, 2021, the Company's Missouri subsidiary filed for an infrastructure surcharge requesting \$11 million in additional annualized revenues.

On June 30, 2021, the Company's West Virginia subsidiary filed for an infrastructure surcharge requesting \$3 million in additional annualized revenues.

Note 5: Revenue Recognition

Disaggregated Revenues

The Company's primary business involves the ownership of utilities that provide water and wastewater services to residential, commercial, industrial, public authority, fire service and sale for resale customers, collectively presented as the "Regulated Businesses." The Company also operates market-based businesses that provide water, wastewater and other services to residential and smaller commercial customers, the U.S. government on military installations, as well as municipalities and utility customers, collectively presented as the "Market-Based Businesses."

Presented in the table below are operating revenues disaggregated for the three months ended September 30, 2021:

	Revenues from Contracts with Customers	Other Revenues Not from Contracts with Customers (a)	Total Operating Revenues
Regulated Businesses:			
Water services:			
Residential	\$ 545	\$ —	\$ 545
Commercial	197	—	197
Fire service	38	—	38
Industrial	39	—	39
Public and other	72	—	72
Total water services	891	—	891
Wastewater services:			
Residential	38	—	38
Commercial	10	—	10
Industrial	1	—	1
Public and other	4	—	4
Total wastewater services	53	—	53
Miscellaneous utility charges	2	—	2
Alternative revenue programs	—	(4)	(4)
Lease contract revenue	—	2	2
Total Regulated Businesses	946	(2)	944
Market-Based Businesses	152	—	152
Other	(4)	—	(4)
Total operating revenues	\$ 1,094	\$ (2)	\$ 1,092

(a) Includes revenues associated with provisional rates, alternative revenue programs, lease contracts and intercompany rent, which are outside the scope of Accounting Standards Codification Topic 606, *Revenue From Contracts With Customers* (“ASC 606”), and accounted for under other existing GAAP.

Presented in the table below are operating revenues disaggregated for the nine months ended September 30, 2021:

	Revenues from Contracts with Customers	Other Revenues Not from Contracts with Customers (a)	Total Operating Revenues
Regulated Businesses:			
Water services:			
Residential	\$ 1,466	\$ —	\$ 1,466
Commercial	511	—	511
Fire service	112	—	112
Industrial	105	—	105
Public and other	172	—	172
Total water services	2,366	—	2,366
Wastewater services:			
Residential	112	—	112
Commercial	28	—	28
Industrial	3	—	3
Public and other	12	—	12
Total wastewater services	155	—	155
Miscellaneous utility charges	18	—	18
Alternative revenue programs	—	12	12
Lease contract revenue	—	5	5
Total Regulated Businesses	2,539	17	2,556
Market-Based Businesses	435	—	435
Other	(11)	(1)	(12)
Total operating revenues	\$ 2,963	\$ 16	\$ 2,979

(a) Includes revenues associated with provisional rates, alternative revenue programs, lease contracts and intercompany rent, which are outside the scope of ASC 606, and accounted for under other existing GAAP.

Contract Balances

Contract assets and contract liabilities are the result of timing differences between revenue recognition, billings and cash collections. In the Company's Market-Based Businesses, certain contracts are billed as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals or upon achievement of contractual milestones. Contract assets are recorded when billing occurs subsequent to revenue recognition and are reclassified to accounts receivable when billed and the right to consideration becomes unconditional. Contract liabilities are recorded when the Company receives advances from customers prior to satisfying contractual performance obligations, particularly for construction contracts and home warranty protection program contracts, and are recognized as revenue when the associated performance obligations are satisfied.

Contract assets of \$68 million and \$39 million are included in unbilled revenues on the Consolidated Balance Sheets as of September 30, 2021 and December 31, 2020, respectively. Contract assets of \$27 million and \$13 million are included in unbilled revenues on the Consolidated Balance Sheets as of September 30, 2020 and December 31, 2019, respectively. There were \$60 million of contract assets added during the nine months ended September 30, 2021, and \$31 million of contract assets were transferred to accounts receivable during the same period. There were \$43 million of contract assets added during the nine months ended September 30, 2020, and \$29 million of contract assets were transferred to accounts receivable during the same period.

Contract liabilities of \$39 million and \$35 million are included in other current liabilities on the Consolidated Balance Sheets as of September 30, 2021 and December 31, 2020, respectively. Contract liabilities of \$36 million and \$27 million are included in other current liabilities on the Consolidated Balance Sheets as of September 30, 2020 and December 31, 2019, respectively. There were \$141 million of contract liabilities added during the nine months ended September 30, 2021, and \$137 million of contract liabilities were recognized as revenue during the same period. There were \$91 million of contract liabilities added during the nine months ended September 30, 2020, and \$82 million of contract liabilities were recognized as revenue during the same period.

Remaining Performance Obligations

Remaining performance obligations (“RPOs”) represent revenues the Company expects to recognize in the future from contracts that are in progress. The Company enters into agreements for the provision of services to water and wastewater facilities for the U.S. military, municipalities and other customers. As of September 30, 2021, the Company’s O&M and capital improvement contracts in the Market-Based Businesses have RPOs. Contracts with the U.S. government for work on various military installations expire between 2051 and 2071 and have RPOs of \$6.4 billion as of September 30, 2021, as measured by estimated remaining contract revenue. Such contracts are subject to customary termination provisions held by the U.S. government, prior to the agreed-upon contract expiration. Contracts with municipalities and commercial customers expire between 2022 and 2038 and have RPOs of \$603 million as of September 30, 2021, as measured by estimated remaining contract revenue. Some of the Company’s long-term contracts to operate and maintain the federal government’s, a municipality’s or other party’s water or wastewater treatment and delivery facilities include responsibility for certain maintenance for some of those facilities, in exchange for an annual fee. Unless specifically required to perform certain maintenance activities, the maintenance costs are recognized when the maintenance is performed.

Note 6: Acquisitions and Divestitures

During the nine months ended September 30, 2021, the Company closed on the acquisition of 13 regulated water and wastewater systems for a total aggregate purchase price of \$56 million, including the acquisition of the East Pasadena Water Company in California on September 23, 2021 for \$34 million. Assets acquired from these acquisitions, principally utility plant, totaled \$57 million and liabilities assumed totaled \$1 million. Two of these acquisitions were accounted for as a business combination. The preliminary purchase price allocations related to an acquisition accounted for as a business combination will be finalized once the valuation of assets acquired has been completed, no later than one year after its acquisition date.

On April 6, 2021, the Company’s Pennsylvania subsidiary entered into an agreement to acquire the wastewater assets of the York City Sewer Authority for \$235 million, plus an amount of average daily revenue calculated for the period between the final meter reading and the date of closing. This system, directly and indirectly through bulk contracts, serves more than 45,000 customers. In connection with the execution of the acquisition agreement, the Company’s Pennsylvania subsidiary paid a \$20 million deposit to the seller on April 30, 2021, which is refundable in the event the agreement is terminated prior to closing of the acquisition. The Company expects to close this acquisition in the first half of 2022, pending regulatory approval.

On March 29, 2021, the Company’s New Jersey subsidiary entered into an agreement to acquire the water and wastewater assets of Egg Harbor City for \$22 million. The water and wastewater systems currently serve approximately 1,500 customers each, or 3,000 combined, and are being sold through the New Jersey Water Infrastructure Protection Act process. The Company expects to close this acquisition in the first half of 2022, pending regulatory approval.

Assets Held for Sale

On November 20, 2019, the Company and the Company’s New York subsidiary, entered into a Stock Purchase Agreement (the “Stock Purchase Agreement”) with Liberty Utilities Co., which it subsequently assigned to its indirect, wholly owned subsidiary Liberty Utilities (Eastern Water Holdings) Corp. (“Liberty”), pursuant to which Liberty will purchase all of the capital stock of the New York subsidiary (the “Stock Purchase”) for an aggregate purchase price of approximately \$608 million in cash, subject to adjustment as provided in the Stock Purchase Agreement. The Company’s regulated New York operations have approximately 125,000 customers in the State of New York. Algonquin Power & Utilities Corp., Liberty’s ultimate parent company, executed and delivered an absolute and unconditional guaranty of the performance of all of the obligations of Liberty under the Stock Purchase Agreement. The Stock Purchase is subject to various conditions, including obtaining approvals and satisfying or waiving other closing conditions. The Stock Purchase Agreement as originally executed provided for an initial termination date of June 30, 2021 (the “Closing End Date”). On June 29, 2021, the parties mutually agreed to extend the Closing End Date to December 31, 2021 in accordance with the terms of the Stock Purchase Agreement, and agreed to extend further the Closing End Date to January 3, 2022 as December 31, 2021 is a federal holiday. No other provision of the Stock Purchase Agreement was modified by this mutual agreement. Liberty may also terminate the Stock Purchase Agreement if any governmental authority initiates a condemnation or eminent domain proceeding against a majority of the consolidated properties of the Company’s New York subsidiary, taken as a whole. The assets and related liabilities of the Company’s New York subsidiary were classified as held for sale on the Consolidated Balance Sheets as of September 30, 2021.

Presented in the table below are the components of assets held for sale and liabilities related to assets held for sale of the New York subsidiary as of September 30, 2021:

	September 30, 2021
Property, plant and equipment	\$ 546
Current assets	20
Regulatory assets	78
Goodwill	27
Other assets	7
Assets held for sale	<u>\$ 678</u>
Current liabilities	<u>\$ 16</u>
Regulatory liabilities	46
Other liabilities	16
Liabilities related to assets held for sale	<u>\$ 78</u>

Note 7: Shareholders' Equity

Accumulated Other Comprehensive Loss

Presented in the table below are the changes in accumulated other comprehensive loss by component, net of tax, for the nine months ended September 30, 2021 and 2020, respectively:

	Defined Benefit Pension Plans			Gain (Loss) on Cash Flow Hedges	Accumulated Other Comprehensive Loss
	Employee Benefit Plan Funded Status	Amortization of Prior Service Cost	Amortization of Actuarial Loss		
Balance as of December 31, 2020	\$ (106)	\$ 1	\$ 63	\$ (7)	\$ (49)
Other comprehensive income before reclassifications	—	—	—	1	1
Amounts reclassified from accumulated other comprehensive loss	—	—	3	—	3
Net other comprehensive income (loss)	—	—	3	1	4
Balance as of September 30, 2021	<u>\$ (106)</u>	<u>\$ 1</u>	<u>\$ 66</u>	<u>\$ (6)</u>	<u>\$ (45)</u>
Balance as of December 31, 2019	\$ (94)	\$ 1	\$ 60	\$ (3)	\$ (36)
Other comprehensive loss before reclassifications	—	—	—	(4)	(4)
Amounts reclassified from accumulated other comprehensive loss	—	—	2	—	2
Net other comprehensive income (loss)	—	—	2	(4)	(2)
Balance as of September 30, 2020	<u>\$ (94)</u>	<u>\$ 1</u>	<u>\$ 62</u>	<u>\$ (7)</u>	<u>\$ (38)</u>

The Company does not reclassify the amortization of defined benefit pension cost components from accumulated other comprehensive loss directly to net income in its entirety, as a portion of these costs have been deferred as a regulatory asset. These accumulated other comprehensive loss components are included in the computation of net periodic pension cost.

The amortization of the gain (loss) on cash flow hedges is reclassified to net income during the period incurred and is included in interest, net in the accompanying Consolidated Statements of Operations.

Dividends

On September 1, 2021, the Company paid a quarterly cash dividend of \$0.6025 per share to shareholders of record as of August 10, 2021.

On October 28, 2021, the Company's Board of Directors declared a quarterly cash dividend payment of \$0.6025 per share, payable on December 1, 2021 to shareholders of record as of November 10, 2021. Future dividends, when and as declared at the discretion of the Board of Directors, will be dependent upon future earnings and cash flows, compliance with various regulatory, financial and legal requirements, and other factors. See Note 10—Shareholders' Equity in the Notes to Consolidated Financial Statements in the Company's Form 10-K for additional information regarding the payment of dividends on the Company's common stock.

Note 8: Long-Term Debt

On May 10, 2021, American Water Capital Corp. ("AWCC") completed a \$1.1 billion debt offering, which included the sale of \$550 million aggregate principal amount of its 2.30% senior notes due 2031 and \$550 million aggregate principal amount of its 3.25% senior notes due 2051. At the closing of the offering, AWCC received, after deduction of underwriting discounts and before deduction of offering expenses, net proceeds of \$1,086 million. AWCC used the net proceeds of this offering: (i) to lend funds to parent company and its regulated subsidiaries; (ii) to prepay \$251 million aggregate principal amount of AWCC's outstanding 5.77% Series D Senior Notes due December 21, 2021 (the "Series D Notes") and \$76 million aggregate principal amount of AWCC's outstanding 6.55% Series H Senior Notes due May 15, 2023 (the "Series H Notes," and together with the Series D Notes, the "Series Notes"); (iii) to repay AWCC's commercial paper obligations; and (iv) for general corporate purposes. After the prepayments described above, none of the Series D Notes, and approximately \$14 million aggregate principal amount of the Series H Notes, remain outstanding. As a result of AWCC's prepayment of the Series Notes, a make-whole premium of \$15 million was paid to the holders thereof on June 14, 2021. Substantially all of the early debt extinguishment costs were allocable to the Company's utility subsidiaries and recorded as regulatory assets, as the Company believes they are probable of recovery in future rates.

On May 6, 2021, the Company entered into two 10-year treasury lock agreements, with notional amounts of \$125 million and \$150 million, to reduce interest rate exposure on debt, which was subsequently issued on May 10, 2021. These treasury lock agreements had an average fixed rate of 1.58%. The Company designated these treasury lock agreements as cash flow hedges, with their fair value recorded in accumulated other comprehensive gain or loss. On May 10, 2021, the Company terminated these two treasury lock agreements with an aggregate notional amount of \$275 million, realizing a net gain of less than \$1 million, to be amortized through interest, net over a 10-year period, in accordance with the terms of the \$1.1 billion new debt issued on May 10, 2021. No ineffectiveness was recognized on hedging instruments for the three and nine months ended September 30, 2021 and 2020.

In addition to the senior notes issued and retired by AWCC as described above, during the nine months ended September 30, 2021, the Company's regulated subsidiaries issued in the aggregate \$13 million of private activity bonds and government funded debt in multiple transactions with annual interest rates ranging from 0.00% to 5.00%, with a weighted average interest rate of 0.05%, maturing in 2022 through 2047. During the nine months ended September 30, 2021, AWCC and the Company's regulated subsidiaries made sinking fund payments for, or repaid at maturity, \$43 million in aggregate principal amount of outstanding long-term debt, with annual interest rates ranging from 0.00% to 12.25%, a weighted average interest rate of 7.37%, and maturity dates ranging from 2021 to 2048.

Note 9: Short-Term Debt

Liquidity needs for capital investment, working capital and other financial commitments are funded through cash flows from operations, public and private debt offerings, commercial paper markets and, if and to the extent necessary, borrowings under the AWCC revolving credit facility. The revolving credit facility provides \$2.25 billion in aggregate total commitments from a diversified group of financial institutions. The termination date of the credit agreement with respect to AWCC's revolving credit facility is March 21, 2025. The facility is used principally to support AWCC's commercial paper program, to provide additional liquidity support and to provide a sub-limit of up to \$150 million for letters of credit. As of September 30, 2021 and December 31, 2020, there were no borrowings outstanding under the revolving credit facility.

On March 20, 2020, AWCC entered into a Term Loan Credit Agreement, by and among parent company, AWCC and the lenders party thereto (the "Term Loan Facility"). As of December 31, 2020, \$500 million of principal was outstanding under the Term Loan Facility. The Term Loan Facility commitments terminated at maturity on March 19, 2021 and the Term Loan Facility was repaid in full. Borrowings under the Term Loan Facility bore interest at a variable annual rate based on LIBOR, plus a margin of 0.80%.

Short-term debt consists of commercial paper and credit facility borrowings totaling \$684 million and \$786 million as of September 30, 2021 and December 31, 2020, respectively. The weighted-average interest rate on AWCC's outstanding short-term borrowings, including as of December 31, 2020, \$500 million of outstanding principal on the Term Loan Facility, was approximately 0.13% and 0.53% at September 30, 2021 and December 31, 2020, respectively. As of September 30, 2021 and December 31, 2020, there were no commercial paper or credit facility borrowings outstanding with maturities greater than three months.

Presented in the tables below is the aggregate credit facility commitments, commercial paper limit and letter of credit availability under the revolving credit facility, as well as the available capacity for each:

	As of September 30, 2021		
	Commercial Paper Limit	Letters of Credit	Total (a)
(In millions)			
Total availability	\$ 2,100	\$ 150	\$ 2,250
Outstanding debt	(684)	(76)	(760)
Remaining availability as of September 30, 2021	\$ 1,416	\$ 74	\$ 1,490

(a) Total remaining availability of \$1.49 billion as of September 30, 2021 may be accessed through revolver draws.

	As of December 31, 2020		
	Commercial Paper Limit	Letters of Credit	Total (a)
(In millions)			
Total availability	\$ 2,100	\$ 150	\$ 2,250
Outstanding debt	(786)	(76)	(862)
Remaining availability as of December 31, 2020	\$ 1,314	\$ 74	\$ 1,388

(a) Total remaining availability may be accessed through revolver draws.

Presented in the table below is the Company's total available liquidity as of September 30, 2021 and December 31, 2020, respectively:

	Cash and Cash Equivalents	Availability on Revolving Credit Facility	Total Available Liquidity
(In millions)			
Available liquidity as of September 30, 2021	\$ 70	\$ 1,490	\$ 1,560
Available liquidity as of December 31, 2020	\$ 547	\$ 1,388	\$ 1,935

Note 10: Income Taxes

The Company's effective income tax rate was 18.2% and 25.0% for the three months ended September 30, 2021 and 2020, respectively, and 17.2% and 24.1% for the nine months ended September 30, 2021 and 2020, respectively. The decrease in the Company's effective income tax rate for the three and nine months ended September 30, 2021 was primarily due to an increase in the amortization of EADIT resulting from the TCJA, pursuant to regulatory orders.

Note 11: Pension and Other Postretirement Benefits

Presented in the table below are the components of net periodic benefit cost (credit):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
Components of net periodic pension benefit cost:				
Service cost	\$ 9	\$ 8	\$ 27	\$ 24
Interest cost	16	18	49	55
Expected return on plan assets	(31)	(28)	(95)	(84)
Amortization of prior service credit	(1)	(1)	(2)	(3)
Amortization of actuarial loss	7	7	20	23
Net periodic pension benefit (credit) cost before settlements	—	4	(1)	15
Settlements	—	—	—	1
Net periodic pension benefit (credit) cost	\$ —	\$ 4	\$ (1)	\$ 16
Components of net periodic other postretirement benefit credit:				
Service cost	\$ 1	\$ 1	\$ 3	\$ 3
Interest cost	2	3	6	9
Expected return on plan assets	(5)	(5)	(15)	(14)
Amortization of prior service credit	(8)	(9)	(24)	(25)
Amortization of actuarial loss	—	—	—	1
Net periodic other postretirement benefit credit	\$ (10)	\$ (10)	\$ (30)	\$ (26)

The Company contributed \$10 million and \$28 million for the funding of its defined benefit pension plans for the three and nine months ended September 30, 2021, respectively, and contributed \$9 million and \$31 million for the funding of its defined benefit pension plans for the three and nine months ended September 30, 2020, respectively. The Company contributed \$3 million for the funding of its other postretirement benefit plans for the three and nine months ended September 30, 2021, and the Company made no contributions for the funding of its other postretirement benefit plans for the three and nine months ended and September 30, 2020. The Company expects to make pension contributions to the plan trusts of \$9 million during the remainder of 2021. No postretirement contributions to the plan trusts are expected to be made during the remainder of 2021.

No settlement charges were recorded during the three months ended September 30, 2021. Due to the amount of lump sum payment distributions from the Company's New York Water Service Corporation Pension Plan, a settlement charge of less than \$1 million was recorded during the nine months ended September 30, 2021, and settlement charges of less than \$1 million and \$1 million were recorded during the three and nine months ended September 30, 2020, respectively. In accordance with existing regulatory accounting treatment, the Company has maintained the settlement charge in regulatory assets. The amount is being amortized in accordance with existing regulatory practice.

Note 12: Commitments and Contingencies

Contingencies

The Company is routinely involved in legal actions incident to the normal conduct of its business. As of September 30, 2021, the Company has accrued approximately \$4 million of probable loss contingencies and has estimated that the maximum amount of losses associated with reasonably possible loss contingencies that can be reasonably estimated is \$2 million. For certain matters, claims and actions, the Company is unable to estimate possible losses. The Company believes that damages or settlements, if any, recovered by plaintiffs in such matters, claims or actions, other than as described in this Note 12—Commitments and Contingencies, will not have a material adverse effect on the Company.

West Virginia Elk River Freedom Industries Chemical Spill

On June 8, 2018, the U.S. District Court for the Southern District of West Virginia granted final approval of a settlement class and global class action settlement (the “Settlement”) for all claims and potential claims by all class members (collectively, the “West Virginia Plaintiffs”) arising out of the January 2014 Freedom Industries, Inc. chemical spill in West Virginia. The effective date of the Settlement was July 16, 2018. Under the terms and conditions of the Settlement, the Company’s West Virginia subsidiary (“WVAWC”) and certain other Company-affiliated entities did not admit, and will not admit, any fault or liability for any of the allegations made by the West Virginia Plaintiffs in any of the actions that were resolved.

The aggregate pre-tax amount contributed by WVAWC of the \$126 million portion of the Settlement with respect to the Company, net of insurance recoveries, is \$19 million. As of September 30, 2021, \$0.5 million of the aggregate Settlement amount of \$126 million has been reflected in accrued liabilities, and \$0.5 million in offsetting insurance receivables have been reflected in other current assets on the Consolidated Balance Sheets. The amount reflected in accrued liabilities as of September 30, 2021 reflects reductions in the liability and appropriate reductions to the offsetting insurance receivable reflected in other current assets, associated with payments made to the Settlement fund, the receipt of a determination by the Settlement fund’s appeal adjudicator on all remaining medical claims and the calculation of remaining attorneys’ fees and claims administration costs. The Company funded WVAWC’s contributions to the Settlement through existing sources of liquidity.

Dunbar, West Virginia Water Main Break Class Action Litigation

On the evening of June 23, 2015, a 36-inch pre-stressed concrete transmission water main, installed in the early 1970s, failed. The water main is part of the West Relay pumping station located in the City of Dunbar, West Virginia and owned by WVAWC. The failure of the main caused water outages and low pressure for up to approximately 25,000 WVAWC customers. In the early morning hours of June 25, 2015, crews completed a repair, but that same day, the repair developed a leak. On June 26, 2015, a second repair was completed and service was restored that day to approximately 80% of the impacted customers, and to the remaining approximately 20% by the next morning. The second repair showed signs of leaking, but the water main was usable until June 29, 2015 to allow tanks to refill. The system was reconfigured to maintain service to all but approximately 3,000 customers while a final repair was being completed safely on June 30, 2015. Water service was fully restored by July 1, 2015 to all customers affected by this event.

On June 2, 2017, a complaint captioned *Jeffries, et al. v. West Virginia-American Water Company* was filed in West Virginia Circuit Court in Kanawha County on behalf of an alleged class of residents and business owners who lost water service or pressure as a result of the Dunbar main break. The complaint alleges breach of contract by WVAWC for failure to supply water, violation of West Virginia law regarding the sufficiency of WVAWC’s facilities and negligence by WVAWC in the design, maintenance and operation of the water system. The *Jeffries* plaintiffs seek unspecified alleged damages on behalf of the class for lost profits, annoyance and inconvenience, and loss of use, as well as punitive damages for willful, reckless and wanton behavior in not addressing the risk of pipe failure and a large outage.

On February 4, 2020, the *Jeffries* plaintiffs filed a motion seeking class certification on the issues of breach of contract and negligence, and to determine the applicability of punitive damages and a multiplier for those damages if imposed. On July 14, 2020, the Circuit Court entered an order granting the *Jeffries* plaintiffs’ motion for certification of a class regarding certain liability issues but denying certification of a class to determine a punitive damages multiplier. On August 31, 2020, WVAWC filed a Petition for Writ of Prohibition in the Supreme Court of Appeals of West Virginia seeking to vacate or remand the Circuit Court order certifying the issues class. At the request of the parties, on September 10, 2020, the Circuit Court ordered the stay of all matters in the class proceeding pending consideration of this petition. On December 3, 2020, the Supreme Court of Appeals issued an order to show cause stating that there are sufficient grounds for oral argument to consider prohibiting the class certification order. On January 28, 2021, the Supreme Court of Appeals granted a motion by the *Jeffries* plaintiffs to remand the case back to the Circuit Court for further consideration in light of a recent Supreme Court of Appeals decision issued in another case relating to the class certification issues raised. A briefing schedule has been set and, following briefing by all parties, oral argument on the issue of class certification was heard on July 16, 2021. This matter remains pending.

The Company and WVAWC believe that WVAWC has valid, meritorious defenses to the claims raised in this class action complaint. WVAWC is vigorously defending itself against these allegations. The Company cannot currently determine the likelihood of a loss, if any, or estimate the amount of any loss or a range of such losses related to this proceeding.

Chattanooga, Tennessee Water Main Break Class Action Litigation

On September 12, 2019, the Company’s Tennessee subsidiary (“TAWC”), experienced a leak in a 36-inch water transmission main, which caused service fluctuations or interruptions to TAWC customers and the issuance of a boil water notice. TAWC repaired the main by early morning on September 14, 2019, and restored full water service by the afternoon of September 15, 2019, with the boil water notice lifted for all customers on September 16, 2019.

On September 17, 2019, a complaint captioned *Bruce, et al. v. American Water Works Company, Inc., et al.* was filed in the Circuit Court of Hamilton County, Tennessee against TAWC, the Company and American Water Works Service Company, Inc. (“Service Company” and, together with TAWC and the Company, collectively, the “Tennessee-American Water Defendants”), on behalf of a proposed class of individuals or entities who lost water service or suffered monetary losses as a result of the Chattanooga incident (the “Tennessee Plaintiffs”). The complaint alleged breach of contract and negligence against the Tennessee-American Water Defendants, as well as an equitable remedy of piercing the corporate veil. In the complaint as originally filed, the Tennessee Plaintiffs were seeking an award of unspecified alleged damages for wage losses, business and economic losses, out-of-pocket expenses, loss of use and enjoyment of property and annoyance and inconvenience, as well as punitive damages, attorneys’ fees and pre- and post-judgment interest.

On November 22, 2019, the Tennessee-American Water Defendants filed a motion to dismiss the complaint for failure to state a claim upon which relief may be granted, and, with respect to the Company, for lack of personal jurisdiction. Oral argument on the motion to dismiss took place on September 9, 2020. On September 18, 2020, the court (i) granted the motion to dismiss the Tennessee Plaintiffs’ negligence claim against all Tennessee-American Water Defendants, (ii) denied the motion to dismiss the breach of contract claim against TAWC, (iii) held in abeyance the motion to dismiss the breach of contract claims against the Company and Service Company pending a further hearing and (iv) held in abeyance the Company’s motion to dismiss the complaint for lack of personal jurisdiction. On September 24, 2020, at the request of the Tennessee Plaintiffs, the court dismissed without prejudice all claims in the *Bruce* complaint against the Company and Service Company. The impact of the September 2020 court orders was that all of the Tennessee Plaintiffs’ claims in this complaint were dismissed, other than the breach of contract claims against TAWC. On October 16, 2020, TAWC answered the complaint, and the parties are conducting discovery.

TAWC and the Company believe that TAWC has meritorious defenses to the claims raised in this class action complaint, and TAWC is vigorously defending itself against these allegations. The Company cannot currently determine the likelihood of a loss, if any, or estimate the amount of any loss or a range of such losses related to this proceeding.

Alternative Water Supply in Lieu of Carmel River Diversions

Compliance with Orders to Reduce Carmel River Diversions—Monterey Peninsula Water Supply Project

Under a 2009 order (the “2009 Order”) of the State Water Resources Control Board (the “SWRCB”), the Company’s California subsidiary (“Cal Am”) is required to decrease significantly its yearly diversions of water from the Carmel River according to a set reduction schedule. In 2016, the SWRCB issued an order (the “2016 Order”) approving a deadline of December 31, 2021 for Cal Am’s compliance with these prior orders (the “2021 Deadline”).

Cal Am is currently involved in developing the Monterey Peninsula Water Supply Project (the “Water Supply Project”), which includes the construction of a desalination plant, to be owned by Cal Am, and the construction of wells that would supply water to the desalination plant. In addition, the Water Supply Project also includes Cal Am’s purchase of water from a groundwater replenishment project (the “GWR Project”) between Monterey One Water and the MPWMD. The Water Supply Project is intended, among other things, to fulfill Cal Am’s obligations under the 2009 Order and the 2016 Order. In September 2021, Cal Am, Monterey One Water and the MPWMD reached an agreement on Cal Am’s purchase of additional water from an expansion to the GWR Project, which is not expected to produce additional water until 2024 at the earliest. The amended and restated water purchase agreement for the GWR Project expansion is subject to review and approval of the California Public Utilities Commission (the “CPUC”).

Cal Am’s ability to move forward on the Water Supply Project is subject to administrative review by the CPUC and other government agencies, obtaining necessary permits, and intervention from other parties. In September 2016, the CPUC unanimously approved a final decision to authorize Cal Am to enter into a water purchase agreement for the GWR Project and to construct a pipeline and pump station facilities and recover up to the incurred \$50 million in associated costs plus an allowance for funds used during construction (“AFUDC”), subject to meeting certain criteria.

In September 2018, the CPUC unanimously approved another final decision finding that (i) the Water Supply Project meets the CPUC's requirements for a certificate of public convenience and necessity, (ii) the issuance of the final decision should not be delayed, and (iii) an additional procedural phase was not necessary to consider alternative projects. The CPUC's 2018 decision concludes that the Water Supply Project is the best project to address estimated future water demands in Monterey, and, in addition to the cost recovery approved in its 2016 decision, adopts Cal Am's cost estimates for the Water Supply Project, which amounted to an aggregate of \$279 million plus AFUDC at a rate representative of Cal Am's actual financing costs. The 2018 final decision specifies the procedures for recovery of all of Cal Am's prudently incurred costs associated with the Water Supply Project upon its completion, subject to the frameworks included in the final decision related to cost caps, operation and maintenance costs, financing, ratemaking and contingency matters. The reasonableness of the Water Supply Project costs will be reviewed by the CPUC when Cal Am seeks cost recovery for the Water Supply Project. Cal Am has incurred \$176 million in aggregate costs as of September 30, 2021 related to the Water Supply Project, which includes \$44 million in AFUDC. While Cal Am believes that its expenditures to date have been prudent and necessary to comply with the 2009 Order and the 2016 Order, as well as the CPUC's 2016 and 2018 final decisions, Cal Am cannot currently predict its ability to recover all of its costs and expenses associated with the Water Supply Project and there can be no assurance that Cal Am will be able to recover all of such costs and expenses in excess of the \$50 million in construction costs previously approved by the CPUC in its 2016 final decision.

Coastal Development Permit Application

In June 2018, Cal Am submitted a coastal development permit application to the City of Marina (the "City") for those project components of the Water Supply Project located within the City's coastal zone. Members of the City's Planning Commission, as well as City councilpersons, have publicly expressed opposition to the Water Supply Project. In May 2019, the City issued a notice of final local action based upon the denial by the Planning Commission of Cal Am's coastal development permit application. Thereafter, Cal Am appealed this decision to the California Coastal Commission (the "Coastal Commission"), as permitted under the City's code and the California Coastal Act. At the same time, Cal Am submitted an application to the Coastal Commission for a coastal development permit for those project components located within the Coastal Commission's original jurisdiction. In October 2019, staff of the Coastal Commission issued a report recommending a denial of Cal Am's application for a coastal development permit with respect to the Water Supply Project, largely based on a memorandum prepared by the general manager of the MPWMD that contradicted findings made by the CPUC in its final decision approving the Water Supply Project. In November 2019, discussions between staffs of the Coastal Commission and the CPUC took place regarding the Coastal Commission staff recommendation, at which time the CPUC raised questions about the Coastal Commission staff's findings on water supply and demand, groundwater impacts and the viability of a project that the Coastal Commission staff believes may be a possible alternative to the Water Supply Project.

In August 2020, the staff of the Coastal Commission released a report again recommending denial of Cal Am's application for a coastal development permit. Although the report concluded that the Water Supply Project would have a negligible impact on groundwater resources, the report also concluded it would impact other coastal resources, such as environmentally sensitive habitat areas and wetlands, and that the Coastal Commission staff believes that a feasible alternative project exists that would avoid those impacts. The staff's report also noted disproportionate impacts to communities of concern. In September 2020, Cal Am withdrew its original jurisdiction application to allow additional time to address the Coastal Commission staff's environmental justice concerns. The withdrawal of the original jurisdiction application did not impact Cal Am's appeal of the City's denial, which remains pending before the Coastal Commission. Cal Am refiled the original jurisdiction application in November 2020. In December 2020, the Coastal Commission sent to Cal Am a notice of incomplete application, identifying certain additional information needed to consider the application complete. In March 2021, Cal Am provided responses to the Coastal Commission's notice of incomplete application. On June 18, 2021, the Coastal Commission responded, acknowledging the responses and requesting certain additional information before the application could be considered complete. The original jurisdiction application remains pending.

Cal Am continues to work constructively with all appropriate agencies to provide necessary information in connection with obtaining required approvals for the Water Supply Project. However, based on the foregoing, there can be no assurance that the Water Supply Project in its current configuration will be completed on a timely basis, if ever. Due to the delay in the approval schedule for the Water Supply Project, Cal Am currently does not expect that it will be able to comply with the diversion reduction requirement schedule contained in the 2016 Order until January 2022. The 2009 Order and the 2016 Order remain in effect until Cal Am certifies to the SWRCB, and the SWRCB concurs, that Cal Am has obtained a permanent supply of water to substitute for past unauthorized Carmel River diversions. While the Company cannot currently predict the likelihood or result of any adverse outcome associated with these matters, further attempts to comply with the 2009 Order and the 2016 Order, or the 2021 Deadline, may result in material additional costs and obligations to Cal Am, including fines and penalties against Cal Am in the event of noncompliance with the 2009 Order and the 2016 Order.

Note 13: Earnings per Common Share

Presented in the table below is a reconciliation of the numerator and denominator for the basic and diluted EPS calculations:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
Numerator:				
Net income attributable to common shareholders	\$ 278	\$ 264	\$ 618	\$ 564
Denominator:				
Weighted-average common shares outstanding—Basic	182	181	182	181
Effect of dilutive common stock equivalents	—	1	—	—
Weighted-average common shares outstanding—Diluted	182	182	182	181

The effect of dilutive common stock equivalents is related to outstanding stock options, restricted stock units (“RSUs”) and performance stock units (“PSUs”) granted under the Company’s 2007 Omnibus Equity Compensation Plan and outstanding RSUs and PSUs granted under the Company’s 2017 Omnibus Equity Compensation Plan, as well as estimated shares to be purchased under the Company’s 2017 Nonqualified Employee Stock Purchase Plan. Less than one million share-based awards were excluded from the computation of diluted EPS for the three and nine months ended September 30, 2021 and 2020, because their effect would have been anti-dilutive under the treasury stock method.

Note 14: Fair Value of Financial Information

Fair Value of Financial Instruments

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

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

Preferred stock with mandatory redemption requirements and long-term debt—The fair values of preferred stock with mandatory redemption requirements and long-term debt are categorized within the fair value hierarchy based on the inputs that are used to value each instrument. The fair value of long-term debt classified as Level 1 is calculated using quoted prices in active markets. Level 2 instruments are valued using observable inputs and Level 3 instruments are valued using observable and unobservable inputs.

Presented in the tables below are the carrying amounts, including fair value adjustments previously recognized in acquisition purchase accounting, and the fair values of the Company's financial instruments:

	As of September 30, 2021				
	Carrying Amount	At Fair Value			Total
		Level 1	Level 2	Level 3	
Preferred stock with mandatory redemption requirements	\$ 4	\$ —	\$ —	\$ 6	\$ 6
Long-term debt (excluding finance lease obligations)	10,395	10,241	61	1,657	11,959

	As of December 31, 2020				
	Carrying Amount	At Fair Value			Total
		Level 1	Level 2	Level 3	
Preferred stock with mandatory redemption requirements	\$ 5	\$ —	\$ —	\$ 7	\$ 7
Long-term debt (excluding finance lease obligations)	9,656	9,639	415	1,753	11,807

Recurring Fair Value Measurements

Presented in the tables below are assets and liabilities measured and recorded at fair value on a recurring basis and their level within the fair value hierarchy:

	As of September 30, 2021			
	Level 1	Level 2	Level 3	Total
Assets:				
Restricted funds	\$ 30	\$ —	\$ —	\$ 30
Rabbi trust investments	23	—	—	23
Deposits	26	—	—	26
Other investments	14	—	—	14
Total assets	93	—	—	93
Liabilities:				
Deferred compensation obligations	27	—	—	27
Total liabilities	27	—	—	27
Total assets	\$ 66	\$ —	\$ —	\$ 66

	As of December 31, 2020			
	Level 1	Level 2	Level 3	Total
Assets:				
Restricted funds	\$ 29	\$ —	\$ —	\$ 29
Rabbi trust investments	19	—	—	19
Deposits	4	—	—	4
Other investments	11	—	—	11
Total assets	63	—	—	63
Liabilities:				
Deferred compensation obligations	24	—	—	24
Total liabilities	24	—	—	24
Total assets	\$ 39	\$ —	\$ —	\$ 39

Restricted funds—The Company’s restricted funds primarily represent proceeds received from financings for the construction and capital improvement of facilities and from customers for future services under operation, maintenance and repair projects.

Rabbi trust investments—The Company’s rabbi trust investments consist of equity and index funds from which supplemental executive retirement plan benefits and deferred compensation obligations can be paid. The Company includes these assets in other long-term assets on the Consolidated Balance Sheets.

Deposits—Deposits include escrow funds and certain other deposits held in trust. The Company includes cash deposits in other current assets on the Consolidated Balance Sheets.

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

Mark-to-market derivative assets and liabilities—The Company employs derivative financial instruments in the form of variable-to-fixed interest rate swaps and treasury lock agreements, classified as economic hedges and cash flow hedges, respectively, in order to fix the interest cost on existing or forecasted debt. The Company may use fixed-to-floating interest rate swaps, typically designated as fair-value hedges, to achieve a targeted level of variable-rate debt as a percentage of total debt. The Company uses a calculation of future cash inflows and estimated future outflows, which are discounted, to determine the current fair value. Additional inputs to the present value calculation include the contract terms, counterparty credit risk, interest rates and market volatility. The Company had no significant mark-to-market derivatives outstanding as of September 30, 2021.

Other investments—Other investments primarily represent money market funds used for active employee benefits. The Company includes other investments in other current assets on the Consolidated Balance Sheets.

Note 15: Leases

The Company has operating and finance leases involving real property, including facilities, utility assets, vehicles, and equipment. Certain operating leases have renewal options ranging from one to 60 years. The exercise of lease renewal options is at the Company’s sole discretion. Renewal options that the Company was reasonably certain to exercise are included in the Company’s right-of-use (“ROU”) assets. Certain operating leases contain the option to purchase the leased property. The operating leases for real property, vehicles and equipment will expire over the next 38 years, six years, and five years, respectively.

The Company participates in a number of arrangements with various public entities (“Partners”) in West Virginia. Under these arrangements, the Company transferred a portion of its utility plant to the Partners in exchange for an equal principal amount of Industrial Development Bonds (“IDBs”) issued by the Partners under the Industrial Development and Commercial Development Bond Act. The Company leased back the utility plant under agreements for a period of 30 to 40 years. The Company has recorded these agreements as finance leases in property, plant and equipment, as ownership of the assets will revert back to the Company at the end of the lease term. The carrying value of the finance lease assets was \$146 million and \$147 million as of September 30, 2021 and December 31, 2020, respectively. The Company determined that the finance lease obligations and the investments in IDBs meet the conditions for offsetting, and as such, are reported net on the Consolidated Balance Sheets and excluded from the finance lease disclosure presented below.

The Company also enters into O&M agreements with the Partners. The Company pays an annual fee for use of the Partners’ assets in performing under the O&M agreements. The O&M agreements are recorded as operating leases, and future annual use fees of \$1 million in 2021 and \$4 million in 2022 through 2025, and \$52 million thereafter, are included in operating lease ROU assets and operating lease liabilities on the Consolidated Balance Sheets.

Rental expenses under operating and finance leases were \$3 million and \$3 million for the three months ended September 30, 2021 and September 30, 2020, respectively, and \$10 million and \$10 million for the nine months ended September 30, 2021 and September 30, 2020, respectively.

For the three and nine months ended September 30, 2021, cash paid for amounts in lease liabilities, which includes operating and financing cash flows from operating and finance leases, were \$3 million and \$10 million, respectively. For the three months ended September 30, 2021, there were \$4 million ROU assets obtained in exchange for new operating lease liabilities. For the nine months ended September 30, 2021, there were ROU assets obtained in exchange for new operating lease liabilities of \$10 million.

As of September 30, 2021, the weighted-average remaining lease term of the finance lease and operating leases were five years and 18 years, respectively, and the weighted-average discount rate of the finance lease and operating leases were 12% and 4%, respectively.

The future maturities of lease liabilities at September 30, 2021 are \$3 million in 2021, \$12 million in 2022, \$9 million in 2023, \$8 million in 2024, \$8 million in 2025 and \$96 million thereafter. At September 30, 2021, imputed interest was \$46 million.

Note 16: Segment Information

The Company's operating segments are comprised of the revenue-generating components of its businesses for which separate financial information is internally produced and regularly used by management to make operating decisions, assess performance and allocate resources. The Company operates its businesses primarily through one reportable segment, the Regulated Businesses segment. The Company also operates market-based businesses that, individually, do not meet the criteria of a reportable segment in accordance with GAAP, and are collectively presented as the Market-Based Businesses. "Other" includes corporate costs that are not allocated to the Company's operating segments, eliminations of inter-segment transactions, fair value adjustments and associated income and deductions related to the acquisitions that have not been allocated to the operating segments for evaluation of performance and allocation of resource purposes. The adjustments related to the acquisitions are reported in Other as they are excluded from segment performance measures evaluated by management.

Presented in the tables below is summarized segment information:

As of or for the Three Months Ended September 30, 2021				
	Regulated Businesses	Market-Based Businesses	Other	Consolidated
Operating revenues	\$ 944	\$ 152	\$ (4)	\$ 1,092
Depreciation and amortization	151	6	4	161
Total operating expenses, net	563	121	(9)	675
Interest, net	(73)	(1)	(27)	(101)
Income before income taxes	332	31	(23)	340
Provision for income taxes	60	8	(6)	62
Net income attributable to common shareholders	273	23	(18)	278
Total assets	22,818	900	1,615	25,333
Cash paid for capital expenditures	447	3	3	453

As of or for the Three Months Ended September 30, 2020				
	Regulated Businesses	Market-Based Businesses	Other	Consolidated
Operating revenues	\$ 945	\$ 139	\$ (5)	\$ 1,079
Depreciation and amortization	138	7	9	154
Total operating expenses, net	543	108	(5)	646
Interest, net	(72)	—	(27)	(99)
Income before income taxes	346	31	(25)	352
Provision for income taxes	85	7	(4)	88
Net income attributable to common shareholders	261	23	(20)	264
Total assets	21,946	1,110	1,338	24,394
Cash paid for capital expenditures	442	1	1	444

As of or for the Nine Months Ended September 30, 2021				
	Regulated Businesses	Market-Based Businesses	Other	Consolidated
Operating revenues	\$ 2,556	\$ 435	\$ (12)	\$ 2,979
Depreciation and amortization	449	17	10	476
Total operating expenses, net	1,658	354	(9)	2,003
Interest, net	(216)	(3)	(81)	(300)
Income before income taxes	752	79	(85)	746
Provision for income taxes	130	20	(22)	128
Net income attributable to common shareholders	623	59	(64)	618
Total assets	22,818	900	1,615	25,333
Cash paid for capital expenditures	1,191	7	7	1,205

	As of or for the Nine Months Ended September 30, 2020			
	Regulated Businesses	Market-Based Businesses	Other	Consolidated
Operating revenues	\$ 2,468	\$ 399	\$ (13)	\$ 2,854
Depreciation and amortization	417	20	14	451
Total operating expenses, net	1,558	309	2	1,869
Interest, net	(218)	1	(79)	(296)
Income before income taxes	744	91	(92)	743
Provision for income taxes	183	23	(27)	179
Net income attributable to common shareholders	561	68	(65)	564
Total assets	21,946	1,110	1,338	24,394
Cash paid for capital expenditures	1,303	7	4	1,314

Note 17: Subsequent Events
Sale of Homeowner Services Group

On October 28, 2021, the Company and the subsidiaries comprising its Homeowner Services Group (“HOS”) entered into a purchase agreement with a wholly owned subsidiary of funds advised by Apax Partners LLP (the “Buyer”), to sell all of the equity interests of the HOS subsidiaries to the Buyer for total estimated consideration of approximately \$1.275 billion. Apax Partners LLP is a global private equity advisory firm. The consideration is comprised of \$480 million in cash (subject to customary closing and post-closing adjustments and tax withholdings), a five-year secured seller promissory note to be issued at closing in the principal amount of \$720 million, and a contingent cash payment of \$75 million payable upon satisfaction of certain conditions on or before December 31, 2023. Closing of the sale is subject to certain customary conditions, including, among others, the expiration or termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (the “HSR Act”). The Company and the Buyer may terminate the purchase agreement under certain circumstances, including if the closing does not occur by December 27, 2021, subject to an extension by either the Company or the Buyer for up to an additional nine months in the event of any law or order preventing the closing or if the expiration or termination of the applicable waiting period under the HSR Act has not occurred.

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

The following discussion should be read together with the unaudited Consolidated Financial Statements and the Notes thereto included elsewhere in this Form 10-Q, and in the Company's Form 10-K for the year ended December 31, 2020. This discussion contains forward-looking statements that are based on management's current expectations, estimates and projections about the Company's business, operations and financial performance. The cautionary statements made in this Form 10-Q should be read as applying to all related forward-looking statements whenever they appear in this Form 10-Q. The Company's actual results may differ materially from those currently anticipated and expressed in such forward-looking statements as a result of a number of factors, including those that are discussed under "Forward-Looking Statements" and elsewhere in this Form 10-Q. The Company has a disclosure committee consisting of members of senior management and other key employees involved in the preparation of the Company's SEC reports. The disclosure committee is actively involved in the review and discussion of the Company's SEC filings.

Overview

American Water is the largest and most geographically diverse, publicly traded water and wastewater utility company in the United States, as measured by both operating revenues and population served. The Company's primary business involves the ownership of utilities that provide water and wastewater services to residential, commercial, industrial, public authority, fire service and sale for resale customers, collectively presented as the "Regulated Businesses." Services provided by the Company's utilities are subject to regulation by multiple state utility commissions or other entities engaged in utility regulation, collectively referred to as public utility commissions ("PUCs"). The Company also operates market-based businesses that provide water, wastewater and other services to residential and smaller commercial customers, the U.S. government on military installations, as well as municipalities and utility customers, collectively presented as the "Market-Based Businesses." These Market-Based Businesses are not subject to economic regulation by state PUCs. See Part I, Item 1—Business in the Company's Form 10-K for additional information.

COVID-19 Pandemic Update

American Water continues to monitor the COVID-19 pandemic and has taken steps since the beginning of the pandemic to mitigate adverse impacts to the Company. The Company has three main areas of focus as part of its response to COVID-19: the care and safety of its employees; the safety of its customers and the communities it serves; and the execution of its business continuity plan. American Water continues to work with its vendors to prevent disruptions in its supply chain, and, at this time, has not experienced, and does not anticipate, any material negative impacts. The Company also continues to monitor the impacts of the COVID-19 pandemic on the capital markets, including impacts that could increase its cost of capital.

The Company has experienced financial impacts since the beginning of the pandemic resulting from lower revenues from the suspension of late fees and foregone reconnect fees in certain states, certain incremental operation and maintenance ("O&M") expenses, an increase in uncollectible accounts expense and additional debt costs. These impacts are collectively referred to as "financial impacts." See Note 3—Impact of the COVID-19 Pandemic in the Notes to Consolidated Financial Statements for additional information. The extent to which the COVID-19 pandemic may further impact American Water, including without limitation, its liquidity, financial condition, and results of operations, will depend on future developments, which presently cannot be predicted.

As of November 2, 2021, American Water has commission orders authorizing deferred accounting or cost recovery for COVID-19 financial impacts in 11 of 14 jurisdictions, with proceedings in New York and Tennessee pending. One jurisdiction, Kentucky, issued an order denying a request to defer to a regulatory asset the financial impacts related to the COVID-19 pandemic. Other regulatory actions to date are presented in the table below:

Commission Actions	Description	States
Orders issued with deferred accounting	Allows the Company to establish regulatory assets to record certain financial impacts related to the COVID-19 pandemic.	HI, IN, MD, NJ, PA, VA, WV
Orders issued with cost recovery	California’s Catastrophic Event Memorandum Account allows the Company’s California subsidiary to track certain financial impacts related to the COVID-19 pandemic for future recovery requests. Iowa issued a base rate case order on June 28, 2021, authorizing recovery in rates of the COVID-19 financial impacts deferred within its annual non-recurring expense rider. Illinois has authorized cost recovery of the COVID-19 financial impacts through a special purpose rider over a 24-month period, which was implemented effective October 1, 2020. Additionally, Illinois approved a bad debt rider tariff on December 16, 2020, allowing collection of actual bad debt expense over last authorized beginning April 2021 through February 2023. Illinois approved a stipulation in March 2021 to allow the rider to be extended through the end of 2023. Missouri issued a base rate case order on April 7, 2021, authorizing recovery in rates of the COVID-19 financial impacts deferred through March 31, 2021 over a three-year period.	CA, IA, IL, MO
Proceedings pending	Pending proceedings considering deferred accounting authorization for the future recovery of COVID-19 financial impacts.	NY, TN

The Company’s Pennsylvania subsidiary filed for a request with the Pennsylvania Public Utility Commission (the “PaPUC”) to defer as a regulatory asset all identified COVID-19 financial impacts. On September 15, 2021, the PaPUC issued an order approving the request to defer, with carrying costs, incremental uncollectible expense and other incremental costs net of savings attributed to the COVID-19 pandemic. The PaPUC order denied the request to include lost revenues attributed to the waiver of late fees and reconnect fees and expenses associated with additional interest costs. Additionally, the PaPUC order approved the request to allow for the continuation of the deferral of financial impacts, rejecting proposals from the intervening parties to define an end date to the deferral in 2021. As a result of the order discussed above, the Company recorded a net \$7 million reduction to its regulatory assets and corresponding impacts to revenue, interest expense and uncollectible expense during the third quarter of 2021. The Company continues to evaluate options within its next base rate case to address these denied items and the resulting financial impact.

On July 28, 2021, the Company’s Tennessee subsidiary filed a stipulation and settlement agreement with the Consumer Advocate Unit in the Financial Division of the Office of the Tennessee Attorney General, which reflected agreement on the deferral of COVID-19-related financial impacts through April 30, 2021. On August 9, 2021, the Tennessee Public Utility Commission denied the stipulation and settlement agreement and moved to address the Company’s Tennessee subsidiary’s petition to defer the COVID-19 financial impacts in a future hearing. On August 26, 2021, the Company’s Tennessee subsidiary filed a motion to withdraw its pending petition, preserving its right to seek recovery of the COVID-19 financial impacts in a future proceeding.

Consistent with these regulatory orders, the Company has recorded \$39 million in regulatory assets and \$6 million of regulatory liabilities for the financial impacts related to the COVID-19 pandemic on the Consolidated Balance Sheets as of September 30, 2021.

As of November 2, 2021, three states continue moratoria on the suspension of service disconnections due to non-payment. The moratoria on disconnects have expired in 11 states. The Company continues to monitor the COVID-19 pandemic and will continue to comply with the current ordered moratoria and any future moratoria implemented.

Sale of Homeowner Services Group

On October 28, 2021, the Company and the subsidiaries comprising HOS entered into a purchase agreement with a wholly owned subsidiary of funds advised by Apax Partners LLP (the “Buyer”), to sell all of the equity interests of the HOS subsidiaries to the Buyer for total estimated consideration of approximately \$1.275 billion (an estimated \$1.0 billion net of tax). Apax Partners LLP is a global private equity advisory firm. The consideration is comprised of \$480 million in cash (subject to customary closing and post-closing adjustments and tax withholdings), a seller promissory note to be issued by the Buyer at closing in the principal amount of \$720 million, and a contingent cash payment of \$75 million payable upon satisfaction of certain conditions on or before December 31, 2023. Closing of the sale is subject to certain customary conditions, including, among others, the expiration or termination of the waiting period under the HSR Act. The Company and/or the Buyer may terminate the purchase agreement under certain circumstances, including if the closing does not occur by December 27, 2021, subject to an extension by either the Company or the Buyer for up to an additional nine months in the event of any law or order preventing the closing or if the expiration or termination of the applicable waiting period under the HSR Act has not occurred. The Company expects the closing to occur in the fourth quarter of 2021. The structure of the transaction enables the initial cash proceeds to be redeployed into the Regulated Businesses to fund near-term incremental capital investments, while interest on the seller note will provide a stream of earnings during its term. Upon maturity, the proceeds from the repayment of the seller note are expected to be used to fund capital investment in the Regulated Businesses. This proposed sale further narrows the focus of the Company’s Market-Based Businesses primarily to its Military Services Group (“MSG”).

The seller note will have a five-year term, will be payable in cash, and will bear interest at a rate of 7.00% per year during the term. The repayment obligations of the Buyer under the seller note will be secured by a first priority security interest in certain property of the Buyer and the HOS subsidiaries, including their cash and securities accounts, as well as a pledge of the equity interests in each of those subsidiaries, subject to certain limitations and exceptions. The seller note will require compliance with affirmative and negative covenants (subject to certain conditions, limitations and exceptions), including a covenant limiting the incurrence by the Buyer and certain affiliates of additional indebtedness in excess of certain thresholds, but will not include any financial maintenance covenants.

Beginning on the 36th month after closing, the Company has a put right pursuant to which it may require the seller note to be repaid in full at par, plus accrued and unpaid interest, except that upon the occurrence of a disruption event in the broadly syndicated term loan “B” debt financing market, repayment by the Buyer pursuant to the Company’s exercise of the put right will be delayed until the market disruption event ends.

The seller note may not be prepaid at the Buyer’s election except in certain limited circumstances before the fourth anniversary of the closing date. If the Buyer seeks to repay the seller note in breach of this non-call provision, an event of default will occur under the seller note and the Company may, among other actions, demand repayment in full together with a premium ranging from 105.5% to 107.5% of the outstanding principal amount of the loan and a customary “make-whole” payment.

The Company and the Buyer will enter into, at closing, a revenue share agreement, pursuant to which the Company will receive 10% of the revenue generated from customers who are billed for home warranty services through an applicable Company subsidiary (an “on-bill” arrangement), and 15% of the revenue generated from any future on-bill arrangements entered into after the closing. Unless earlier terminated, this agreement has a term of up to 15 years, which may be renewed for up to two five-year periods.

Financing Activities

On May 10, 2021, American Water Capital Corp. (“AWCC”) completed a \$1.1 billion debt offering, which included the sale of \$550 million aggregate principal amount of its 2.30% senior notes due 2031 and \$550 million aggregate principal amount of its 3.25% senior notes due 2051. Net proceeds of this offering were used to lend funds to parent company and its regulated subsidiaries, to prepay \$327 million in aggregate principal amount of AWCC’s outstanding senior notes, to repay AWCC’s commercial paper obligations and for general corporate purposes. See Note 8—Long-Term Debt in the Notes to Consolidated Financial Statements for additional information.

As a result of AWCC’s prepayment of the various senior notes, a make-whole premium of \$15 million was paid to the holders thereof on June 14, 2021. Substantially all of the early debt extinguishment costs were allocable to the Company’s utility subsidiaries and recorded as regulatory assets, as the Company believes they are probable of recovery in future rates.

Financial Results

For the three and nine months ended September 30, 2021, diluted earnings per share, prepared in accordance with accounting principles generally accepted in the United States (“GAAP”), were \$1.53 and \$3.40, respectively, an increase of \$0.07 and \$0.29 per diluted share, respectively, as compared to the same periods in the prior year. These increases were primarily driven by continued growth in the Regulated Businesses from infrastructure investment, acquisitions and organic growth. These increases were offset somewhat by the impacts from weather in both 2021 and 2020, which decreased revenue by an estimated \$17 million and \$11 million for the three and nine months ended September 30, 2021, respectively.

The Company expects to continue to grow its businesses, with the majority of its growth to be achieved in the Regulated Businesses through (i) continued capital investment in the Company’s infrastructure to provide safe, clean, reliable and affordable water and wastewater services to its customers, and (ii) regulated acquisitions to expand the Company’s services to new customers. The Company plans to invest approximately \$1.9 billion across its footprint in 2021. During the first nine months of 2021, the Company invested \$1.3 billion, primarily in the Regulated Businesses, as discussed below:

Regulated Businesses - Growth and Optimization

- \$1.2 billion capital investment in the Regulated Businesses, the majority for infrastructure improvements and replacements; and
- \$78 million to fund acquisitions, including deposits discussed below, in the Regulated Businesses, which added approximately 6,900 water and wastewater customers through the nine months ended September 30, 2021, in addition to approximately 12,600 customers added through organic growth through the nine months ended September 30, 2021.

On April 6, 2021, the Company’s Pennsylvania subsidiary entered into an agreement to acquire the wastewater assets of the York City Sewer Authority for \$235 million, plus an amount of average daily revenue calculated for the period between the final meter reading and the date of closing. This system, directly and indirectly through bulk contracts, serves more than 45,000 customers. In connection with the execution of the acquisition agreement, the Company’s Pennsylvania subsidiary paid a \$20 million deposit to the seller on April 30, 2021, which is refundable in the event the agreement is terminated prior to closing of the acquisition. The Company expects to close this acquisition in the first half of 2022, pending regulatory approval.

On March 29, 2021, the Company’s New Jersey subsidiary entered into an agreement to acquire the water and wastewater assets of Egg Harbor City for \$22 million. The water and wastewater systems currently serve approximately 1,500 customers each, or 3,000 combined, and are being sold through the New Jersey Water Infrastructure Protection Act process. The Company expects to close this acquisition in the first half of 2022, pending regulatory approval.

As of November 2, 2021, the Company has entered into agreements for pending acquisitions in the Regulated Businesses to add approximately 82,700 additional customers.

Sale of New York American Water Company, Inc.

On November 20, 2019, the Company and the Company’s New York subsidiary entered into a Stock Purchase Agreement (the “Stock Purchase Agreement”) with Liberty Utilities Co., which it subsequently assigned to its indirect, wholly owned subsidiary Liberty Utilities (Eastern Water Holdings) Corp. (“Liberty”), pursuant to which Liberty will purchase all of the capital stock of the New York subsidiary (the “Stock Purchase”) for an aggregate purchase price of approximately \$608 million in cash, subject to adjustment as provided in the Stock Purchase Agreement. The Company’s regulated New York operations have approximately 125,000 customers in the State of New York. Algonquin Power & Utilities Corp., Liberty’s ultimate parent company, executed and delivered an absolute and unconditional guaranty of the performance of all of the obligations of Liberty under the Stock Purchase Agreement. The Stock Purchase is subject to various conditions, including obtaining approvals and satisfying or waiving other closing conditions. The Stock Purchase Agreement as originally executed provided for an initial termination date of June 30, 2021 (the “Closing End Date”). On June 29, 2021, the parties mutually agreed to extend the Closing End Date to December 31, 2021 in accordance with the terms of the Stock Purchase Agreement, and agreed to extend further the Closing End Date to January 3, 2022 as December 31, 2021 is a federal holiday. No other provision of the Stock Purchase Agreement was modified by this mutual agreement. Liberty may also terminate the Stock Purchase Agreement if any governmental authority initiates a condemnation or eminent domain proceeding against a majority of the consolidated properties of the Company’s New York subsidiary, taken as a whole.

In 2020, the Governor of New York proposed legislation that, among other things, required the New York State Department of Public Service (“NYSDPS”) to study whether private water suppliers should be placed under municipal control. On February 3, 2021, the Governor issued a press release announcing that he directed the NYSDPS Special Counsel to commence and lead a municipalization feasibility study (the “Study”). The Study was released on March 29, 2021 finding that municipalization was feasible and in the public interest. The Study focused primarily on the imminent need for tax relief for the Company’s New York subsidiary’s customers and included recommendations to eliminate the Special Franchise Tax and create a new public authority to potentially acquire all or a portion of the system. Despite the Study’s findings, the legislative session ended without passage of legislation to eliminate the Special Franchise Tax. However, the New York State Senate and New York State Assembly passed legislation creating the North Shore Water Authority (“NSWA”) and the South Shore Water Authority (“SSWA”). The NSWA relates to a small portion of the New York subsidiary’s service area (about 4,700 customers) while the SSWA relates to the largest portion of its service territory (about 120,000 customers). Both bills were delivered to the Governor but have not yet been signed into law. The Company’s New York subsidiary continues to work constructively with the NYSDPS, including through ongoing settlement discussions among all parties to the proceeding, and to take all actions necessary to facilitate the completion of the Stock Purchase. Subject to satisfying or waiving the various conditions to closing, and assuming no prior termination of the Stock Purchase Agreement by Liberty as described above, the Company remains confident that the Stock Purchase will be completed.

The assets and related liabilities of the Company’s New York subsidiary were classified as held for sale on the Consolidated Balance Sheets as of September 30, 2021. See Note 6—Acquisitions and Divestitures in the Notes to Consolidated Financial Statements for additional information.

Operational Excellence

The Company’s adjusted regulated O&M efficiency ratio, which is used as a measure of the operating performance of the Regulated Businesses, was 33.9% for the twelve months ended September 30, 2021, as compared to 34.2% for the twelve months ended September 30, 2020. The improvement in this ratio reflects the continued focus on operating costs, as well as an increase in operating revenues for the Regulated Businesses after considering the adjustment for the amortization of the excess accumulated deferred income taxes (“EADIT”) shown in the table below.

The Company’s adjusted regulated O&M efficiency ratio is a non-GAAP measure, and is defined by the Company as its operation and maintenance expenses from the Regulated Businesses, divided by the operating revenues from the Regulated Businesses, where both operation and maintenance expenses and operating revenues were adjusted to eliminate purchased water expense. Operating revenues were further adjusted to exclude reductions for the amortization of EADIT. Also excluded from operation and maintenance expenses is the allocable portion of non-O&M support services costs, mainly depreciation and general taxes, which is reflected in the Regulated Businesses segment as operation and maintenance expenses, but for consolidated financial reporting purposes, is categorized within other line items in the accompanying Consolidated Statements of Operations. The items discussed above were excluded from the O&M efficiency ratio calculation as they are not reflective of management’s ability to increase the efficiency of the Regulated Businesses.

The Company evaluates its operating performance using this ratio, and believes it is useful to investors because it directly measures improvement in the operating performance and efficiency of the Regulated Businesses. This information is derived from the Company’s consolidated financial information but is not presented in its financial statements prepared in accordance with GAAP. This information supplements and should be read in conjunction with the Company’s GAAP disclosures, and should be considered as an addition to, and not a substitute for, any GAAP measure. The Company’s adjusted regulated O&M efficiency ratio (i) is not an accounting measure that is based on GAAP; (ii) is not based on a standard, objective industry definition or method of calculation; (iii) may not be comparable to other companies’ operating measures; and (iv) should not be used in place of the GAAP information provided elsewhere in this Form 10-Q.

Presented in the table below is the calculation of the Company's adjusted regulated O&M efficiency ratio and a reconciliation that compares operation and maintenance expenses and operating revenues, each as determined in accordance with GAAP, to those amounts utilized in the calculation of its adjusted O&M efficiency ratio:

(Dollars in millions)	For the Twelve Months Ended September 30,	
	2021	2020
Total operation and maintenance expenses	\$ 1,715	\$ 1,605
Less:		
Operation and maintenance expenses—Market-Based Businesses	436	386
Operation and maintenance expenses—Other	(30)	(20)
Total operation and maintenance expenses—Regulated Businesses	1,309	1,239
Less:		
Regulated purchased water expenses	154	146
Allocation of non-operation and maintenance expenses	41	34
Adjusted operation and maintenance expenses—Regulated Businesses (i)	\$ 1,114	\$ 1,059
Total operating revenues	\$ 3,902	\$ 3,756
Less:		
Operating revenues—Market-Based Businesses	575	536
Operating revenues—Other	(16)	(18)
Total operating revenues—Regulated Businesses	3,343	3,238
Less:		
Regulated purchased water revenues (a)	154	146
Revenue reductions for the amortization of EADIT	(93)	—
Adjusted operating revenues—Regulated Businesses (ii)	\$ 3,282	\$ 3,092
Adjusted O&M efficiency ratio—Regulated Businesses (i) / (ii)	33.9 %	34.2 %

(a) The calculation assumes regulated purchased water revenues approximate regulated purchased water expenses.

Regulatory Matters**General Rate Cases and Infrastructure Surcharges**

Presented in the table below are annualized incremental revenues, excluding reductions for the amortization of EADIT that are generally offset in income tax expense, assuming a constant water sales volume, resulting from general rate case authorizations and infrastructure surcharge authorizations that became effective in the current period:

(In millions)	During the Three Months Ended September 30,		During the Nine Months Ended September 30,	
	2021	2020	2021	2020
General rate cases by state:				
Missouri (effective May 28, 2021)	\$ —	\$ —	\$ 22	\$ —
New York (effective May 1, 2021)	—	—	7	—
Pennsylvania (effective January 28, 2021)	—	—	70	—
Indiana (effective May 1, 2020)	—	—	—	13
California (effective January 1, 2020)	—	—	—	5
Total general rate cases	\$ —	\$ —	\$ 99	\$ 18
Infrastructure surcharges by state:				
Kentucky (effective July 1, 2021 and July 1, 2020)	\$ 1	\$ 1	\$ 1	\$ 1
New Jersey (effective June 28, 2021, June 29, 2020 and January 1, 2020)	—	—	14	20
Indiana (effective March 17, 2021)	—	—	8	—
Pennsylvania (effective January 1, 2021, July 1, 2020, April 1, 2020 and January 1, 2020)	—	4	8	19
Illinois (effective January 1, 2021 and January 1, 2020)	—	—	7	7
West Virginia (effective January 1, 2021 and January 1, 2020)	—	—	5	3
Tennessee (effective January 1, 2021 and January 1, 2020)	—	—	3	2
Missouri (effective June 27, 2020)	—	—	—	10
Total infrastructure surcharges	\$ 1	\$ 5	\$ 46	\$ 62

Effective October 7, 2021, the Company's Missouri subsidiary implemented infrastructure surcharges for annualized incremental revenues of \$7 million.

On August 28, 2020, the Company's Iowa subsidiary filed a general rate case requesting \$3 million in annualized incremental revenues. An order was issued on June 28, 2021 authorizing an increase of \$1 million. On July 9, 2021, the Company's Iowa subsidiary filed a Motion for Clarification with respect to the required accelerated flow back of unprotected EADIT over a three-year period to recognize the increase to rate base and incremental revenues as the unprotected EADIT is amortized. On September 21, 2021, that motion was denied. The Company's Iowa subsidiary filed tariffs consistent with the order on September 23, 2021. Effective October 11, 2021, the Iowa Utilities Board approved the tariffs and implemented the new rates.

On April 7, 2021, the Company's Missouri subsidiary was authorized additional annualized revenues of \$22 million, effective May 28, 2021, excluding agreed to reductions for EADIT as a result of the TCJA. The EADIT reduction in revenues is \$25 million and is offset by a like reduction in income tax expense. The protected EADIT balance of \$72 million is being returned to customers using the average rate assumption method ("ARAM"), and the unprotected EADIT balance of \$74 million is being returned to customers over 10 years. The \$25 million EADIT reduction includes both the protected and unprotected catch-up period EADIT of \$13 million. The catch-up period of January 1, 2018 through May 31, 2021 covers the period from when the lower federal corporate income tax rate went into effect until new base rates went into effect and will be amortized over 2.5 years.

On March 2, 2021, an administrative law judge (“ALJ”) in the Office of Administrative Law of New Jersey filed an initial decision with the New Jersey Board of Public Utilities (the “NJBPU”) that recommended denial of a petition filed by the Company’s New Jersey subsidiary, which sought approval of acquisition adjustments in rate base of \$29 million associated with the acquisitions of Shorelands Water Company, Inc. in 2017 and the Borough of Haddonfield’s water and wastewater systems in 2015. On July 29, 2021, the NJBPU issued an order adopting the ALJ’s initial decision without modification. The Company’s New Jersey subsidiary filed a Notice of Appeal with the New Jersey Appellate Division on September 10, 2021. A scheduling order was issued on October 18, 2021 establishing a briefing schedule through January 2022. There is no financial impact to the Company as a result of the NJBPU’s order, since the acquisition adjustments are currently recorded as goodwill on the Consolidated Balance Sheets.

On February 25, 2021, the Company’s Pennsylvania subsidiary was authorized additional annualized revenues of \$90 million, effective January 28, 2021, excluding agreed to reductions for EADIT as a result of the TCJA, over two steps. The EADIT reduction in revenues is \$19 million. The overall increase, net of TCJA reductions, is \$71 million in revenues combined over two steps. The first step was effective January 28, 2021 in the amount of \$70 million (\$51 million including TCJA reductions) and the second step will be effective January 1, 2022 in the amount of \$20 million. The protected EADIT balance of \$200 million is being returned to customers using the ARAM, and the unprotected EADIT balance of \$116 million is being returned to customers over 20 years. The \$19 million annually includes both the protected and unprotected EADIT amortizations and a portion of catch-up period EADIT. A bill credit of \$11 million annually for two years returns to customers the remainder of the EADIT catch-up period amortization. The catch-up period of January 1, 2018 through December 31, 2020 covers the period from when the lower federal corporate income tax rate went into effect until new base rates went into effect and will be amortized over two years.

Pending General Rate Case Filings

On August 18, 2021, the Company’s Hawaii subsidiary filed a general rate case requesting \$2 million in additional annualized revenues.

On April 30, 2021, the Company’s West Virginia subsidiary filed a general rate case requesting \$32 million in annualized incremental revenues excluding proposed reductions for EADIT as a result of TCJA and infrastructure surcharges. The proposed EADIT reduction in revenues is \$1 million and the exclusion for infrastructure surcharges is \$10 million. Intervenor testimony was received on September 20, 2021. The Company’s rebuttal testimony was filed on October 5, 2021. Hearings are scheduled to start November 3, 2021.

On July 1, 2019, the Company’s California subsidiary filed a general rate case requesting \$29 million in annualized incremental revenues for 2021, and increases of \$10 million and \$11 million in the escalation year of 2022 and the attrition year of 2023, respectively. On October 11, 2019, the Company filed its 100-day update for the same proceeding and updated the request to \$27 million in annualized incremental revenues for 2021, and increases of \$10 million in both the escalation year of 2022 and the attrition year of 2023, respectively. On September 10, 2020, the California Public Utilities Commission (the “CPUC”) approved the Company’s California subsidiary’s motion for interim rates, establishing a memorandum account to track the difference between interim and final rates adopted by the CPUC in this proceeding, which were effective on January 1, 2021. Following settlement discussions among all parties to the proceeding, on January 22, 2021, January 25, 2021, and February 11, 2021, the Company’s California subsidiary filed with the CPUC comprehensive settlements entered into among the Company’s California subsidiary, the Public Advocates Office, and other intervenors. These settlement agreements resolved all matters in dispute among the parties to the settlements, with the exception of a few disputed items between the Company’s California subsidiary and the Monterey Peninsula Water Management District (the “MPWMD”). On October 19, 2021, the CPUC issued a proposed decision in the general rate case proceeding for rates effective January 1, 2021. With minor exceptions, the proposed decision would adopt the comprehensive settlements reached with the Public Advocates Office, and other intervenors. Comments on the proposed decision are due November 8, 2021 and reply comments are due November 15, 2021. The earliest the decision could be adopted is November 18, 2021 at the CPUC’s voting meeting. The Company expects a final decision by December 31, 2021.

On January 5, 2021, the Company’s California subsidiary submitted a request to delay by one year its cost of capital filing and maintain the authorized cost of capital through 2022. On February 22, 2021, the CPUC denied the request to further delay the cost of capital filing. The Company’s California subsidiary submitted its cost of capital application on May 3, 2021. Once approved by the CPUC, the new authorized cost of capital will be effective January 1, 2022.

Pending Infrastructure Surcharge Filings

On September 3, 2021, the Company’s Missouri subsidiary filed for an infrastructure surcharge requesting \$11 million in additional annualized revenues.

On June 30, 2021, the Company’s West Virginia subsidiary filed for an infrastructure surcharge requesting \$3 million in additional annualized revenues.

Legislative Updates

During 2021, the Company's regulatory jurisdictions enacted the following legislation that has been approved and is effective as of November 2, 2021:

- The Kentucky General Assembly adopted House Bill 465 relating to the acquisition of water and wastewater utilities. The legislation affirms a method in valuing water and wastewater systems above net book value and establishes a timeline of 60 days for Public Service Commission approval of an acquisition.
- Indiana House Enrolled Act 1287 creates a mechanism that reduces the required upfront cost to new customers for a water or wastewater utility to extend service to underserved areas.
- Indiana House Enrolled Act 349 establishes a tax rider for water and wastewater utilities based upon a change in state or federal income tax law. The legislation also requires the Indiana Finance Authority to prioritize loans that secure long-term benefits over shorter term projects.
- New Jersey passed Lead Service Line Replacement Bill, Senate Bill 3398/Assembly Bill 5343, which provides for the replacement of lead service lines within 10 years of the effective date of the bill and authorizes cost recovery of customer-owned lead service lines as an O&M expense plus interest through a semi-annual surcharge.
- Missouri passed the Water and Sewer Infrastructure Act, Senate Bill 44/House Bill 397, to establish a new statewide surcharge mechanism program which covers replacement of aging water distribution and sewer collection infrastructure. This legislation broadens the eligible projects covered by the current Infrastructure System Replacement Surcharge mechanism and expands its applicability to projects across the state.
- Illinois passed House Bill 414, Low Income Water & Sewer Financial Assistance Program, which authorizes the state's Department of Commerce and Economic Opportunity to institute a water and sewer assistance program for customers of privately and publicly owned systems. The program is modeled off the existing energy supplemental state Low Income Home Energy Assistance Program.

During 2021, the Company's regulatory jurisdictions enacted the following legislation that has been approved but is not yet effective as of November 2, 2021:

- New Jersey passed Senate Bill 647/House Bill 4825, which strengthens the state's existing Water Quality Accountability Act ("WQAA") by requiring the Department of Environmental Protection to adopt regulations to implement the WQAA, enhancing asset management plans and reporting, upgrading cyber security standards and adding criminal penalties for falsifying reports. Legislation is awaiting the Governor's signature.
- California passed electronic payment legislation, Assembly Bill 1058, which permanently changes state law to allow investor-owned water and wastewater utilities to accept electronic payments, including credit and debit cards, without charging processing fees to customers. Legislation was signed by the Governor with an effective date of January 1, 2022.
- California passed CPUC consolidation timeline legislation, Assembly Bill 1250, which requires the CPUC to make timely decisions on applications to acquire systems. Consolidations of less than \$5 million are to be processed within 180 days and those more than \$5 million are required to be processed within 12 months. Legislation was signed by the Governor with an effective date of January 1, 2022.

Condemnation and Eminent Domain

All or portions of the Regulated Businesses' utility assets could be acquired by state, municipal or other government entities through one or more of the following methods: (i) eminent domain (also known as condemnation); (ii) the right of purchase given or reserved by a municipality or political subdivision when the original certificate of public convenience and necessity (a "CPCN") was granted; and (iii) the right of purchase given or reserved under the law of the state in which the utility subsidiary was incorporated or from which it received its CPCN. The acquisition consideration related to such a proceeding initiated by a local government may be determined consistent with applicable eminent domain law, or may be negotiated or fixed by appraisers as prescribed by the law of the state or in the particular CPCN.

As such, the Regulated Businesses are periodically subject to condemnation proceedings in the ordinary course of business. For example, a citizens group in Monterey, California successfully added "Measure J" to the November 2018 election ballot asking voters to decide whether the MPWMD should conduct a feasibility study concerning the potential purchase of the Monterey water service system assets (the "Monterey system assets") of the Company's California subsidiary, and, if feasible, to proceed with a purchase of those assets without an additional public vote. This service territory represents approximately 40,000 customers. In November 2018, Measure J was certified to have passed.

In August 2019, the MPWMD's General Manager issued a report that recommends that the MPWMD board (1) develop criteria to determine which water systems should be considered for acquisition; (2) examine the feasibility of acquiring the Monterey system assets and consider public ownership of smaller systems only if the MPWMD becomes the owner of a larger system; (3) evaluate whether the acquisition of the Monterey system assets by the MPWMD is in the public interest and sufficiently satisfies the criterion of "feasible" as provided in Measure J; (4) ensure there is significant potential for cost savings before agreeing to commence an acquisition; and (5) develop more fully alternate operating plans before deciding whether to consider a Resolution of Necessity.

In November 2019, the MPWMD issued a preliminary valuation and cost of service analysis report, finding in part that (1) an estimate of the Monterey system assets' total value plus adjustments would be approximately \$513 million, (2) the cost of service modeling results indicate significant annual reductions in revenue requirements and projected monthly water bills, and (3) the acquisition of the Monterey system assets by the MPWMD would be economically feasible. On June 12, 2020, the MPWMD issued a draft environmental impact report for the potential acquisition of the Monterey system assets and a related district boundary adjustment that would be required if the MPWMD were to acquire and operate certain of the Monterey system assets located outside the MPWMD's boundaries. On September 15, 2020, the MPWMD gave notice of its intention to appraise the Monterey system assets and related property interests. On September 29, 2020, the Company's California subsidiary declined to make the Monterey system assets and related property interests available for inspection or to comply with any of the other requests contained in the MPWMD's notice. On October 7, 2020, the MPWMD issued a final environmental impact report ("FEIR"), and on November 4, 2020, the MPWMD certified the FEIR, which purports to analyze the environmental impacts of the MPWMD's project to (1) acquire the Monterey system assets through the power of eminent domain, if necessary, and (2) expand its geographic boundaries to include all parts of this system. On November 25, 2020, the Company's California subsidiary filed a petition challenging this certification in court. A hearing on the matter was held on August 30, 2021, and a decision from the court remains pending. See Item 3—Legal Proceedings—Challenge of Certification — Proposed Monterey System Final Environmental Impact Report in the Company's Form 10-K, and Part II, Item 1—Legal Proceedings in this Form 10-Q.

On February 26, 2021, the MPWMD filed an application with the Local Agency Formation Commission of Monterey County ("LAFCO") seeking approval to become a retail water provider and annex approximately 58 parcels of land into the MPWMD's boundaries. On June 28, 2021, LAFCO's board of directors voted to require a third-party independent financial study as to the feasibility of an acquisition by the MPWMD of the Monterey system assets. By letter dated July 30, 2021, LAFCO notified the MPWMD that its application was complete and would be considered for action at a public hearing, which will now take place on December 6, 2021. LAFCO also indicated that, in accordance with the LAFCO board of directors' directive, a consultant was engaged to perform an independent financial review of the application, which will support LAFCO's analysis of the application at the public hearing. Approval by LAFCO is a precondition to the MPWMD's ability to file an eminent domain proceeding against the Company's California subsidiary to acquire the Monterey system assets. If the MPWMD were to make a final determination that an acquisition of the Monterey system assets is feasible, it would then need to file a multi-year eminent domain proceeding against the Company's California subsidiary. In that proceeding, it would first need to establish its right to take the Monterey system assets. If such right is established, the amount of just compensation to be paid to the California subsidiary for such assets would then need to be determined. The MPWMD has stated that it anticipates filing such an eminent domain proceeding in late 2021 or early 2022.

Also, five municipalities in the Chicago, Illinois area (approximately 30,300 customers in total) formed a water agency and filed an eminent domain lawsuit against the Company in January 2013, seeking to condemn the water pipeline that serves those five municipalities. Before filing its eminent domain lawsuit, the water agency made an offer of \$38 million for the pipeline. The parties have filed with the court updated valuation reports. A valuation trial that was originally scheduled for October 2021 has been continued to June 2022.

Furthermore, the law in certain jurisdictions in which the Regulated Businesses operate provides for eminent domain rights allowing private property owners to file a lawsuit to seek just compensation against a public utility, if a public utility's infrastructure has been determined to be a substantial cause of damage to that property. In these actions, the plaintiff would not have to prove that the public utility acted negligently. In California, lawsuits have been filed in connection with large-scale natural events such as wildfires. Some of these lawsuits have included allegations that infrastructure of certain utilities triggered the natural event that resulted in damage to the property. In some cases, the PUC has allowed certain costs or losses incurred by the utility to be recovered from customers in rates, but in other cases such recovery in rates has been disallowed. Also, the utility may have obtained insurance that could respond to some or all of such losses, although the utility would be at risk for any losses not ultimately subject to rate or insurance recovery or losses that exceed the limits of such insurance.

Consolidated Results of Operations

Presented in the table below are the Company's consolidated results of operations:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
(In millions)				
Operating revenues	\$ 1,092	\$ 1,079	\$ 2,979	\$ 2,854
Operating expenses:				
Operation and maintenance	436	419	1,286	1,193
Depreciation and amortization	161	154	476	451
General taxes	78	73	241	225
Total operating expenses, net	675	646	2,003	1,869
Operating income	417	433	976	985
Other income (expense):				
Interest, net	(101)	(99)	(300)	(296)
Non-operating benefit costs, net	20	12	59	37
Other, net	4	6	11	17
Total other income (expense)	(77)	(81)	(230)	(242)
Income before income taxes	340	352	746	743
Provision for income taxes	62	88	128	179
Net income attributable to common shareholders	\$ 278	\$ 264	\$ 618	\$ 564

Segment Results of Operations

The Company's operating segments are comprised of the revenue-generating components of its business for which separate financial information is internally produced and regularly used by management to make operating decisions, assess performance and allocate resources. The Company operates its business primarily through one reportable segment, the Regulated Businesses segment. The Company also operates market-based businesses that, individually, do not meet the criteria of a reportable segment in accordance with GAAP, and are collectively presented as the Market-Based Businesses, which is consistent with how management assesses the results of these businesses.

Regulated Businesses Segment

Presented in the table below is financial information for the Regulated Businesses:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
(In millions)				
Operating revenues	\$ 944	\$ 945	\$ 2,556	\$ 2,468
Operation and maintenance	338	335	983	932
Depreciation and amortization	151	138	449	417
General taxes	74	69	226	211
(Gain) on asset dispositions and purchases	—	—	—	(3)
Other income (expenses)	(49)	(56)	(146)	(166)
Income before income taxes	332	346	752	744
Provision for income taxes	60	85	130	183
Net income attributable to common shareholders	273	261	623	561

Operating Revenues

Presented in the tables below is information regarding the main components of the Regulated Businesses' operating revenues:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
(In millions)				
Water services:				
Residential	\$ 545	\$ 562	\$ 1,466	\$ 1,435
Commercial	197	187	511	471
Fire service	38	37	112	110
Industrial	39	38	105	101
Public and other	68	60	184	178
Total water services	887	884	2,378	2,295
Wastewater services:				
Residential	38	35	112	99
Commercial	10	8	28	25
Industrial	1	1	3	2
Public and other	4	4	12	11
Total wastewater services	53	48	155	137
Other (a)	4	13	23	36
Total operating revenues	\$ 944	\$ 945	\$ 2,556	\$ 2,468

(a) Includes other operating revenues consisting primarily of miscellaneous utility charges, fees and rents.

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
(Gallons in millions)				
Billed water services volumes:				
Residential	53,526	57,917	133,282	135,875
Commercial	23,981	23,556	58,559	56,434
Industrial	10,400	9,925	26,843	26,422
Fire service, public and other	14,978	14,783	38,385	37,414
Total billed water services volumes	102,885	106,181	257,069	256,145

For the three months ended September 30, 2021, operating revenues decreased \$1 million, primarily due to a \$56 million increase from authorized rate increases, including infrastructure surcharges, principally to fund infrastructure investment in various states, and a \$6 million increase from water and wastewater acquisitions, as well as organic growth in existing systems. These increases were offset by an estimated net decrease of \$17 million from weather in both 2021 and 2020, and a \$24 million decrease in revenues due to the amortization of EADIT, which is generally offset with a reduction in income tax expense. There was an estimated \$11 million decrease in 2021 due to higher demand in the third quarter of 2020 as a result of the COVID-19 pandemic, which had no estimated net impact on revenue for the full year 2020. Additionally, there was an \$8 million decrease in revenue due to the denial of recovery of certain COVID-19 financial impacts based on the PaPUC order received by the Company's Pennsylvania subsidiary. See Note 3—Impact of the COVID-19 Pandemic in the Notes to Consolidated Financial Statements for additional information.

For the nine months ended September 30, 2021, operating revenues increased \$88 million, primarily due to \$152 million increase from authorized rate increases, including infrastructure surcharges, principally to fund infrastructure investment in various states, and a \$22 million increase from water and wastewater acquisitions, as well as organic growth in existing systems. These increases were offset by an estimated net decrease of \$11 million from weather in both 2021 and 2020, and a \$68 million decrease in revenues due to the amortization of EADIT, which is generally offset with a reduction in income tax expense. Additionally, there was an \$8 million decrease in revenue due to the denial of recovery of certain COVID-19 financial impacts based on the PaPUC order received by the Company's Pennsylvania subsidiary. See Note 3—Impact of the COVID-19 Pandemic in the Notes to Consolidated Financial Statements for additional information.

Operation and Maintenance

Presented in the table below is information regarding the main components of the Regulated Businesses' operating and maintenance expense:

(In millions)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
Employee-related costs	\$ 132	\$ 125	\$ 391	\$ 369
Production costs	101	100	268	253
Operating supplies and services	56	65	171	175
Maintenance materials and supplies	19	18	66	56
Customer billing and accounting	17	14	49	41
Other	13	13	38	38
Total	\$ 338	\$ 335	\$ 983	\$ 932

For the three months ended September 30, 2021, operation and maintenance expense increased \$3 million primarily due to a \$7 million increase in employee-related costs from higher headcount and related compensation expense in support of the growth in the business and a \$3 million increase in customer billing and accounting primarily due to higher call volumes experienced at our customer service centers. These increases were partially offset by a \$9 million decrease in operating supplies and services due to timing of expenses.

For the nine months ended September 30, 2021, operation and maintenance expense increased \$51 million, primarily due to a \$22 million increase in employee-related costs from higher headcount and related compensation expense in support of the growth in the business and higher pension expense due to higher service costs. There was a \$15 million increase in production costs primarily due to higher purchased water usage in the Company's California subsidiary and increased fuel and power costs across several subsidiaries and a \$10 million increase in maintenance materials and supplies due to timing of maintenance and tank painting projects in the Company's New Jersey subsidiary and increased paving costs from a higher volume of main breaks.

Depreciation and Amortization

For the three and nine months ended September 30, 2021, depreciation and amortization increased \$13 million and \$32 million, respectively, primarily due to additional utility plant placed in service from capital infrastructure investments and acquisitions.

General Taxes

For the three and nine months ended September 30, 2021, general taxes increased \$5 million and \$15 million, respectively, primarily due to increased capital investments, including acquisitions and an increase in the New Jersey Gross Receipts Tax.

Other Income (Expenses)

For the three and nine months ended September 30, 2021, other income (expenses) increased \$7 million and \$20 million, respectively, primarily due to the reduction in the non-service cost components of pension and other postretirement benefits expense resulting from higher asset returns.

Provision for Income Taxes

For the three and nine months ended September 30, 2021, the Regulated Businesses’ provision for income taxes decreased \$25 million and \$53 million, respectively. The Regulated Businesses’ effective income tax rate was 18.1% and 24.6% for the three months ended September 30, 2021 and 2020, respectively, and 17.3% and 24.6% for the nine months ended September 30, 2021 and 2020, respectively. The decrease in the Regulated Businesses’ effective income tax rate for the three and nine months ended September 30, 2021 was primarily due to an increase in the amortization of EADIT resulting from the TCJA, pursuant to regulatory orders. The amortization of EADIT is generally offset with reductions in revenue.

Market-Based Businesses

Presented in the table below is information for the Market-Based Businesses:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
(In millions)				
Operating revenues	\$ 152	\$ 139	\$ 435	\$ 399
Operation and maintenance	113	99	332	284
Depreciation and amortization	6	7	17	20
Income before income taxes	31	31	79	91
Provision for income taxes	8	7	20	23
Net income attributable to common shareholders	23	23	59	68

Operating Revenues

For the three and nine months ended September 30, 2021, operating revenues increased \$13 million and \$36 million, respectively, due to an increase in capital and O&M projects in the MSG, across several of the Company’s military bases, primarily at the United States Military Academy at West Point, New York, Fort Hood and Joint Base San Antonio.

Operation and Maintenance

For the three months ended September 30, 2021, operation and maintenance expense increased \$14 million, primarily due to costs associated with MSG from increased capital and O&M projects as discussed above and an increase in additional O&M costs related to the Contract Services Group (“CSG”).

For the nine months ended September 30, 2021, operation and maintenance expense increased \$48 million primarily due to costs associated with MSG from increased capital and O&M projects as discussed above; additional costs associated with an increase of claims in 2021 in HOS, including from extreme cold weather across the country during the first quarter of 2021, primarily in Texas and Illinois; and an increase in additional O&M costs related to CSG.

Liquidity and Capital Resources

For a general overview of the sources and uses of capital resources, see the introductory discussion in Part II, Item 7—Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources in the Company’s Form 10-K.

Liquidity needs for capital investment, working capital and other financial commitments are generally funded through cash flows from operations, public and private debt offerings, commercial paper markets, and, if and to the extent necessary, borrowings under AWCC’s revolving credit facility, and, in the future, issuances of equity. The Company’s revolving credit facility provides \$2.25 billion in aggregate total commitments from a diversified group of financial institutions. The revolving credit facility is used principally to support AWCC’s commercial paper program, to provide additional liquidity support, and to provide for the issuance of up to \$150 million in letters of credit. The maximum aggregate principal amount of short-term borrowings authorized for issuance under AWCC’s commercial paper program is \$2.10 billion. Subject to satisfying certain conditions, the credit agreement also permits AWCC to increase the maximum commitment under the facility by up to an aggregate of \$500 million. As of September 30, 2021 and December 31, 2020, there were no borrowings outstanding under the revolving credit facility. The weighted-average interest rate on AWCC’s outstanding short-term borrowings, including as of December 31, 2020, \$500 million of outstanding principal on the Term Loan Facility (as defined below), was approximately 0.13% and 0.53% at September 30, 2021 and December 31, 2020, respectively.

To ensure adequate liquidity given the impacts of the COVID-19 pandemic on debt and capital markets, on March 20, 2020, AWCC entered into a Term Loan Credit Agreement, by and among parent company, AWCC and the lenders party thereto (the “Term Loan Facility”). The proceeds were used for general corporate purposes of AWCC and American Water and to provide additional liquidity. As of December 31, 2020, \$500 million of principal was outstanding under the Term Loan Facility. The Term Loan Facility commitments terminated at maturity on March 19, 2021 and the Term Loan Facility was repaid in full.

Presented in the tables below is the aggregate credit facility commitments, commercial paper limit and letter of credit availability under the revolving credit facility, as well as the available capacity for each:

	As of September 30, 2021		
	Commercial Paper Limit	Letters of Credit	Total (a)
(In millions)			
Total availability	\$ 2,100	\$ 150	\$ 2,250
Outstanding debt	(684)	(76)	(760)
Remaining availability as of September 30, 2021	\$ 1,416	\$ 74	\$ 1,490

(a) Total remaining availability of \$1.49 billion as of September 30, 2021 may be accessed through revolver draws.

	As of December 31, 2020		
	Commercial Paper Limit	Letters of Credit	Total (a)
(In millions)			
Total availability	\$ 2,100	\$ 150	\$ 2,250
Outstanding debt	(786)	(76)	(862)
Remaining availability as of December 31, 2020	\$ 1,314	\$ 74	\$ 1,388

(a) Total remaining availability may be accessed through revolver draws.

Presented in the table below is the Company’s total available liquidity as of September 30, 2021 and December 31, 2020, respectively:

	Cash and Cash Equivalents	Availability on Revolving Credit Facility	Total Available Liquidity
(In millions)			
Available liquidity as of September 30, 2021	\$ 70	\$ 1,490	\$ 1,560
Available liquidity as of December 31, 2020	\$ 547	\$ 1,388	\$ 1,935

The Company believes that existing sources of liquidity are sufficient to meet its cash requirements for the foreseeable future. Though not currently anticipated, no assurances can be provided that the lenders will meet existing commitments to AWCC under the revolving credit facility, or that AWCC will be able to access the commercial paper or loan markets in the future on acceptable terms. See Note 9—Short-Term Debt in the Notes to Consolidated Financial Statements for additional information.

On May 10, 2021, AWCC completed a \$1.1 billion debt offering, which included the sale of \$550 million aggregate principal amount of its 2.30% senior notes due 2031 and \$550 million aggregate principal amount of its 3.25% senior notes due 2051. At the closing of the offering, AWCC received, after deduction of underwriting discounts and before deduction of offering expenses, net proceeds of \$1,086 million. AWCC used the net proceeds of this offering: (i) to lend funds to parent company and its regulated subsidiaries; (ii) to prepay \$251 million aggregate principal amount of AWCC’s outstanding 5.77% Series D Senior Notes due December 21, 2021 (the “Series D Notes”) and \$76 million aggregate principal amount of AWCC’s outstanding 6.55% Series H Senior Notes due May 15, 2023 (the “Series H Notes,” and together with the Series D Notes, the “Series Notes”); (iii) to repay AWCC’s commercial paper obligations; and (iv) for general corporate purposes. After the prepayments described above, none of the Series D Notes, and approximately \$14 million aggregate principal amount of the Series H Notes, remain outstanding. As a result of AWCC’s prepayment of the Series Notes, a make-whole premium of \$15 million was paid to the holders thereof on June 14, 2021. Substantially all of the early debt extinguishment costs were allocable to the Company’s utility subsidiaries and recorded as regulatory assets, as the Company believes they are probable of recovery in future rates.

On May 6, 2021, the Company entered into two 10-year treasury lock agreements, with notional amounts of \$125 million and \$150 million, to reduce interest rate exposure on debt, which was subsequently issued on May 10, 2021. These treasury lock agreements had an average fixed rate of 1.58%. The Company designated these treasury lock agreements as cash flow hedges, with their fair value recorded in accumulated other comprehensive gain or loss. On May 10, 2021, the Company terminated these two treasury lock agreements with an aggregate notional amount of \$275 million, realizing a net gain of less than \$1 million, to be amortized through interest, net over a 10-year period, in accordance with the terms of the \$1.1 billion new debt issued on May 10, 2021. No ineffectiveness was recognized on hedging instruments for the three and nine months ended September 30, 2021 and 2020.

Cash Flows Provided by Operating Activities

Cash flows provided by operating activities primarily result from the sale of water and wastewater services and, due to the seasonality of demand, are generally greater during the warmer months. Presented in the table below is a summary of the major items affecting the Company’s cash flows provided by operating activities:

	For the Nine Months Ended September 30,	
	2021	2020
(In millions)		
Net income	\$ 618	\$ 564
Add (less):		
Depreciation and amortization	476	451
Deferred income taxes and amortization of investment tax credits	121	174
Other non-cash activities (a)	(37)	(25)
Changes in working capital (b)	(118)	(145)
Pension and postretirement healthcare contributions	(31)	(31)
Net cash flows provided by operating activities	<u>\$ 1,029</u>	<u>\$ 988</u>

(a) Includes provision for losses on accounts receivable, pension and non-pension postretirement benefits and other non-cash, net. Details of each component can be found on the Consolidated Statements of Cash Flows.

(b) Changes in working capital include changes to receivables and unbilled revenues, accounts payable and accrued liabilities, the settlement of cash flow hedges and other current assets and liabilities, net.

For the nine months ended September 30, 2021, cash flows provided by operating activities increased \$41 million, due to an increase in net income, an increase in depreciation and amortization primarily due to additional utility plant placed in service from capital infrastructure investments and acquisitions and changes in working capital, partially offset by a decrease in deferred income taxes and amortization of investment tax credits primarily driven by an increase in the amortization of EADIT.

Cash Flows Used in Investing Activities

Presented in the table below is a summary of the major items affecting the Company’s cash flows used in investing activities:

	For the Nine Months Ended September 30,	
	2021	2020
(In millions)		
Net capital expenditures	\$ (1,205)	\$ (1,314)
Acquisitions	(78)	(59)
Other investing activities, net (a)	(70)	(73)
Net cash flows used in investing activities	<u>\$ (1,353)</u>	<u>\$ (1,446)</u>

(a) Includes removal costs from property, plant and equipment retirements and proceeds from sale of assets.

For the nine months ended September 30, 2021, cash used in investing activities decreased \$93 million, primarily due to the timing of payments for capital expenditures. Partially, offsetting this decrease was an increase in acquisitions primarily due to the acquisition of the East Pasadena Water Company in California for \$34 million during the third quarter of 2021. The Company plans to invest approximately \$1.9 billion across its footprint in 2021.

Cash Flows from Financing Activities

Presented in the table below is a summary of the major items affecting the Company's cash flows provided by financing activities:

	For the Nine Months Ended September 30,	
	2021	2020
(In millions)		
Proceeds from long-term debt	\$ 1,113	\$ 1,250
Repayments of long-term debt	(370)	(266)
(Repayments of) proceeds from term loan	(500)	500
Net short-term borrowings with maturities less than three months	(97)	(242)
Debt issuance costs and make-whole premium on early debt redemption	(26)	(12)
Dividends paid	(318)	(290)
Other financing activities, net (a)	46	26
Net cash flows (used in) provided by financing activities	<u>\$ (152)</u>	<u>\$ 966</u>

(a) Includes proceeds from issuances of common stock under various employee stock plans and the Company's dividend reinvestment plan, net of taxes paid, and advances and contributions in aid of construction, net of refunds.

For the nine months ended September 30, 2021, cash flows provided by financing activities decreased \$1,118 million, primarily due to the \$500 million borrowed under the Term Loan Facility during the first quarter of 2020 which was repaid in full at maturity in 2021, an increase in repayments of long-term debt due to the prepayment of \$327 million in aggregate principal amount of AWCC's outstanding senior notes during the second quarter of 2021 and higher dividends paid in 2021, partially offset by lower net repayments of commercial paper borrowings.

Debt Covenants

The Company's debt agreements contain financial and non-financial covenants. To the extent that the Company is not in compliance with these covenants, an event of default may occur under one or more debt agreements and the Company or its subsidiaries may be restricted in its ability to pay dividends, issue new debt or access the revolving credit facility. The long-term debt indentures contain a number of covenants that, among other things, prohibit or restrict the Company from issuing debt secured by the Company's assets, subject to certain exceptions. Failure to comply with any of these covenants could accelerate repayment obligations.

Covenants in certain long-term notes and the revolving credit facility require the Company to maintain a ratio of consolidated debt to consolidated capitalization (as defined in the relevant documents) of not more than 0.70 to 1.00. On September 30, 2021, the Company's ratio was 0.62 to 1.00 and therefore the Company was in compliance with the covenants.

Security Ratings

Presented in the table below are long-term and short-term credit ratings and rating outlooks as of November 2, 2021 as issued by the following rating agencies:

Securities	Moody's Investors Service	Standard & Poor's Ratings Service
Rating outlook	Stable	Stable
Senior unsecured debt	Baa1	A
Commercial paper	P-2	A-1

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

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

Access to the capital markets, including the commercial paper market, and respective financing costs in those markets, may be directly affected by the Company's securities ratings. The Company primarily accesses the debt capital markets, including the commercial paper market, through AWCC. However, the Company has also issued debt through its regulated subsidiaries, primarily in the form of tax-exempt securities or borrowings under state revolving funds, to lower the overall cost of debt.

Dividends

For discussion of the Company's dividends, see Note 7—Shareholders' Equity in the Notes to Consolidated Financial Statements for additional information.

Application of Critical Accounting Policies and Estimates

Financial condition of the Company, results of operations and cash flows are impacted by the methods, assumptions and estimates used in the application of critical accounting policies. See Part II, Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates in the Company's Form 10-K for a discussion of its critical accounting policies. Additionally, see Note 2—Significant Accounting Policies in the Notes to Consolidated Financial Statements for updates, if any, to the significant accounting policies previously disclosed in the Company's Form 10-K.

Recent Accounting Standards

See Note 2—Significant Accounting Policies in the Notes to Consolidated Financial Statements for a description of new accounting standards recently adopted or pending adoption.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risk in the normal course of business, including changes in commodity prices, equity prices and interest rates. For further discussion of its exposure to market risk, see Part II, Item 7A—Quantitative and Qualitative Disclosures about Market Risk in the Company's Form 10-K. There have been no significant changes to the Company's exposure to market risk since December 31, 2020.

The Company had no significant derivative instruments outstanding as of September 30, 2021.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

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

The Company's management, including the Chief Executive Officer and the Chief Financial Officer, conducted an evaluation of the effectiveness of its disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of September 30, 2021.

Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of September 30, 2021, the Company's disclosure controls and procedures were effective at a reasonable level of assurance.

Changes in Internal Control over Financial Reporting

The Company concluded that there have been no changes in internal control over financial reporting that occurred during the three months ended September 30, 2021, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The following information updates and amends the information provided in the Company's Form 10-K in Part I, Item 3—Legal Proceedings, and in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2021 in Part II, Item 1—Legal Proceedings. Capitalized terms used but not otherwise defined herein have the meanings set forth in the Company's Form 10-K. In accordance with the SEC's disclosure rules, the Company has elected to disclose environmental proceedings involving the Company and a governmental authority if the amount of potential monetary sanctions, exclusive of interest and costs, that the Company reasonably believes will result from such proceeding is \$1 million or more.

Alternative Water Supply in Lieu of Carmel River Diversions

Monterey Peninsula Water Supply Project

Water Supply Project Land Acquisition and Slant Well Site Use

On October 7, 2021, the court granted a motion filed by Cal Am related to MCWD's cross-complaint against Cal Am, CEMEX and MCWRA, which motion requested a referral of certain issues related to MCWD's water rights and unreasonable use claims to the SWRCB for its expert advisory opinion.

Challenge of Certification — Proposed Monterey System Acquisition Final Environmental Impact Report

On November 25, 2020, the Company's California subsidiary filed a petition for writ of mandate in Monterey County Superior Court challenging certification of the issuance of a FEIR by MPWMD for the potential acquisition of the Monterey system assets. A hearing on the matter was held on August 30, 2021, and a decision from the court remains pending.

Other Matters

On April 2, 2021, American Water Resources, LLC ("AWR"), an indirect, wholly owned subsidiary of parent company, and one of the entities comprising HOS, received a grand jury subpoena for certain of its records in connection with an investigation by the U.S. Attorney's Office for the Eastern District of New York (the "EDNY"). The subpoena seeks information about AWR's operations and its contractor network in the New York City metropolitan area. In connection with the proposed sale of HOS to the Buyer, the Company, AWR and the Buyer will enter into, at the closing, a Common Interest and Cooperation Agreement (the "Cooperation Agreement"), in order to facilitate a common defense for, and to share information concerning, this investigation and any legal or regulatory inquiries or proceedings related to or resulting from it or the subject matter in the subpoena (collectively, the "Covered Matters"). The Company will, on behalf of AWR, defend any Covered Matter, using commercially reasonable efforts to resolve it on a reasonably expedient basis. Further, the Company will be required to consult with the Buyer in specified circumstances and obtain its prior written consent (which consent may not be unreasonably withheld, conditioned or delayed) before entering into any resolution of any Covered Matter that imposes non-monetary provisions or undertakings or any other terms for which there will be no indemnification under the Cooperation Agreement. In addition, for 39 months after the date of the closing, the Company will indemnify the Buyer for any monetary losses or out-of-pocket damages (as described in the Cooperation Agreement) incurred by the Buyer or certain of the HOS subsidiaries to the extent directly arising in connection with, or directly resulting from, any Covered Matter.

Based on the subpoena and discussions with the EDNY, the investigation does not appear to be focused on the parent company or the operations of any of its other subsidiaries. AWR is fully cooperating with the investigation. While it is not possible at this time to predict the outcome of the investigation or determine the amount, if any, of fines, penalties or other liabilities that may be incurred in connection with it, the Company does not currently believe that the investigation will have a material adverse effect on the Company's results of operations, financial condition or liquidity.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report, readers should carefully consider the factors discussed in Part I, Item 1A—Risk Factors in the Form 10-K, and in the Company's other filings with the SEC, which could materially affect the Company's business, financial condition, cash flows or future results. There have been no material changes from the risk factors previously disclosed in Part I, Item 1A—Risk Factors in the Form 10-K.

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

In February 2015, the Board of Directors authorized an anti-dilutive stock repurchase program to mitigate the dilutive effect of shares issued through the Company's dividend reinvestment, employee stock purchase and executive compensation activities. The program allows the Company to purchase up to 10 million shares of its outstanding common stock over an unrestricted period of time in the open market or through privately negotiated transactions. The program is conducted in accordance with Rule 10b-18 of the Exchange Act, and, to facilitate these repurchases, the Company enters into Rule 10b5-1 stock repurchase plans with a third-party broker, which allow the Company to repurchase shares of its common stock at times when it otherwise might be prevented from doing so under insider trading laws or because of self-imposed trading blackout periods. Subject to applicable regulations, the Company may elect to amend or cancel the program or the stock repurchase parameters at its discretion to manage dilution.

The Company did not repurchase shares of common stock during the three months ended September 30, 2021. From April 1, 2015, the date repurchases under the anti-dilutive stock repurchase program commenced, through September 30, 2021, the Company repurchased an aggregate of 4,860,000 shares of common stock under the program, leaving an aggregate of 5,140,000 shares available for repurchase under this program.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit Number	Exhibit Description
#2.1.1	Stock Purchase Agreement, dated November 20, 2019, by and among American Water Works Company, Inc., New York American Water Company, Inc. and Liberty Utilities Co. (incorporated by reference to Exhibit 2.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed November 20, 2019).
2.1.2	Letter Agreement, dated June 29, 2021, by and among the Company, New York American Water Company, Inc., and Liberty Utilities (Eastern Water Holdings) Corp. (incorporated by reference to Exhibit 2.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed June 29, 2021).
#2.2	Membership Interest Purchase Agreement, dated as of October 28, 2021, by and among American Water Works Company, Inc., American Water Enterprises, LLC, American Water (USA), LLC, American Water Resources, LLC, Pivotal Home Solutions, LLC, American Water Resources Holdings, LLC and Lakehouse Buyer Inc. (incorporated by reference to Exhibit 2.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed October 29, 2021).
3.1	Restated Certificate of Incorporation of American Water Works Company, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q, File No. 001-34028, filed November 6, 2008).
3.2	Amended and Restated Bylaws of American Water Works Company, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, File No. 001-34028, filed December 10, 2020).
4.1	Indenture, dated as of December 4, 2009, between American Water Capital Corp. and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed December 3, 2010).
4.2	Officers' Certificate of American Water Capital Corp., dated May 14, 2021, establishing the terms and authorizing the issuance of the 2.300% Senior Notes due 2031 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed May 14, 2021).
4.3	Officers' Certificate of American Water Capital Corp., dated May 14, 2021, establishing the terms and authorizing the issuance of the 3.250% Senior Notes due 2051 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed May 14, 2021).
10.1	American Water Works Company, Inc. Executive Severance Policy, as amended and restated as of July 27, 2021 (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q, File No. 001-34028, filed August 2, 2021).
10.2	American Water Works Company, Inc. Change of Control Severance Policy, dated as of July 27, 2021 (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q, File No. 001-34028, filed August 2, 2021).
*31.1	Certification of Walter J. Lynch, President and Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act.
*31.2	Certification of M. Susan Hardwick, Executive Vice President and Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act.
**32.1	Certification of Walter J. Lynch, President and Chief Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act.
**32.2	Certification of M. Susan Hardwick, Executive Vice President and Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act.
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101).
#	Certain schedules and exhibits to this agreement have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The Company will furnish the omitted schedules and exhibits to the SEC upon request.
*	Filed herewith.
**	Furnished herewith

The agreements filed as Exhibits 2.1.1 and 2.2 hereto has been included to provide investors and security holders with information regarding its terms. It is not intended to provide any other factual information about the parties thereto, or any of their respective subsidiaries or affiliates. The representations, warranties and covenants contained in the agreements (i) were made by the parties thereto only for purposes of that agreement and as of specific dates; (ii) were made solely for the benefit of the parties to each agreement; (iii) may be subject to limitations agreed upon by the contracting parties, including being qualified by confidential disclosures exchanged between the parties in connection with the execution of each agreement (such disclosures include information that has been included in public disclosures, as well as additional non-public information); (iv) may have been made for the purposes of allocating contractual risk between the parties to each agreement instead of establishing these matters as facts; and (v) may be subject to standards of materiality applicable to the contracting parties that differ from those applicable to investors.

Investors should not rely on the representations, warranties and covenants or any descriptions thereof as characterizations of the actual state of facts or condition of the parties thereto, or any of their respective subsidiaries or affiliates. Additionally, the representations, warranties, covenants, conditions and other terms of each agreement may be subject to subsequent waiver or modification. Moreover, information concerning the subject matter of the representations, warranties and covenants may change after the date of each agreement, which subsequent information may or may not be fully reflected in the Company's public disclosures. Each agreement should not be read alone, but should instead be read in conjunction with the other information regarding the Company that is or will be contained in, or incorporated by reference into, the reports and other documents that are filed by the Company with the SEC.

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

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

I, Walter J. Lynch, certify that:

1. I have reviewed this quarterly report on Form 10-Q of American Water Works Company, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the consolidated financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2021

By: /s/ WALTER J. LYNCH
Walter J. Lynch
President and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

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

I, M. Susan Hardwick, certify that:

1. I have reviewed this quarterly report on Form 10-Q of American Water Works Company, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the consolidated financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2021

By: /s/ M. SUSAN HARDWICK

M. Susan Hardwick

Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

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

In connection with the quarterly report of American Water Works Company, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Walter J. Lynch, President and Chief Executive Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ WALTER J. LYNCH
Walter J. Lynch
President and Chief Executive Officer
(Principal Executive Officer)
November 2, 2021

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

In connection with the quarterly report of American Water Works Company, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, M. Susan Hardwick, Executive Vice President and Chief Financial Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ M. SUSAN HARDWICK

M. Susan Hardwick

Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

November 2, 2021

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended **June 30, 2021**

OR

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

For the transition period from _____ to _____

Commission file number: **001-34028**

AMERICAN WATER WORKS COMPANY, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

51-0063696

(I.R.S. Employer Identification No.)

1 Water Street, Camden, NJ 08102-1658

(Address of principal executive offices) (Zip Code)

(856) 955-4001

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of each exchange on which registered</u>
Common stock, par value \$0.01 per share	AWK	New York Stock Exchange

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>	Non-accelerated filer	<input type="checkbox"/>
Smaller reporting company	<input type="checkbox"/>	Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

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

<u>Class</u>	<u>Shares Outstanding as of July 27, 2021</u>
Common Stock, par value \$0.01 per share	181,495,720

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* * *

Throughout this Quarterly Report on Form 10-Q (“Form 10-Q”), unless the context otherwise requires, references to the “Company” and “American Water” mean American Water Works Company, Inc. and all of its subsidiaries, taken together as a whole. References to the “parent company” mean American Water Works Company, Inc., without its subsidiaries.

FORWARD-LOOKING STATEMENTS

Statements included in Part I, Item 2—Management’s Discussion and Analysis of Financial Condition and Results of Operations and in other sections of this Form 10-Q are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and the Private Securities Litigation Reform Act of 1995. In some cases, these forward-looking statements can be identified by words with prospective meanings such as “intend,” “plan,” “estimate,” “believe,” “anticipate,” “expect,” “predict,” “project,” “propose,” “assume,” “forecast,” “likely,” “uncertain,” “outlook,” “future,” “pending,” “goal,” “objective,” “potential,” “continue,” “seek to,” “may,” “can,” “should,” “will” and “could” or the negative of such terms or other variations or similar expressions. Forward-looking statements may relate to, among other things: the Company’s future financial performance, liquidity and cash flows; rate and revenue adjustments, including through general rate case filings, filings for infrastructure surcharges and other governmental agency authorizations and filings to address regulatory lag; growth and portfolio optimization strategies, including the timing and outcome of pending or future acquisition activity, the completion of the announced sale of the Company’s New York subsidiary and the amount of proceeds anticipated to be received therefrom; the ability of the Company’s California subsidiary to obtain adequate alternative water supplies in lieu of diversions from the Carmel River and to comply with certain regulatory orders and interpretations thereof with respect to such diversions; the amount and allocation of projected capital expenditures and related funding requirements; the Company’s ability to repay or refinance debt; the ability to execute its current and long-term business, operational and capital expenditures strategies; its ability to finance current operations, capital expenditures and growth initiatives by accessing the debt and equity capital markets; the outcome and impact on the Company of governmental and regulatory investigations and proceedings and related potential fines, penalties and other sanctions; the ability to complete, and the timing and efficacy of, the design, development, implementation and improvement of technology and other strategic initiatives; the impacts to the Company of the pandemic health event resulting from COVID-19; the ability to capitalize on existing or future utility privatization opportunities; trends in the industries in which the Company operates, including macro trends with respect to the Company’s efforts related to customer, technology and work execution; regulatory, legislative, tax policy or legal developments; and impacts that future significant tax legislation may have on the Company and on its business, results of operations, cash flows and liquidity.

Forward-looking statements are predictions based on the Company’s current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, financial results, levels of activity, performance or achievements, and readers are cautioned not to place undue reliance upon them. These forward-looking statements are subject to a number of estimates, assumptions, known and unknown risks, uncertainties and other factors. The Company’s actual results may vary materially from those discussed in the forward-looking statements included herein as a result of the following important factors:

- the decisions of governmental and regulatory bodies, including decisions to raise or lower customer rates and regulatory responses to the COVID-19 pandemic;
- the timeliness and outcome of regulatory commissions’ and other authorities’ actions concerning rates, capital structure, authorized return on equity, capital investment, system acquisitions and dispositions, taxes, permitting, water supply and management, and other decisions;
- changes in customer demand for, and patterns of use of, water, such as may result from conservation efforts, impacts of the COVID-19 pandemic, or otherwise;
- limitations on the availability of the Company’s water supplies or sources of water, or restrictions on its use thereof, resulting from allocation rights, governmental or regulatory requirements and restrictions, drought, overuse or other factors;
- a loss of one or more large industrial or commercial customers due to adverse economic conditions, the COVID-19 pandemic, or other factors;
- changes in laws, governmental regulations and policies, including with respect to the environment, health and safety, consumer and data privacy, water quality and water quality accountability, contaminants of emerging concern, public utility and tax regulations and policies, and impacts resulting from U.S., state and local elections and changes in federal, state and local executive administrations;
- weather conditions and events, climate variability patterns, and natural disasters, including drought or abnormally high rainfall, prolonged and abnormal ice or freezing conditions, strong winds, coastal and intercoastal flooding, pandemics (including COVID-19) and epidemics, earthquakes, landslides, hurricanes, tornadoes, wildfires, electrical storms, sinkholes and solar flares;
- the outcome of litigation and similar governmental and regulatory proceedings, investigations or actions;
- the risks associated with the Company’s aging infrastructure, and its ability to appropriately improve the resiliency of, or maintain and replace, current or future infrastructure and systems, including its technology and other assets, and manage the expansion of its businesses;
- exposure or infiltration of the Company’s technology and critical infrastructure systems, including the disclosure of sensitive, personal or confidential information contained therein, through physical or cyber attacks or other means;

- the Company’s ability to obtain permits and other approvals for projects and construction of various water and wastewater facilities;
- changes in the Company’s capital requirements;
- the Company’s ability to control operating expenses and to achieve operating efficiencies;
- the intentional or unintentional actions of a third party, including contamination of the Company’s water supplies or the water provided to its customers;
- the Company’s ability to obtain adequate and cost-effective supplies of equipment (including personal protective equipment), chemicals, electricity, fuel, water and other raw materials;
- the Company’s ability to successfully meet growth projections for the Regulated Businesses and the Market-Based Businesses (each as defined in this Form 10-Q), either individually or in the aggregate, and capitalize on growth opportunities, including, among other things, with respect to:
 - acquiring, closing and successfully integrating regulated operations and market-based businesses;
 - entering into contracts and other agreements with, or otherwise obtaining, new customers or partnerships in the Market-Based Businesses; and
 - realizing anticipated benefits and synergies from new acquisitions;
- risks and uncertainties associated with contracting with the U.S. government, including ongoing compliance with applicable government procurement and security regulations;
- cost overruns relating to improvements in or the expansion of the Company’s operations;
- the Company’s ability to successfully develop and implement new technologies and to protect related intellectual property;
- the Company’s ability to maintain safe work sites;
- the Company’s exposure to liabilities related to environmental laws and similar matters resulting from, among other things, water and wastewater service provided to customers;
- changes in general economic, political, business and financial market conditions, including without limitation conditions and collateral consequences associated with the COVID-19 pandemic health event;
- access to sufficient debt and/or equity capital on satisfactory terms and when and as needed to support operations and capital expenditures;
- fluctuations in interest rates;
- the ability to comply with affirmative or negative covenants in the current or future indebtedness of the Company or any of its subsidiaries, or the issuance of new or modified credit ratings or outlooks or other communications by credit rating agencies with respect to the Company or any of its subsidiaries (or any current or future indebtedness thereof), which could increase financing costs or funding requirements and affect the Company’s or its subsidiaries’ ability to issue, repay or redeem debt, pay dividends or make distributions;
- fluctuations in the value of benefit plan assets and liabilities that could increase the Company’s cost and funding requirements;
- changes in federal or state general, income and other tax laws, including (i) future significant tax legislation, (ii) further rules, regulations, interpretations and guidance by the U.S. Department of the Treasury and state or local taxing authorities related to the enactment of the Tax Cuts and Jobs Act of 2017 (the “TCJA”), (iii) the availability of, or the Company’s compliance with, the terms of applicable tax credits and tax abatement programs, and (iv) the Company’s ability to utilize its U.S. federal and state income tax net operating loss carryforwards;
- migration of customers into or out of the Company’s service territories;
- the use by municipalities of the power of eminent domain or other authority to condemn the systems of one or more of the Company’s utility subsidiaries, or the assertion by private landowners of similar rights against such utility subsidiaries;
- any difficulty or inability to obtain insurance for the Company, its inability to obtain insurance at acceptable rates and on acceptable terms and conditions, or its inability to obtain reimbursement under existing or future insurance programs and coverages for any losses sustained;
- the incurrence of impairment charges related to the Company’s goodwill or other assets;
- labor actions, including work stoppages and strikes;
- the Company’s ability to retain and attract qualified employees;
- civil disturbances or unrest, or terrorist threats or acts, or public apprehension about future disturbances, unrest, or terrorist threats or acts; and
- the impact of new, and changes to existing, accounting standards.

These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above, and the risk factors and other statements contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2020 (the "Form 10-K") and in this Form 10-Q, and readers should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements the Company makes shall speak only as of the date this Form 10-Q was filed with the U.S. Securities and Exchange Commission ("SEC"). Except as required by the federal securities laws, the Company does not have any obligation, and it specifically disclaims any undertaking or intention, to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or otherwise. New factors emerge from time to time, and it is not possible for the Company to predict all such factors. Furthermore, it may not be possible to assess the impact of any such factor on the Company's businesses, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.

PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Balance Sheets (Unaudited)

(In millions, except share and per share data)

	June 30, 2021	December 31, 2020
ASSETS		
Property, plant and equipment	\$ 26,369	\$ 25,614
Accumulated depreciation	(6,155)	(5,904)
Property, plant and equipment, net	<u>20,214</u>	<u>19,710</u>
Current assets:		
Cash and cash equivalents	70	547
Restricted funds	34	29
Accounts receivable, net of allowance for uncollectible accounts of \$70 and \$60, respectively	311	321
Unbilled revenues	254	206
Materials and supplies	52	47
Assets held for sale	666	629
Other	183	127
Total current assets	<u>1,570</u>	<u>1,906</u>
Regulatory and other long-term assets:		
Regulatory assets	1,145	1,127
Operating lease right-of-use assets	94	95
Goodwill	1,511	1,504
Postretirement benefit assets	168	173
Intangible assets	50	55
Other	200	196
Total regulatory and other long-term assets	<u>3,168</u>	<u>3,150</u>
Total assets	<u>\$ 24,952</u>	<u>\$ 24,766</u>

The accompanying notes are an integral part of these Consolidated Financial Statements.

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

	June 30, 2021	December 31, 2020
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock (\$0.01 par value; 500,000,000 shares authorized; 186,754,591 and 186,466,707 shares issued, respectively)	\$ 2	\$ 2
Paid-in-capital	6,765	6,747
Retained earnings	332	102
Accumulated other comprehensive loss	(46)	(49)
Treasury stock, at cost (5,260,064 and 5,168,215 shares, respectively)	(363)	(348)
Total common shareholders' equity	6,690	6,454
Long-term debt	10,343	9,329
Redeemable preferred stock at redemption value	3	4
Total long-term debt	10,346	9,333
Total capitalization	17,036	15,787
Current liabilities:		
Short-term debt	606	1,282
Current portion of long-term debt	49	329
Accounts payable	146	189
Accrued liabilities	506	591
Accrued taxes	65	50
Accrued interest	89	88
Liabilities related to assets held for sale	79	137
Other	170	215
Total current liabilities	1,710	2,881
Regulatory and other long-term liabilities:		
Advances for construction	274	270
Deferred income taxes and investment tax credits	2,255	2,113
Regulatory liabilities	1,699	1,770
Operating lease liabilities	79	81
Accrued pension expense	357	388
Other	122	83
Total regulatory and other long-term liabilities	4,786	4,705
Contributions in aid of construction	1,420	1,393
Commitments and contingencies (See Note 12)		
Total capitalization and liabilities	\$ 24,952	\$ 24,766

The accompanying notes are an integral part of these Consolidated Financial Statements.

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2021	2020	2021	2020
Operating revenues	\$ 999	\$ 931	\$ 1,887	\$ 1,775
Operating expenses:				
Operation and maintenance	431	391	850	774
Depreciation and amortization	158	152	315	297
General taxes	80	75	163	152
Total operating expenses, net	669	618	1,328	1,223
Operating income	330	313	559	552
Other income (expense):				
Interest, net	(101)	(101)	(199)	(197)
Non-operating benefit costs, net	19	12	39	25
Other, net	3	8	7	11
Total other income (expense)	(79)	(81)	(153)	(161)
Income before income taxes	251	232	406	391
Provision for income taxes	44	56	66	91
Net income attributable to common shareholders	\$ 207	\$ 176	\$ 340	\$ 300
Basic earnings per share: (a)				
Net income attributable to common shareholders	\$ 1.14	\$ 0.97	\$ 1.87	\$ 1.66
Diluted earnings per share: (a)				
Net income attributable to common shareholders	\$ 1.14	\$ 0.97	\$ 1.87	\$ 1.65
Weighted-average common shares outstanding:				
Basic	182	181	181	181
Diluted	182	181	182	181

(a) Amounts may not calculate due to rounding.

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Comprehensive Income (Unaudited)
(In millions)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2021	2020	2021	2020
Net income attributable to common shareholders	\$ 207	\$ 176	\$ 340	\$ 300
Other comprehensive income (loss), net of tax:				
Defined benefit pension plan actuarial loss, net of tax of \$1 and \$0 for the three months ended June 30, 2021 and 2020, respectively and \$1 and \$0 for the six months ended June 30, 2021 and 2020, respectively	1	—	2	1
Unrealized gain (loss) on cash flow hedges, net of tax of \$0 and \$1 for the three months ended June 30, 2021 and 2020, respectively and \$0 and \$(1) for the six months ended June 30, 2021 and 2020, respectively	1	2	1	(4)
Net other comprehensive income (loss)	<u>2</u>	<u>2</u>	<u>3</u>	<u>(3)</u>
Comprehensive income attributable to common shareholders	<u>\$ 209</u>	<u>\$ 178</u>	<u>\$ 343</u>	<u>\$ 297</u>

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Cash Flows (Unaudited)
(In millions)

	For the Six Months Ended June 30,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 340	\$ 300
Adjustments to reconcile to net cash flows provided by operating activities:		
Depreciation and amortization	315	297
Deferred income taxes and amortization of investment tax credits	64	96
Provision for losses on accounts receivable	18	14
Pension and non-pension postretirement benefits	(21)	(4)
Other non-cash, net	(42)	(40)
Changes in assets and liabilities:		
Receivables and unbilled revenues	(58)	(54)
Pension and postretirement benefit contributions	(18)	(22)
Accounts payable and accrued liabilities	(15)	(28)
Other assets and liabilities, net	(63)	(28)
Net cash provided by operating activities	<u>520</u>	<u>531</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(752)	(870)
Acquisitions, net of cash acquired	(39)	(40)
Proceeds from sale of assets	—	2
Removal costs from property, plant and equipment retirements, net	(43)	(50)
Net cash used in investing activities	<u>(834)</u>	<u>(958)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	1,102	1,163
Repayments of long-term debt	(364)	(166)
(Repayments of) proceeds from term loan	(500)	500
Net short-term borrowings with maturities less than three months	(176)	(367)
Proceeds from issuances of employee stock plans and direct stock purchase plan, net of taxes paid of \$15 and \$16 for the six months ended June 30, 2021 and 2020, respectively	(8)	2
Advances and contributions for construction, net of refunds of \$12 and \$15 for the six months ended June 30, 2021 and 2020, respectively	23	11
Debt issuance costs and make-whole premium on early debt redemption	(26)	(12)
Dividends paid	(209)	(190)
Net cash (used in) provided by financing activities	<u>(158)</u>	<u>941</u>
Net (decrease) increase in cash, cash equivalents and restricted funds	(472)	514
Cash, cash equivalents and restricted funds at beginning of period	576	91
Cash, cash equivalents and restricted funds at end of period	<u>\$ 104</u>	<u>\$ 605</u>
Non-cash investing activity:		
Capital expenditures acquired on account but unpaid as of the end of period	\$ 226	\$ 250

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Changes in Shareholders' Equity (Unaudited)
(In millions)

	Common Stock			Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock		Total Shareholders' Equity
	Shares	Par Value	Paid-in-Capital			Shares	At Cost	
Balance as of December 31, 2020	186.5	\$ 2	\$ 6,747	\$ 102	\$ (49)	(5.2)	\$ (348)	\$ 6,454
Net income attributable to common shareholders	—	—	—	133	—	—	—	133
Common stock issuances (a)	0.2	—	10	—	—	(0.1)	(15)	(5)
Net other comprehensive loss	—	—	—	—	1	—	—	1
Balance as of March 31, 2021	186.7	\$ 2	\$ 6,757	\$ 235	\$ (48)	(5.3)	\$ (363)	\$ 6,583
Net income attributable to common shareholders	—	—	—	207	—	—	—	207
Common stock issuances (a)	0.1	—	8	—	—	—	—	8
Net other comprehensive loss	—	—	—	—	2	—	—	2
Dividends (\$0.6025 declared per common share)	—	—	—	(110)	—	—	—	(110)
Balance as of June 30, 2021	186.8	\$ 2	\$ 6,765	\$ 332	\$ (46)	(5.3)	\$ (363)	\$ 6,690

(a) Includes stock-based compensation, employee stock purchase plan and direct stock reinvestment and purchase plan activity.

	Common Stock			Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Treasury Stock		Total Shareholders' Equity
	Shares	Par Value	Paid-in-Capital			Shares	At Cost	
Balance as of December 31, 2019	185.9	\$ 2	\$ 6,700	\$ (207)	\$ (36)	(5.1)	\$ (338)	\$ 6,121
Net income attributable to common shareholders	—	—	—	124	—	—	—	124
Common stock issuances (a)	0.3	—	13	—	—	(0.1)	(10)	3
Net other comprehensive loss	—	—	—	—	(5)	—	—	(5)
Balance as of March 31, 2020	186.2	\$ 2	\$ 6,713	\$ (83)	\$ (41)	(5.2)	\$ (348)	\$ 6,243
Net income attributable to common shareholders	—	—	—	176	—	—	—	176
Common stock issuances (a)	0.2	—	17	—	—	—	—	17
Net other comprehensive loss	—	—	—	—	2	—	—	2
Dividends (\$0.55 declared per common share)	—	—	—	(100)	—	—	—	(100)
Balance as of June 30, 2020	186.4	\$ 2	\$ 6,730	\$ (7)	\$ (39)	(5.2)	\$ (348)	\$ 6,338

(a) Includes stock-based compensation, employee stock purchase plan and direct stock reinvestment and purchase plan activity.

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Notes to Consolidated Financial Statements (Unaudited)
(Unless otherwise noted, in millions, except per share data)

Note 1: Basis of Presentation

The unaudited Consolidated Financial Statements included in this report include the accounts of American Water Works Company, Inc. and all of its subsidiaries (the “Company” or “American Water”), in which a controlling interest is maintained after the elimination of intercompany balances and transactions. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) for interim financial reporting, and the rules and regulations for reporting on Quarterly Reports on Form 10-Q (“Form 10-Q”). Accordingly, they do not contain certain information and disclosures required by GAAP for comprehensive financial statements. In the opinion of management, all adjustments necessary for a fair statement of the financial position as of June 30, 2021, and the results of operations and cash flows for all periods presented, have been made. All adjustments are of a normal, recurring nature, except as otherwise disclosed.

The unaudited Consolidated Financial Statements and Notes included in this report should be read in conjunction with the Company’s Annual Report on Form 10-K for the year ended December 31, 2020 (“Form 10-K”), which provides a more complete discussion of the Company’s accounting policies, financial position, operating results and other matters. The results of operations for interim periods are not necessarily indicative of the results that may be expected for the year, primarily due to the seasonality of the Company’s operations.

Note 2: Significant Accounting Policies

New Accounting Standards

Presented in the table below are new accounting standards that were adopted by the Company in 2021:

Standard	Description	Date of Adoption	Application	Effect on the Consolidated Financial Statements
Facilitation of the Effects of Reference Rate Reform on Financial Reporting	Provided optional guidance for a limited time to ease the potential accounting burden associated with the transition from London Interbank Offered Rate (“LIBOR”). The guidance contains optional expedients and exceptions for contract modifications, hedging relationships, and other transactions that reference LIBOR or other reference rates expected to be discontinued. The expedients elected must be applied for all eligible contracts or transactions, with the exception of hedging relationships, which can be applied on an individual basis.	March 12, 2020 through December 31, 2022	Prospective for contract modifications and hedging relationships; applied as of January 1, 2020.	The standard did not have a material impact on the Consolidated Financial Statements.
Simplifying the Accounting for Income Taxes	The guidance removes exceptions related to the incremental approach for intraperiod tax allocation, the requirement to recognize a deferred tax liability for changes in ownership of a foreign subsidiary or equity method investment, and the general methodology for calculating income taxes in an interim period when the year-to-date loss exceeds the anticipated loss. The guidance adds requirements to reflect changes to tax laws or rates in the annual effective tax rate computation in the interim period in which the changes were enacted, to recognize franchise or other similar taxes that are partially based on income as an income-based tax and any incremental amounts as non-income-based tax, and to evaluate when a step up in the tax basis of goodwill should be considered part of the business combination in which the book goodwill was originally recognized and when it should be considered a separate transaction.	January 1, 2021	Modified retrospective for amendments related to changes in ownership of a foreign subsidiary or equity method investment; Modified retrospective or retrospective for amendments related to taxes partially based on income; Prospective for all other amendments.	The standard did not have a material impact on the Consolidated Financial Statements.

Presented in the table below are recently issued accounting standards that have not yet been adopted by the Company as of June 30, 2021:

Standard	Description	Date of Adoption	Application	Estimated Effect on the Consolidated Financial Statements
Accounting for Convertible Instruments and Contracts in an Entity's Own Equity	Simplification of financial reporting associated with accounting for convertible instruments and contracts in an entity's own equity. The standard reduced the number of accounting models for convertible debt instruments and convertible preferred stock. This will result in fewer embedded conversion features being separately recognized from the host contract. Earnings per share ("EPS") calculations have been simplified for certain instruments.	January 1, 2022; early adoption is not permitted before fiscal years beginning after December 15, 2020	Either modified retrospective or fully retrospective	The Company is evaluating any impact on its Consolidated Financial Statements, as well as the timing of adoption.

Cash, Cash Equivalents and Restricted Funds

Presented in the table below is a reconciliation of the cash and cash equivalents and restricted funds amounts as presented on the Consolidated Balance Sheets to the sum of such amounts presented on the Consolidated Statements of Cash Flows for the periods ended June 30:

	2021	2020
Cash and cash equivalents (a)	\$ 70	\$ 569
Restricted funds	34	36
Cash, cash equivalents and restricted funds as presented on the Consolidated Statements of Cash Flows	<u>\$ 104</u>	<u>\$ 605</u>

(a) The majority of the change in the cash and cash equivalents balance is due to the repayment, at maturity, of the \$500 million in outstanding principal under the Term Loan Facility (as defined below). See Note 9—Short-Term Debt for additional information.

Allowance for Uncollectible Accounts

Allowances for uncollectible accounts are maintained for estimated probable losses resulting from the Company's inability to collect receivables from customers. Accounts that are outstanding longer than the payment terms are considered past due. A number of factors are considered in determining the allowance for uncollectible accounts, including the length of time receivables are past due, previous loss history, current economic and societal conditions and reasonable and supportable forecasts that affect the collectability of receivables from customers. The Company generally writes off accounts when they become uncollectible or are over a certain number of days outstanding. An increase in the allowance for uncollectible accounts for the period ending June 30, 2021 reflects the impacts from the COVID-19 pandemic, including an increase in uncollectible accounts expense and a reduction in amounts written off due to shutoff moratoria in place across the Company's subsidiaries.

Presented in the table below are the changes in the allowance for uncollectible accounts for the six months ended June 30:

	2021	2020
Balance as of January 1	\$ (60)	\$ (41)
Amounts charged to expense	(18)	(14)
Amounts written off	4	10
Less: Allowance for uncollectible accounts included in assets held for sale (a)	4	2
Balance as of June 30	<u>\$ (70)</u>	<u>\$ (43)</u>

(a) This portion of the allowance for uncollectible accounts is related to the pending transactions contemplated by the Stock Purchase Agreement among the Company, the Company's New York subsidiary and an affiliate of Liberty Utilities Co., and is included in assets held for sale on the Consolidated Balance Sheets. See Note 6—Acquisitions and Divestitures for additional information.

Reclassifications

Certain reclassifications have been made to prior periods in the Consolidated Financial Statements and Notes to conform to the current presentation.

Note 3: Impact of the COVID-19 Pandemic

American Water continues to monitor the COVID-19 pandemic and has experienced financial impacts since the start of the pandemic resulting from lower revenues from the suspension of late fees and foregone reconnect fees in certain states, certain incremental operation and maintenance (“O&M”) expenses, an increase in uncollectible accounts expense and additional debt costs. These impacts are collectively referred to as “financial impacts.”

As of August 2, 2021, American Water has commission orders authorizing deferred accounting or cost recovery for COVID-19 financial impacts in 11 of 14 jurisdictions, with proceedings in New York and Tennessee pending. One jurisdiction, Kentucky, issued an order denying a request to defer to a regulatory asset the financial impacts related to the COVID-19 pandemic. Other regulatory actions to date are presented in the table below:

Commission Actions	Description	States
Orders issued with deferred accounting	Allows the Company to establish regulatory assets to record certain financial impacts related to the COVID-19 pandemic.	HI, IN, MD, NJ, PA, VA, WV
Orders issued with cost recovery	California’s Catastrophic Event Memorandum Account allows the Company’s California subsidiary to track certain financial impacts related to the COVID-19 pandemic for future recovery requests. Iowa issued a base rate case order on June 28, 2021, authorizing recovery in rates of the COVID-19 financial impacts deferred within its annual non-recurring expense rider. Illinois has authorized cost recovery of the COVID-19 financial impacts through a special purpose rider over a 24-month period, which was implemented effective October 1, 2020. Additionally, Illinois approved a bad debt rider tariff on December 16, 2020, allowing collection of actual bad debt expense over last authorized beginning April 2021 through February 2023. Illinois approved a stipulation in March 2021 to allow the rider to be extended through the end of 2023. Missouri issued a base rate case order on April 7, 2021, authorizing recovery in rates of the COVID-19 financial impacts deferred through March 31, 2021 over a three-year period.	CA, IA, IL, MO
Proceedings pending	Pending proceedings considering deferred accounting authorization for the future recovery of COVID-19 financial impacts.	NY, TN (a)

(a) On July 28, 2021, the Company’s Tennessee subsidiary filed a stipulation and settlement agreement with the Consumer Advocate Unit in the Financial Division of the Office of the Tennessee Attorney General which reflects agreement on the deferral of foregone late fees and incremental operating expenses net of cost savings, all as of April 30, 2021. The deferral of these COVID-19 financial impacts will cease as of April 30, 2021. The stipulation and settlement agreement will be subject to Tennessee Public Utility Commission review and approval, with a hearing on the stipulation and settlement agreement scheduled on August 9, 2021.

The Pennsylvania Public Utility Commission (the “PaPUC”) has granted deferral authority on certain incremental expenses above those embedded in rates resulting from the COVID-19 pandemic. The Company’s Pennsylvania subsidiary has filed for confirmation to defer as a regulatory asset all identified COVID-19 financial impacts, with the proceeding currently pending before the PaPUC. A recommended decision from the Administrative Law Judge (“ALJ”) was issued on June 30, 2021, recommending the PaPUC deny the inclusion of waived late fees, waived reconnect fees, and additional interest costs. The ALJ decision recommended deferral of additional uncollectible costs not embedded in rates and COVID-19 related incremental direct costs and savings. The Company filed exceptions to this recommended decision on July 20, 2021 and reply exceptions on July 30, 2021, with a final order from the PaPUC expected later in the third quarter of 2021.

Consistent with these regulatory orders, the Company has recorded \$44 million in regulatory assets and \$5 million of regulatory liabilities for the financial impacts related to the COVID-19 pandemic on the Consolidated Balance Sheets as of June 30, 2021.

As of August 2, 2021, four states continue moratoria on the suspension of service disconnections due to non-payment. The moratoria on disconnects have expired in ten states.

Note 4: Regulatory Matters**General Rate Cases and Infrastructure Surcharges**

Presented in the table below are annualized incremental revenues, excluding reductions for the amortization of excess accumulated deferred income tax (“EADIT”) that are generally offset in income tax expense, assuming a constant water sales volume, resulting from general rate case authorizations and infrastructure surcharge authorizations that became effective in the current period:

(In millions)	During the Three Months Ended June 30,		During the Six Months Ended June 30,	
	2021	2020	2021	2020
General rate cases by state:				
Missouri (effective May 28, 2021)	\$ 22	\$ —	\$ 22	\$ —
New York (a)	7	—	7	—
Pennsylvania (effective January 28, 2021)	—	—	70	—
Indiana (b)	—	13	—	13
California (c)	—	—	—	5
Total general rate cases	\$ 29	\$ 13	\$ 99	\$ 18
Infrastructure surcharges by state:				
New Jersey (effective June 28, 2021, June 29, 2020 and January 1, 2020)	\$ 14	\$ 10	\$ 14	\$ 20
Indiana (effective March 17, 2021)	—	—	8	—
Pennsylvania (effective January 1, 2021, April 1, 2020 and January 1, 2020)	—	5	8	15
Illinois (effective January 1, 2021 and January 1, 2020)	—	—	7	7
West Virginia (effective January 1, 2021 and January 1, 2020)	—	—	5	3
Tennessee (d)	—	2	3	2
Missouri (effective June 27, 2020)	—	10	—	10
Total infrastructure surcharges	\$ 14	\$ 27	\$ 45	\$ 57

- (a) The Company’s New York subsidiary implemented additional annualized revenues of \$7 million on May 1, 2021. The increase was deferred with interest from April 1, 2020.
- (b) The Company’s Indiana subsidiary filed for and, on May 4, 2020, received approval to implement a \$13 million increase for the second rate year, effective May 1, 2020.
- (c) The Company’s California subsidiary received approval for the third year (2020) step increase associated with its most recent general rate case authorization, effective January 1, 2020.
- (d) The Company’s Tennessee subsidiary received approval for infrastructure surcharges for annualized incremental revenues of \$3 million, effective January 1, 2021, and received approval on May 11, 2020 for infrastructure surcharges for annualized incremental revenues of \$2 million, effective January 1, 2020.

On August 28, 2020, the Company’s Iowa subsidiary filed a general rate case requesting \$3 million in annualized incremental revenues. An order was issued on June 28, 2021 authorizing an increase of \$1 million. On July 9, 2021, the Company’s Iowa subsidiary filed a Motion for Clarification with respect to the required accelerated flow back of unprotected EADIT over a three-year period to recognize the increase to rate base and incremental revenues as the unprotected EADIT it amortized. The Company’s Iowa subsidiary filed tariffs consistent with the Motion for Clarification on July 16, 2021, and is awaiting a decision from the Iowa Utilities Board on the Motion for Clarification before new rates are implemented.

Effective July 1, 2021, the Company’s Kentucky subsidiary implemented infrastructure surcharges for annualized incremental revenues of \$1 million.

On April 7, 2021, the Company's Missouri subsidiary was authorized additional annualized revenues of \$22 million, effective May 28, 2021, excluding agreed to reductions for EADIT as a result of the Tax Cuts and Jobs Act of 2017 (the "TCJA"). The EADIT reduction in revenues is \$25 million and is offset by a like reduction in income tax expense. The protected EADIT balance of \$72 million is being returned to customers using the average rate assumption method ("ARAM"), and the unprotected EADIT balance of \$74 million is being returned to customers over 10 years. The \$25 million EADIT reduction includes both the protected and unprotected catch-up period EADIT of \$13 million. The catch-up period of January 1, 2018 through May 31, 2021 covers the period from when the lower federal corporate income tax rate went into effect until new base rates went into effect and will be amortized over 2.5 years.

On March 2, 2021, an administrative law judge ("ALJ") in the Office of Administrative Law of New Jersey filed an Initial Decision ("ID") with the New Jersey Board of Public Utilities (the "NJBP") that recommended denial of a petition filed by the Company's New Jersey subsidiary, which sought approval of acquisition adjustments in rates of \$29 million associated with the acquisitions of Shorelands Water Company, Inc. in 2017 and the Borough of Haddonfield's water and wastewater systems in 2015. On July 29, 2021, the NJBP issued an order adopting the ALJ's ID without modification. The Company's New Jersey subsidiary is continuing to evaluate next steps, including grounds to move for reconsideration within the time permitted by law. There is no financial impact to the Company as a result of the NJBP's order, since the acquisition adjustments are currently recorded as goodwill on the Consolidated Balance Sheets.

On February 25, 2021, the Company's Pennsylvania subsidiary was authorized additional annualized revenues of \$90 million, effective January 28, 2021, excluding agreed to reductions for EADIT as a result of the TCJA, over two steps. The EADIT reduction in revenues is \$19 million. The overall increase, net of TCJA reductions, is \$71 million in revenues combined over two steps. The first step was effective January 28, 2021 in the amount of \$70 million (\$51 million including TCJA reductions) and the second step will be effective January 1, 2022 in the amount of \$20 million. The protected EADIT balance of \$200 million is being returned to customers using the ARAM, and the unprotected EADIT balance of \$116 million is being returned to customers over 20 years. The \$19 million annually includes both the protected and unprotected EADIT amortizations and a portion of catch-up period EADIT. A bill credit of \$11 million annually for two years returns to customers the remainder of the EADIT catch-up period amortization. The catch-up period of January 1, 2018 through December 31, 2020 covers the period from when the lower federal corporate income tax rate went into effect until new base rates went into effect and will be amortized over two years.

Pending General Rate Case Filings

On April 30, 2021, the Company's West Virginia subsidiary filed a general rate case requesting \$32 million in annualized incremental revenues excluding proposed reductions for EADIT as a result of TCJA and infrastructure surcharges. The proposed EADIT reduction in revenues is \$1 million and the exclusion for infrastructure surcharges is \$10 million.

On July 1, 2019, the Company's California subsidiary filed a general rate case requesting \$29 million in annualized incremental revenues for 2021, and increases of \$10 million and \$11 million in the escalation year of 2022 and the attrition year of 2023, respectively. On October 11, 2019, the Company filed its 100-day update for the same proceeding and updated the request to \$27 million in annualized incremental revenues for 2021, and increases of \$10 million in both the escalation year of 2022 and the attrition year of 2023, respectively. On September 10, 2020, the California Public Utilities Commission (the "CPUC") approved the Company's California subsidiary's motion for interim rates, establishing a memorandum account to track the difference between interim and final rates adopted by the CPUC in this proceeding, which were effective on January 1, 2021. Following settlement discussions among all parties to the proceeding, on January 22, 2021 and January 25, 2021, the Company's California subsidiary filed with the CPUC a comprehensive settlement entered into among the Company's California subsidiary, the Public Advocates Office, and other intervenors. These settlement agreements resolved all matters in dispute among the parties to the settlements. These settlements, as well as resolution of issues raised by non-settling parties, are now before the CPUC for approval.

On January 22, 2020, the Company's California subsidiary submitted a request to delay by one year its cost of capital filing and maintain its current authorized cost of capital through 2021. On March 12, 2020, the CPUC granted the request for a one year extension of the cost of capital filing to May 1, 2021, to set its authorized cost of capital beginning January 1, 2022. On January 5, 2021, the Company's California subsidiary submitted a request to further delay by one year its cost of capital filing and maintain the authorized cost of capital through 2022. On February 22, 2021, the CPUC denied the request to further delay the cost of capital filing. The Company's California subsidiary submitted its cost of capital application on May 3, 2021. Once approved by the CPUC, the new authorized cost of capital will be effective January 1, 2022.

Pending Infrastructure Surcharge Filings

On June 30, 2021, the Company's West Virginia subsidiary filed for an infrastructure surcharge requesting \$3 million in additional annualized revenues.

On June 28, 2021, the Company’s Missouri subsidiary filed for an infrastructure surcharge requesting \$7 million in additional annualized revenues.

Note 5: Revenue Recognition

Disaggregated Revenues

The Company’s primary business involves the ownership of utilities that provide water and wastewater services to residential, commercial, industrial, public authority, fire service and sale for resale customers, collectively presented as the “Regulated Businesses.” The Company also operates market-based businesses that provide water, wastewater and other services to residential and smaller commercial customers, the U.S. government on military installations, as well as municipalities and utility customers, collectively presented as the “Market-Based Businesses.”

Presented in the table below are operating revenues disaggregated for the three months ended June 30, 2021:

	Revenues from Contracts with Customers	Other Revenues Not from Contracts with Customers (a)	Total Operating Revenues
Regulated Businesses:			
Water services:			
Residential	\$ 491	\$ —	\$ 491
Commercial	170	—	170
Fire service	37	—	37
Industrial	34	—	34
Public and other	56	—	56
Total water services	788	—	788
Wastewater services:			
Residential	38	—	38
Commercial	9	—	9
Industrial	1	—	1
Public and other	4	—	4
Total wastewater services	52	—	52
Miscellaneous utility charges	8	—	8
Alternative revenue programs	—	7	7
Lease contract revenue	—	2	2
Total Regulated Businesses	848	9	857
Market-Based Businesses	146	—	146
Other	(4)	—	(4)
Total operating revenues	\$ 990	\$ 9	\$ 999

(a) Includes revenues associated with provisional rates, alternative revenue programs, lease contracts and intercompany rent, which are outside the scope of Accounting Standards Codification Topic 606, *Revenue From Contracts With Customers* (“ASC 606”), and accounted for under other existing GAAP.

Presented in the table below are operating revenues disaggregated for the six months ended June 30, 2021:

	Revenues from Contracts with Customers	Other Revenues Not from Contracts with Customers (a)	Total Operating Revenues
Regulated Businesses:			
Water services:			
Residential	\$ 921	\$ —	\$ 921
Commercial	314	—	314
Fire service	74	—	74
Industrial	66	—	66
Public and other	100	—	100
Total water services	1,475	—	1,475
Wastewater services:			
Residential	74	—	74
Commercial	18	—	18
Industrial	2	—	2
Public and other	8	—	8
Total wastewater services	102	—	102
Miscellaneous utility charges	16	—	16
Alternative revenue programs	—	16	16
Lease contract revenue	—	3	3
Total Regulated Businesses	1,593	19	1,612
Market-Based Businesses	283	—	283
Other	(8)	—	(8)
Total operating revenues	\$ 1,868	\$ 19	\$ 1,887

(a) Includes revenues associated with provisional rates, alternative revenue programs, lease contracts and intercompany rent, which are outside the scope of ASC 606, and accounted for under other existing GAAP.

Contract Balances

Contract assets and contract liabilities are the result of timing differences between revenue recognition, billings and cash collections. In the Company's Market-Based Businesses, certain contracts are billed as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals or upon achievement of contractual milestones. Contract assets are recorded when billing occurs subsequent to revenue recognition and are reclassified to accounts receivable when billed and the right to consideration becomes unconditional. Contract liabilities are recorded when the Company receives advances from customers prior to satisfying contractual performance obligations, particularly for construction contracts and home warranty protection program contracts, and are recognized as revenue when the associated performance obligations are satisfied.

Contract assets of \$58 million and \$39 million are included in unbilled revenues on the Consolidated Balance Sheets as of June 30, 2021 and December 31, 2020, respectively. Contract assets of \$26 million and \$13 million are included in unbilled revenues on the Consolidated Balance Sheets as of June 30, 2020 and December 31, 2019, respectively. There were \$38 million of contract assets added during the six months ended June 30, 2021, and \$19 million of contract assets were transferred to accounts receivable during the same period. There were \$29 million of contract assets added during the six months ended June 30, 2020, and \$16 million of contract assets were transferred to accounts receivable during the same period.

Contract liabilities of \$44 million and \$35 million are included in other current liabilities on the Consolidated Balance Sheets as of June 30, 2021 and December 31, 2020, respectively. Contract liabilities of \$37 million and \$27 million are included in other current liabilities on the Consolidated Balance Sheets as of June 30, 2020 and December 31, 2019, respectively. There were \$90 million of contract liabilities added during the six months ended June 30, 2021, and \$81 million of contract liabilities were recognized as revenue during the same period. There were \$66 million of contract liabilities added during the six months ended June 30, 2020, and \$56 million of contract liabilities were recognized as revenue during the same period.

Remaining Performance Obligations

Remaining performance obligations (“RPOs”) represent revenues the Company expects to recognize in the future from contracts that are in progress. The Company enters into agreements for the provision of services to water and wastewater facilities for the U.S. military, municipalities and other customers. As of June 30, 2021, the Company’s O&M and capital improvement contracts in the Market-Based Businesses have RPOs. Contracts with the U.S. government for work on various military installations expire between 2051 and 2071 and have RPOs of \$6.3 billion as of June 30, 2021, as measured by estimated remaining contract revenue. Such contracts are subject to customary termination provisions held by the U.S. government, prior to the agreed-upon contract expiration. Contracts with municipalities and commercial customers expire between 2022 and 2038 and have RPOs of \$624 million as of June 30, 2021, as measured by estimated remaining contract revenue. Some of the Company’s long-term contracts to operate and maintain the federal government’s, a municipality’s or other party’s water or wastewater treatment and delivery facilities include responsibility for certain maintenance for some of those facilities, in exchange for an annual fee. Unless specifically required to perform certain maintenance activities, the maintenance costs are recognized when the maintenance is performed.

Note 6: Acquisitions and Divestitures

During the six months ended June 30, 2021, the Company closed on the acquisition of seven regulated water and wastewater systems for a total aggregate purchase price of \$17 million. Assets acquired from these acquisitions, principally utility plant, totaled \$17 million. One of these acquisitions was accounted for as a business combination. The preliminary purchase price allocations related to an acquisition accounted for as a business combination will be finalized once the valuation of assets acquired has been completed, no later than one year after its acquisition date.

Subsequent to June 30, 2021, the Company closed on one regulated wastewater system for a total aggregate purchase price of \$4 million.

On April 6, 2021, the Company’s Pennsylvania subsidiary entered into an agreement to acquire the wastewater assets of the York City Sewer Authority for \$235 million, plus an amount of average daily revenue calculated for the period between the final meter reading and the date of closing. This system currently directly and indirectly through bulk contracts serves more than 45,000 customers. In connection with the execution of the acquisition agreement, the Company’s Pennsylvania subsidiary paid a \$20 million deposit to the seller on April 30, 2021, which is refundable in the event the agreement is terminated prior to closing of the acquisition. The Company expects to close this acquisition in the first half of 2022, pending regulatory approval.

On March 29, 2021, the Company’s New Jersey subsidiary entered into an agreement to acquire the water and wastewater assets of Egg Harbor City for \$22 million. The water and wastewater systems currently serve approximately 1,500 customers each, or 3,000 combined, and are being sold through the New Jersey Water Infrastructure Protection Act process. The Company expects to close this acquisition by the end of 2021, pending regulatory approval.

Assets Held for Sale

On November 20, 2019, the Company and the Company’s New York subsidiary, entered into a Stock Purchase Agreement (the “Stock Purchase Agreement”) with Liberty Utilities Co., which it subsequently assigned to its indirect, wholly owned subsidiary Liberty Utilities (Eastern Water Holdings) Corp. (“Liberty”), pursuant to which Liberty will purchase all of the capital stock of the New York subsidiary (the “Stock Purchase”) for an aggregate purchase price of approximately \$608 million in cash, subject to adjustment as provided in the Stock Purchase Agreement. The Company’s regulated New York operations have approximately 125,000 customers in the State of New York. Algonquin Power & Utilities Corp., Liberty’s ultimate parent company, executed and delivered an absolute and unconditional guaranty of the performance of all of the obligations of Liberty under the Stock Purchase Agreement. The Stock Purchase is subject to various conditions, including obtaining approvals and satisfying or waiving other closing conditions. The Stock Purchase Agreement as originally executed provided for an initial termination date of June 30, 2021 (the “Closing End Date”). On June 29, 2021, the parties mutually agreed to extend the Closing End Date to December 31, 2021 in accordance with the terms of the Stock Purchase Agreement, and agreed to extend further the Closing End Date to January 3, 2022 as December 31, 2021 is a federal holiday. No other provision of the Stock Purchase Agreement was modified by this mutual agreement. Liberty may also terminate the Stock Purchase Agreement if any governmental authority initiates a condemnation or eminent domain proceeding against a majority of the consolidated properties of the Company’s New York subsidiary, taken as a whole. The assets and related liabilities of the Company’s New York subsidiary were classified as held for sale on the Consolidated Balance Sheets as of June 30, 2021.

Presented in the table below are the components of assets held for sale and liabilities related to assets held for sale of the New York subsidiary as of June 30, 2021:

	June 30, 2021
Property, plant and equipment	\$ 535
Current assets	17
Regulatory assets	77
Goodwill	27
Other assets	10
Assets held for sale	<u>\$ 666</u>
Current liabilities	15
Regulatory liabilities	48
Other liabilities	16
Liabilities related to assets held for sale	<u>\$ 79</u>

Note 7: Shareholders' Equity

Accumulated Other Comprehensive Loss

Presented in the table below are the changes in accumulated other comprehensive loss by component, net of tax, for the six months ended June 30, 2021 and 2020, respectively:

	Defined Benefit Pension Plans			Gain (Loss) on Cash Flow Hedges	Accumulated Other Comprehensive Loss
	Employee Benefit Plan Funded Status	Amortization of Prior Service Cost	Amortization of Actuarial Loss		
Balance as of December 31, 2020	\$ (106)	\$ 1	\$ 63	\$ (7)	\$ (49)
Other comprehensive income before reclassifications	—	—	—	1	1
Amounts reclassified from accumulated other comprehensive loss	—	—	2	—	2
Net other comprehensive income (loss)	—	—	2	1	3
Balance as of June 30, 2021	<u>\$ (106)</u>	<u>\$ 1</u>	<u>\$ 65</u>	<u>\$ (6)</u>	<u>\$ (46)</u>
Balance as of December 31, 2019	\$ (94)	\$ 1	\$ 60	\$ (3)	\$ (36)
Other comprehensive loss before reclassifications	—	—	—	(4)	(4)
Amounts reclassified from accumulated other comprehensive loss	—	—	1	—	1
Net other comprehensive income (loss)	—	—	1	(4)	(3)
Balance as of June 30, 2020	<u>\$ (94)</u>	<u>\$ 1</u>	<u>\$ 61</u>	<u>\$ (7)</u>	<u>\$ (39)</u>

The Company does not reclassify the amortization of defined benefit pension cost components from accumulated other comprehensive loss directly to net income in its entirety, as a portion of these costs have been deferred as a regulatory asset. These accumulated other comprehensive loss components are included in the computation of net periodic pension cost.

The amortization of the gain (loss) on cash flow hedges is reclassified to net income during the period incurred and is included in interest, net in the accompanying Consolidated Statements of Operations.

Dividends

On June 1, 2021, the Company paid a quarterly cash dividend of \$0.6025 per share to shareholders of record as of May 11, 2021.

On July 28, 2021, the Company's Board of Directors declared a quarterly cash dividend payment of \$0.6025 per share, payable on September 1, 2021 to shareholders of record as of August 10, 2021. Future dividends, when and as declared at the discretion of the Board of Directors, will be dependent upon future earnings and cash flows, compliance with various regulatory, financial and legal requirements, and other factors. See Note 10—Shareholders' Equity in the Notes to Consolidated Financial Statements in the Company's Form 10-K for additional information regarding the payment of dividends on the Company's common stock.

Note 8: Long-Term Debt

On May 10, 2021, American Water Capital Corp. ("AWCC") completed a \$1.1 billion debt offering, which included the sale of \$550 million aggregate principal amount of its 2.30% senior notes due 2031 and \$550 million aggregate principal amount of its 3.25% senior notes due 2051. At the closing of the offering, AWCC received, after deduction of underwriting discounts and before deduction of offering expenses, net proceeds of \$1,086 million. AWCC used the net proceeds of this offering: (i) to lend funds to parent company and its regulated subsidiaries; (ii) to prepay \$251 million aggregate principal amount of AWCC's outstanding 5.77% Series D Senior Notes due December 21, 2021 (the "Series D Notes") and \$76 million aggregate principal amount of AWCC's outstanding 6.55% Series H Senior Notes due May 15, 2023 (the "Series H Notes," and together with the Series D Notes, the "Series Notes"); (iii) to repay AWCC's commercial paper obligations; and (iv) for general corporate purposes. After the prepayments described above, none of the Series D Notes, and approximately \$14 million aggregate principal amount of the Series H Notes, remain outstanding. As a result of AWCC's prepayment of the Series Notes, a make-whole premium of \$15 million was paid to the holders thereof on June 14, 2021. Substantially all of the early debt extinguishment costs were allocable to the Company's utility subsidiaries and recorded as regulatory assets, as the Company believes they are probable of recovery in future rates.

On May 6, 2021, the Company entered into two 10-year treasury lock agreements, with notional amounts of \$125 million and \$150 million, to reduce interest rate exposure on debt, which was subsequently issued on May 10, 2021. These treasury lock agreements had an average fixed rate of 1.58%. The Company designated these treasury lock agreements as cash flow hedges, with their fair value recorded in accumulated other comprehensive gain or loss. On May 10, 2021, the Company terminated these two treasury lock agreements with an aggregate notional amount of \$275 million, realizing a net gain of less than \$1 million, to be amortized through interest, net over a 10-year period, in accordance with the terms of the \$1.1 billion new debt issued on May 10, 2021. No ineffectiveness was recognized on hedging instruments for the three and six months ended June 30, 2021 and 2020.

In addition to the senior notes issued and retired by AWCC as described above, during the six months ended June 30, 2021, the Company's regulated subsidiaries issued in the aggregate \$2 million of private activity bonds and government funded debt in multiple transactions with annual interest rates ranging from 0.00% to 5.00%, with a weighted average interest rate of 0.27%, maturing in 2022 through 2047. During the six months ended June 30, 2021, AWCC and the Company's regulated subsidiaries retired or paid at maturity an aggregate of \$37 million of long-term debt issues with annual interest rates ranging from 0.00% to 12.25%, with a weighted average interest rate of 8.33%, maturing in 2021 through 2048.

Note 9: Short-Term Debt

Liquidity needs for capital investment, working capital and other financial commitments are funded through cash flows from operations, public and private debt offerings, commercial paper markets and, if and to the extent necessary, borrowings under the AWCC revolving credit facility. The revolving credit facility provides \$2.25 billion in aggregate total commitments from a diversified group of financial institutions. The termination date of the credit agreement with respect to AWCC's revolving credit facility is March 21, 2025. The facility is used principally to support AWCC's commercial paper program, to provide additional liquidity support and to provide a sub-limit of up to \$150 million for letters of credit.

On March 20, 2020, AWCC entered into a Term Loan Credit Agreement, by and among parent company, AWCC and the lenders party thereto (the "Term Loan Facility"). As of December 31, 2020, \$500 million of principal was outstanding under the Term Loan Facility. The Term Loan Facility commitments terminated at maturity on March 19, 2021 and the Term Loan Facility was repaid in full. Borrowings under the Term Loan Facility bore interest at a variable annual rate based on LIBOR, plus a margin of 0.80%.

Short-term debt consists of commercial paper and credit facility borrowings totaling \$606 million and \$786 million as of June 30, 2021 and December 31, 2020, respectively. The weighted-average interest rate on AWCC's outstanding short-term borrowings, including \$500 million of outstanding principal on the Term Loan Facility as of December 31, 2020, was approximately 0.13% and 0.53% at June 30, 2021 and December 31, 2020, respectively. As of June 30, 2021 and December 31, 2020, there were no commercial paper or credit facility borrowings outstanding with maturities greater than three months.

Presented in the tables below is the aggregate credit facility commitments, commercial paper limit and letter of credit availability under the revolving credit facility, as well as the available capacity for each:

(In millions)	As of June 30, 2021		
	Commercial Paper Limit	Letters of Credit	Total (a)
Total availability	\$ 2,100	\$ 150	\$ 2,250
Outstanding debt	(606)	(76)	(682)
Remaining availability as of June 30, 2021	\$ 1,494	\$ 74	\$ 1,568

(a) Total remaining availability of \$1.57 billion as of June 30, 2021 may be accessed through revolver draws.

(In millions)	As of December 31, 2020		
	Commercial Paper Limit	Letters of Credit	Total (a)
Total availability	\$ 2,100	\$ 150	\$ 2,250
Outstanding debt	(786)	(76)	(862)
Remaining availability as of December 31, 2020	\$ 1,314	\$ 74	\$ 1,388

(a) Total remaining availability of \$1.39 billion as of December 31, 2020 may be accessed through revolver draws.

Presented in the table below is the Company's total available liquidity as of June 30, 2021 and December 31, 2020, respectively:

(In millions)	Cash and Cash Equivalents	Availability on Revolving Credit Facility	Total Available Liquidity
Available liquidity as of June 30, 2021	\$ 70	1,568	\$ 1,638
Available liquidity as of December 31, 2020	\$ 547	1,388	\$ 1,935

Note 10: Income Taxes

The Company's effective income tax rate was 17.5% and 24.1% for the three months ended June 30, 2021 and 2020, respectively, and 16.3% and 23.3% for the six months ended June 30, 2021 and 2020, respectively. The decrease in the Company's effective income tax rate for the three and six months ended June 30, 2021 was primarily due to an increase in the amortization of EADIT resulting from the TCJA, pursuant to regulatory orders, and an increase in deductions for stock based compensation benefits.

Note 11: Pension and Other Postretirement Benefits

Presented in the table below are the components of net periodic benefit cost (credit):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2021	2020	2021	2020
Components of net periodic pension benefit cost:				
Service cost	\$ 9	\$ 8	\$ 18	\$ 16
Interest cost	16	18	33	37
Expected return on plan assets	(32)	(28)	(64)	(56)
Amortization of prior service credit	—	(1)	(1)	(2)
Amortization of actuarial loss	6	8	13	16
Net periodic pension benefit (credit) cost before settlements	(1)	5	(1)	11
Settlements (a)	—	1	—	1
Net periodic pension benefit (credit) cost	<u>\$ (1)</u>	<u>\$ 6</u>	<u>\$ (1)</u>	<u>\$ 12</u>
Components of net periodic other postretirement benefit credit:				
Service cost	\$ 1	\$ 1	\$ 2	\$ 2
Interest cost	2	3	4	6
Expected return on plan assets	(5)	(5)	(10)	(9)
Amortization of prior service credit	(8)	(8)	(16)	(16)
Amortization of actuarial loss	—	—	—	1
Net periodic other postretirement benefit credit	<u>\$ (10)</u>	<u>\$ (9)</u>	<u>\$ (20)</u>	<u>\$ (16)</u>

- (a) Due to the amount of lump sum payment distributions from the Company's New York Water Service Corporation Pension Plan, a settlement charge of less than \$1 million was recorded during the three and six months ended June 30, 2021, and a settlement charge of \$1 million was recorded during the three and six months ended June 30, 2020. In accordance with existing regulatory accounting treatment, the Company has maintained the settlement charge in regulatory assets. The amount is being amortized in accordance with existing regulatory practice.

The Company contributed \$9 million and \$18 million for the funding of its defined benefit pension plans for the three and six months ended June 30, 2021, respectively, and contributed \$12 million and \$22 million for the funding of its defined benefit pension plans for the three and six months ended June 30, 2020, respectively. The Company made no contributions for the funding of its other postretirement benefit plans for each of the three and six months ended June 30, 2021 and 2020. The Company expects to make pension and postretirement contributions to the plan trusts of \$22 million during the remainder of 2021.

Note 12: Commitments and Contingencies**Contingencies**

The Company is routinely involved in legal actions incident to the normal conduct of its business. As of June 30, 2021, the Company has accrued approximately \$5 million of probable loss contingencies and has estimated that the maximum amount of losses associated with reasonably possible loss contingencies that can be reasonably estimated is \$2 million. For certain matters, claims and actions, the Company is unable to estimate possible losses. The Company believes that damages or settlements, if any, recovered by plaintiffs in such matters, claims or actions, other than as described in this Note 12—Commitments and Contingencies, will not have a material adverse effect on the Company.

West Virginia Elk River Freedom Industries Chemical Spill

On June 8, 2018, the U.S. District Court for the Southern District of West Virginia granted final approval of a settlement class and global class action settlement (the "Settlement") for all claims and potential claims by all class members (collectively, the "West Virginia Plaintiffs") arising out of the January 2014 Freedom Industries, Inc. chemical spill in West Virginia. The effective date of the Settlement was July 16, 2018. Under the terms and conditions of the Settlement, the Company's West Virginia subsidiary ("WVAWC") and certain other Company affiliated entities did not admit, and will not admit, any fault or liability for any of the allegations made by the West Virginia Plaintiffs in any of the actions that were resolved.

The aggregate pre-tax amount contributed by WVAWC of the \$126 million portion of the Settlement with respect to the Company, net of insurance recoveries, is \$19 million. As of June 30, 2021, \$0.5 million of the aggregate Settlement amount of \$126 million has been reflected in accrued liabilities, and \$0.5 million in offsetting insurance receivables have been reflected in other current assets on the Consolidated Balance Sheets. The amount reflected in accrued liabilities as of June 30, 2021 reflects reductions in the liability and appropriate reductions to the offsetting insurance receivable reflected in other current assets, associated with payments made to the Settlement fund, the receipt of a determination by the Settlement fund's appeal adjudicator on all remaining medical claims and the calculation of remaining attorneys' fees and claims administration costs. The Company funded WVAWC's contributions to the Settlement through existing sources of liquidity.

Dunbar, West Virginia Water Main Break Class Action Litigation

On the evening of June 23, 2015, a 36-inch pre-stressed concrete transmission water main, installed in the early 1970s, failed. The water main is part of the West Relay pumping station located in the City of Dunbar, West Virginia and owned by WVAWC. The failure of the main caused water outages and low pressure for up to approximately 25,000 WVAWC customers. In the early morning hours of June 25, 2015, crews completed a repair, but that same day, the repair developed a leak. On June 26, 2015, a second repair was completed and service was restored that day to approximately 80% of the impacted customers, and to the remaining approximately 20% by the next morning. The second repair showed signs of leaking, but the water main was usable until June 29, 2015 to allow tanks to refill. The system was reconfigured to maintain service to all but approximately 3,000 customers while a final repair was being completed safely on June 30, 2015. Water service was fully restored by July 1, 2015 to all customers affected by this event.

On June 2, 2017, a complaint captioned *Jeffries, et al. v. West Virginia-American Water Company* was filed in West Virginia Circuit Court in Kanawha County on behalf of an alleged class of residents and business owners who lost water service or pressure as a result of the Dunbar main break. The complaint alleges breach of contract by WVAWC for failure to supply water, violation of West Virginia law regarding the sufficiency of WVAWC's facilities and negligence by WVAWC in the design, maintenance and operation of the water system. The *Jeffries* plaintiffs seek unspecified alleged damages on behalf of the class for lost profits, annoyance and inconvenience, and loss of use, as well as punitive damages for willful, reckless and wanton behavior in not addressing the risk of pipe failure and a large outage.

On February 4, 2020, the *Jeffries* plaintiffs filed a motion seeking class certification on the issues of breach of contract and negligence, and to determine the applicability of punitive damages and a multiplier for those damages if imposed. On July 14, 2020, the Circuit Court entered an order granting the *Jeffries* plaintiffs' motion for certification of a class regarding certain liability issues but denying certification of a class to determine a punitive damages multiplier. On August 31, 2020, WVAWC filed a Petition for Writ of Prohibition in the Supreme Court of Appeals of West Virginia seeking to vacate or remand the Circuit Court order certifying the issues class. At the request of the parties, on September 10, 2020, the Circuit Court ordered the stay of all matters in the class proceeding pending consideration of this petition. On December 3, 2020, the Supreme Court of Appeals issued an order to show cause stating that there are sufficient grounds for oral argument to consider prohibiting the class certification order. On January 28, 2021, the Supreme Court of Appeals granted a motion by the *Jeffries* plaintiffs to remand the case back to the Circuit Court for further consideration in light of a recent Supreme Court of Appeals decision issued in another case relating to the class certification issues raised. A briefing schedule has been set and, following briefing by all parties, oral argument on the issue of class certification was heard on July 16, 2021. This matter remains pending.

The Company and WVAWC believe that WVAWC has valid, meritorious defenses to the claims raised in this class action complaint. WVAWC is vigorously defending itself against these allegations. The Company cannot currently determine the likelihood of a loss, if any, or estimate the amount of any loss or a range of such losses related to this proceeding.

Chattanooga, Tennessee Water Main Break Class Action Litigation

On September 12, 2019, the Company's Tennessee subsidiary ("TAWC"), experienced a leak in a 36-inch water transmission main, which caused service fluctuations or interruptions to TAWC customers and the issuance of a boil water notice. TAWC repaired the main by early morning on September 14, 2019, and restored full water service by the afternoon of September 15, 2019, with the boil water notice lifted for all customers on September 16, 2019.

On September 17, 2019, a complaint captioned *Bruce, et al. v. American Water Works Company, Inc., et al.* was filed in the Circuit Court of Hamilton County, Tennessee against TAWC, the Company and American Water Works Service Company, Inc. (“Service Company,” and together with TAWC and the Company, collectively, the “Tennessee-American Water Defendants”), on behalf of a proposed class of individuals or entities who lost water service or suffered monetary losses as a result of the Chattanooga incident (the “Tennessee Plaintiffs”). The complaint alleged breach of contract and negligence against the Tennessee-American Water Defendants, as well as an equitable remedy of piercing the corporate veil. In the complaint as originally filed, the Tennessee Plaintiffs were seeking an award of unspecified alleged damages for wage losses, business and economic losses, out-of-pocket expenses, loss of use and enjoyment of property and annoyance and inconvenience, as well as punitive damages, attorneys’ fees and pre- and post-judgment interest.

On November 22, 2019, the Tennessee-American Water Defendants filed a motion to dismiss the complaint for failure to state a claim upon which relief may be granted, and, with respect to the Company, for lack of personal jurisdiction. Oral argument on the motion to dismiss took place on September 9, 2020. On September 18, 2020, the court (i) granted the motion to dismiss the Tennessee Plaintiffs’ negligence claim against all Tennessee-American Water Defendants, (ii) denied the motion to dismiss the breach of contract claim against TAWC, (iii) held in abeyance the motion to dismiss the breach of contract claims against the Company and Service Company pending a further hearing and (iv) held in abeyance the Company’s motion to dismiss the complaint for lack of personal jurisdiction. On September 24, 2020, at the request of the Tennessee Plaintiffs, the court dismissed without prejudice all claims in the *Bruce* complaint against the Company and Service Company. The impact of the September 2020 court orders was that all of the Tennessee Plaintiffs’ claims in this complaint were dismissed, other than the breach of contract claims against TAWC. On October 16, 2020, TAWC answered the complaint, and the parties are conducting discovery.

TAWC and the Company believe that TAWC has meritorious defenses to the claims raised in this class action complaint, and TAWC is vigorously defending itself against these allegations. The Company cannot currently determine the likelihood of a loss, if any, or estimate the amount of any loss or a range of such losses related to this proceeding.

Alternative Water Supply in Lieu of Carmel River Diversions

Compliance with Orders to Reduce Carmel River Diversions—Monterey Peninsula Water Supply Project

Under a 2009 order (the “2009 Order”) of the State Water Resources Control Board (the “SWRCB”), the Company’s California subsidiary (“Cal Am”) is required to decrease significantly its yearly diversions of water from the Carmel River according to a set reduction schedule. In 2016, the SWRCB issued an order (the “2016 Order”) approving a deadline of December 31, 2021 for Cal Am’s compliance with these prior orders (the “2021 Deadline”).

Cal Am is currently involved in developing the Monterey Peninsula Water Supply Project (the “Water Supply Project”), which includes the construction of a desalination plant, to be owned by Cal Am, and the construction of wells that would supply water to the desalination plant. In addition, the Water Supply Project also includes Cal Am’s purchase of water from a groundwater replenishment project (the “GWR Project”) between Monterey One Water and the Monterey Peninsula Water Management District (the “MPWMD”). The Water Supply Project is intended, among other things, to fulfill Cal Am’s obligations under the 2009 Order and the 2016 Order.

Cal Am’s ability to move forward on the Water Supply Project is subject to administrative review by the California Public Utilities Commission (the “CPUC”) and other government agencies, obtaining necessary permits, and intervention from other parties. In September 2016, the CPUC unanimously approved a final decision to authorize Cal Am to enter into a water purchase agreement for the GWR Project and to construct a pipeline and pump station facilities and recover up to the incurred \$50 million in associated costs plus an allowance for funds used during construction (“AFUDC”), subject to meeting certain criteria.

In September 2018, the CPUC unanimously approved another final decision finding that (i) the Water Supply Project meets the CPUC's requirements for a certificate of public convenience and necessity, (ii) the issuance of the final decision should not be delayed, and (iii) an additional procedural phase was not necessary to consider alternative projects. The CPUC's 2018 decision concludes that the Water Supply Project is the best project to address estimated future water demands in Monterey, and, in addition to the cost recovery approved in its 2016 decision, adopts Cal Am's cost estimates for the Water Supply Project, which amounted to an aggregate of \$279 million plus AFUDC at a rate representative of Cal Am's actual financing costs. The 2018 final decision specifies the procedures for recovery of all of Cal Am's prudently incurred costs associated with the Water Supply Project upon its completion, subject to the frameworks included in the final decision related to cost caps, operation and maintenance costs, financing, ratemaking and contingency matters. The reasonableness of the Water Supply Project costs will be reviewed by the CPUC when Cal Am seeks cost recovery for the Water Supply Project. Cal Am has incurred \$166 million in aggregate costs as of June 30, 2021 related to the Water Supply Project, which includes \$41 million in AFUDC. While Cal Am believes that its expenditures to date have been prudent and necessary to comply with the 2009 Order and the 2016 Order, as well as the CPUC's 2016 and 2018 final decisions, Cal Am cannot currently predict its ability to recover all of its costs and expenses associated with the Water Supply Project and there can be no assurance that Cal Am will be able to recover all of such costs and expenses in excess of the \$50 million in construction costs previously approved by the CPUC in its 2016 final decision.

Coastal Development Permit Application

In June 2018, Cal Am submitted a coastal development permit application to the City of Marina (the "City") for those project components of the Water Supply Project located within the City's coastal zone. Members of the City's Planning Commission, as well as City councilpersons, have publicly expressed opposition to the Water Supply Project. In May 2019, the City issued a notice of final local action based upon the denial by the Planning Commission of Cal Am's coastal development permit application. Thereafter, Cal Am appealed this decision to the California Coastal Commission (the "Coastal Commission"), as permitted under the City's code and the California Coastal Act. At the same time, Cal Am submitted an application to the Coastal Commission for a coastal development permit for those project components located within the Coastal Commission's original jurisdiction. In October 2019, staff of the Coastal Commission issued a report recommending a denial of Cal Am's application for a coastal development permit with respect to the Water Supply Project, largely based on a memorandum prepared by the general manager of the MPWMD that contradicted findings made by the CPUC in its final decision approving the Water Supply Project. In November 2019, discussions between staffs of the Coastal Commission and the CPUC took place regarding the Coastal Commission staff recommendation, at which time the CPUC raised questions about the Coastal Commission staff's findings on water supply and demand, groundwater impacts and the viability of a project that the Coastal Commission staff believes may be a possible alternative to the Water Supply Project.

In August 2020, the staff of the Coastal Commission released a report again recommending denial of Cal Am's application for a coastal development permit. Although the report concluded that the Water Supply Project would have a negligible impact on groundwater resources, the report also concluded it would impact other coastal resources, such as environmentally sensitive habitat areas and wetlands, and that the Coastal Commission staff believes that a feasible alternative project exists that would avoid those impacts. The staff's report also noted disproportionate impacts to communities of concern. In September 2020, Cal Am withdrew its original jurisdiction application to allow additional time to address the Coastal Commission staff's environmental justice concerns. The withdrawal of the original jurisdiction application did not impact Cal Am's appeal of the City's denial, which remains pending before the Coastal Commission. Cal Am refiled the original jurisdiction application in November 2020. In December 2020, the Coastal Commission sent to Cal Am a notice of incomplete application, identifying certain additional information needed to consider the application complete. In March 2021, Cal Am provided responses to the Coastal Commission's notice of incomplete application. On June 18, 2021, the Coastal Commission responded, acknowledging the responses and requesting certain additional information before the application could be considered complete. The original jurisdiction application remains pending.

Cal Am continues to work constructively with all appropriate agencies to provide necessary information in connection with obtaining required approvals for the Water Supply Project. However, based on the foregoing, there can be no assurance that the Water Supply Project in its current configuration will be completed on a timely basis, if ever. Due to the delay in the approval schedule for the Water Supply Project, Cal Am currently does not expect that it will be able to comply with the diversion reduction requirement schedule contained in the 2016 Order until January 2022. The 2009 Order and the 2016 Order remain in effect until Cal Am certifies to the SWRCB, and the SWRCB concurs, that Cal Am has obtained a permanent supply of water to substitute for past unauthorized Carmel River diversions. While the Company cannot currently predict the likelihood or result of any adverse outcome associated with these matters, further attempts to comply with the 2009 Order and the 2016 Order, or the 2021 Deadline, may result in material additional costs and obligations to Cal Am, including fines and penalties against Cal Am in the event of noncompliance with the 2009 Order and the 2016 Order.

Note 13: Earnings per Common Share

Presented in the table below is a reconciliation of the numerator and denominator for the basic and diluted EPS calculations:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2021	2020	2021	2020
Numerator:				
Net income attributable to common shareholders	\$ 207	\$ 176	\$ 340	\$ 300
Denominator:				
Weighted-average common shares outstanding—Basic	182	181	181	181
Effect of dilutive common stock equivalents	—	—	1	—
Weighted-average common shares outstanding—Diluted	182	181	182	181

The effect of dilutive common stock equivalents is related to outstanding stock options, restricted stock units (“RSUs”) and performance stock units (“PSUs”) granted under the Company’s 2007 Omnibus Equity Compensation Plan and outstanding RSUs and PSUs granted under the Company’s 2017 Omnibus Equity Compensation Plan, as well as estimated shares to be purchased under the Company’s 2017 Nonqualified Employee Stock Purchase Plan. Less than one million share-based awards were excluded from the computation of diluted EPS for the three and six months ended June 30, 2021 and 2020, because their effect would have been anti-dilutive under the treasury stock method.

Note 14: Fair Value of Financial Information

Fair Value of Financial Instruments

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

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

Preferred stock with mandatory redemption requirements and long-term debt—The fair values of preferred stock with mandatory redemption requirements and long-term debt are categorized within the fair value hierarchy based on the inputs that are used to value each instrument. The fair value of long-term debt classified as Level 1 is calculated using quoted prices in active markets. Level 2 instruments are valued using observable inputs and Level 3 instruments are valued using observable and unobservable inputs.

Presented in the tables below are the carrying amounts, including fair value adjustments previously recognized in acquisition purchase accounting, and the fair values of the Company's financial instruments:

	As of June 30, 2021				
	Carrying Amount	At Fair Value			Total
		Level 1	Level 2	Level 3	
Preferred stock with mandatory redemption requirements	\$ 4	\$ —	\$ —	\$ 6	\$ 6
Long-term debt (excluding finance lease obligations)	10,390	10,288	62	1,660	12,010

	As of December 31, 2020				
	Carrying Amount	At Fair Value			Total
		Level 1	Level 2	Level 3	
Preferred stock with mandatory redemption requirements	\$ 5	\$ —	\$ —	\$ 7	\$ 7
Long-term debt (excluding finance lease obligations)	9,656	9,639	415	1,753	11,807

Recurring Fair Value Measurements

Presented in the tables below are assets and liabilities measured and recorded at fair value on a recurring basis and their level within the fair value hierarchy:

	As of June 30, 2021			
	Level 1	Level 2	Level 3	Total
Assets:				
Restricted funds	\$ 34	\$ —	\$ —	\$ 34
Rabbi trust investments	22	—	—	22
Deposits	26	—	—	26
Other investments	17	—	—	17
Total assets	99	—	—	99
Liabilities:				
Deferred compensation obligations	26	—	—	26
Total liabilities	26	—	—	26
Total assets	\$ 73	\$ —	\$ —	\$ 73

	As of December 31, 2020			
	Level 1	Level 2	Level 3	Total
Assets:				
Restricted funds	\$ 29	\$ —	\$ —	\$ 29
Rabbi trust investments	19	—	—	19
Deposits	4	—	—	4
Other investments	11	—	—	11
Total assets	63	—	—	63
Liabilities:				
Deferred compensation obligations	24	—	—	24
Total liabilities	24	—	—	24
Total assets	\$ 39	\$ —	\$ —	\$ 39

Restricted funds—The Company’s restricted funds primarily represent proceeds received from financings for the construction and capital improvement of facilities and from customers for future services under operation, maintenance and repair projects.

Rabbi trust investments—The Company’s rabbi trust investments consist of equity and index funds from which supplemental executive retirement plan benefits and deferred compensation obligations can be paid. The Company includes these assets in other long-term assets on the Consolidated Balance Sheets.

Deposits—Deposits include escrow funds and certain other deposits held in trust. The Company includes cash deposits in other current assets on the Consolidated Balance Sheets.

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

Mark-to-market derivative assets and liabilities—The Company employs derivative financial instruments in the form of variable-to-fixed interest rate swaps and treasury lock agreements, classified as economic hedges and cash flow hedges, respectively, in order to fix the interest cost on existing or forecasted debt. The Company may use fixed-to-floating interest rate swaps, typically designated as fair-value hedges, to achieve a targeted level of variable-rate debt as a percentage of total debt. The Company uses a calculation of future cash inflows and estimated future outflows, which are discounted, to determine the current fair value. Additional inputs to the present value calculation include the contract terms, counterparty credit risk, interest rates and market volatility. The Company had no significant mark-to-market derivatives outstanding as of June 30, 2021.

Other investments—Other investments primarily represent money market funds used for active employee benefits. The Company includes other investments in other current assets on the Consolidated Balance Sheets.

Note 15: Leases

The Company has operating and finance leases involving real property, including facilities, utility assets, vehicles, and equipment. Certain operating leases have renewal options ranging from one to 60 years. The exercise of lease renewal options is at the Company’s sole discretion. Renewal options that the Company was reasonably certain to exercise are included in the Company’s right-of-use (“ROU”) assets. Certain operating leases contain the option to purchase the leased property. The operating leases for real property, vehicles and equipment will expire over the next 39 years, six years, and five years, respectively.

The Company participates in a number of arrangements with various public entities (“Partners”) in West Virginia. Under these arrangements, the Company transferred a portion of its utility plant to the Partners in exchange for an equal principal amount of Industrial Development Bonds (“IDBs”) issued by the Partners under the Industrial Development and Commercial Development Bond Act. The Company leased back the utility plant under agreements for a period of 30 to 40 years. The Company has recorded these agreements as finance leases in property, plant and equipment, as ownership of the assets will revert back to the Company at the end of the lease term. The carrying value of the finance lease assets was \$146 million and \$147 million as of June 30, 2021 and December 31, 2020, respectively. The Company determined that the finance lease obligations and the investments in IDBs meet the conditions for offsetting, and as such, are reported net on the Consolidated Balance Sheets and excluded from the finance lease disclosure presented below.

The Company also enters into O&M agreements with the Partners. The Company pays an annual fee for use of the Partners’ assets in performing under the O&M agreements. The O&M agreements are recorded as operating leases, and future annual use fees of \$2 million in 2021 and \$4 million in 2022 through 2025, and \$52 million thereafter, are included in operating lease ROU assets and operating lease liabilities on the Consolidated Balance Sheets.

Rental expenses under operating and finance leases were \$4 million and \$3 million for the three months ended June 30, 2021 and June 30, 2020, respectively, and \$7 million and \$7 million for the six months ended June 30, 2021 and June 30, 2020, respectively.

For the three and six months ended June 30, 2021, cash paid for amounts in lease liabilities, which includes operating and financing cash flows from operating and finance leases, were \$4 million and \$7 million, respectively. For the three months ended June 30, 2021, there were no ROU assets obtained in exchange for new operating lease liabilities. For the six months ended June 30, 2021, there were ROU assets obtained in exchange for new operating lease liabilities of \$6 million.

As of June 30, 2021, the weighted-average remaining lease term of the finance lease and operating leases were five years and 19 years, respectively, and the weighted-average discount rate of the finance lease and operating leases were 12% and 4%, respectively.

The future maturities of lease liabilities at June 30, 2021 are \$6 million in 2021, \$12 million in 2022, \$8 million in 2023, \$7 million in 2024, \$7 million in 2025 and \$96 million thereafter. At June 30, 2021 imputed interest was \$46 million.

Note 16: Segment Information

The Company’s operating segments are comprised of the revenue-generating components of its businesses for which separate financial information is internally produced and regularly used by management to make operating decisions, assess performance and allocate resources. The Company operates its businesses primarily through one reportable segment, the Regulated Businesses segment. The Company also operates market-based businesses that, individually, do not meet the criteria of a reportable segment in accordance with GAAP, and are collectively presented as the Market-Based Businesses. “Other” includes corporate costs that are not allocated to the Company’s operating segments, eliminations of inter-segment transactions, fair value adjustments and associated income and deductions related to the acquisitions that have not been allocated to the operating segments for evaluation of performance and allocation of resource purposes. The adjustments related to the acquisitions are reported in Other as they are excluded from segment performance measures evaluated by management.

Presented in the tables below is summarized segment information:

	As of or for the Three Months Ended June 30, 2021			
	Regulated Businesses	Market-Based Businesses	Other	Consolidated
Operating revenues	\$ 857	\$ 146	\$ (4)	\$ 999
Depreciation and amortization	151	6	1	158
Total operating expenses, net	552	119	(2)	669
Interest, net	(72)	(1)	(28)	(101)
Income before income taxes	257	26	(32)	251
Provision for income taxes	42	6	(4)	44
Net income attributable to common shareholders	215	19	(27)	207
Total assets	22,445	899	1,608	24,952
Cash paid for capital expenditures	406	2	2	410

	As of or for the Three Months Ended June 30, 2020			
	Regulated Businesses	Market-Based Businesses	Other	Consolidated
Operating revenues	\$ 803	\$ 132	\$ (4)	\$ 931
Depreciation and amortization	144	7	1	152
Total operating expenses, net	512	102	4	618
Interest, net	(74)	—	(27)	(101)
Income before income taxes	236	30	(34)	232
Provision for income taxes	58	8	(10)	56
Net income attributable to common shareholders	177	23	(24)	176
Total assets	21,536	1,075	1,398	24,009
Cash paid for capital expenditures	457	3	2	462

	As of or for the Six Months Ended June 30, 2021			
	Regulated Businesses	Market-Based Businesses	Other	Consolidated
Operating revenues	\$ 1,612	\$ 283	\$ (8)	\$ 1,887
Depreciation and amortization	298	11	6	315
Total operating expenses, net	1,095	233	—	1,328
Interest, net	(143)	(2)	(54)	(199)
Income before income taxes	420	48	(62)	406
Provision for income taxes	70	12	(16)	66
Net income attributable to common shareholders	350	36	(46)	340
Total assets	22,445	899	1,608	24,952
Cash paid for capital expenditures	744	4	4	752

	As of or for the Six Months Ended June 30, 2020			
	Regulated Businesses	Market-Based Businesses	Other	Consolidated
Operating revenues	\$ 1,523	\$ 260	\$ (8)	\$ 1,775
Depreciation and amortization	279	13	5	297
Total operating expenses, net	1,015	201	7	1,223
Interest, net	(146)	1	(52)	(197)
Income before income taxes	398	60	(67)	391
Provision for income taxes	98	16	(23)	91
Net income attributable to common shareholders	300	45	(45)	300
Total assets	21,536	1,075	1,398	24,009
Cash paid for capital expenditures	861	6	3	870

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

The following discussion should be read together with the unaudited Consolidated Financial Statements and the Notes thereto included elsewhere in this Form 10-Q, and in the Company's Form 10-K for the year ended December 31, 2020. This discussion contains forward-looking statements that are based on management's current expectations, estimates and projections about the Company's business, operations and financial performance. The cautionary statements made in this Form 10-Q should be read as applying to all related forward-looking statements whenever they appear in this Form 10-Q. The Company's actual results may differ materially from those currently anticipated and expressed in such forward-looking statements as a result of a number of factors, including those that are discussed under "Forward-Looking Statements" and elsewhere in this Form 10-Q. The Company has a disclosure committee consisting of members of senior management and other key employees involved in the preparation of the Company's SEC reports. The disclosure committee is actively involved in the review and discussion of the Company's SEC filings.

Overview

American Water is the largest and most geographically diverse, publicly traded water and wastewater utility company in the United States, as measured by both operating revenues and population served. The Company's primary business involves the ownership of utilities that provide water and wastewater services to residential, commercial, industrial, public authority, fire service and sale for resale customers, collectively presented as the "Regulated Businesses." Services provided by the Company's utilities are subject to regulation by multiple state utility commissions or other entities engaged in utility regulation, collectively referred to as public utility commissions ("PUCs"). The Company also operates market-based businesses that provide water, wastewater and other services to residential and smaller commercial customers, the U.S. government on military installations, as well as municipalities and utility customers, collectively presented as the "Market-Based Businesses." These Market-Based Businesses are not subject to economic regulation by state PUCs. See Part I, Item 1—Business in the Company's Form 10-K for additional information.

COVID-19 Pandemic Update

American Water continues to monitor the COVID-19 pandemic and has taken steps since the beginning of the pandemic to mitigate adverse impacts to the Company. The Company has three main areas of focus as part of its response to COVID-19: the care and safety of its employees; the safety of its customers and the communities it serves; and the execution of its business continuity plan. American Water continues to work with its vendors to prevent disruptions in its supply chain, and, at this time, has not experienced, and does not anticipate, any material negative impacts. The Company also continues to monitor the impacts of the COVID-19 pandemic on the capital markets, including impacts that could increase its cost of capital.

The Company has experienced financial impacts since the beginning of the pandemic resulting from lower revenues from the suspension of late fees and foregone reconnect fees in certain states, certain incremental operation and maintenance ("O&M") expenses, an increase in uncollectible accounts expense and additional debt costs. These impacts are collectively referred to as "financial impacts." See Note 3—Impact of the COVID-19 Pandemic in the Notes to Consolidated Financial Statements for additional information. The extent to which the COVID-19 pandemic may further impact American Water, including without limitation, its liquidity, financial condition, and results of operations, will depend on future developments, which presently cannot be predicted.

As of August 2, 2021, American Water has commission orders authorizing deferred accounting or cost recovery for COVID-19 financial impacts in 11 of 14 jurisdictions, with proceedings in New York and Tennessee pending. One jurisdiction, Kentucky, issued an order denying a request to defer to a regulatory asset the financial impacts related to the COVID-19 pandemic. Other regulatory actions to date are presented in the table below:

Commission Actions	Description	States
Orders issued with deferred accounting	Allows the Company to establish regulatory assets to record certain financial impacts related to the COVID-19 pandemic.	HI, IN, MD, NJ, PA, VA, WV
Orders issued with cost recovery	California’s Catastrophic Event Memorandum Account allows the Company’s California subsidiary to track certain financial impacts related to the COVID-19 pandemic for future recovery requests. Iowa issued a base rate case order on June 28, 2021, authorizing recovery in rates of the COVID-19 financial impacts deferred within its annual non-recurring expense rider. Illinois has authorized cost recovery of the COVID-19 financial impacts through a special purpose rider over a 24-month period, which was implemented effective October 1, 2020. Additionally, Illinois approved a bad debt rider tariff on December 16, 2020, allowing collection of actual bad debt expense over last authorized beginning April 2021 through February 2023. Illinois approved a stipulation in March 2021 to allow the rider to be extended through the end of 2023. Missouri issued a base rate case order on April 7, 2021, authorizing recovery in rates of the COVID-19 financial impacts deferred through March 31, 2021 over a three-year period.	CA, IA, IL, MO
Proceedings pending	Pending proceedings considering deferred accounting authorization for the future recovery of COVID-19 financial impacts.	NY, TN (a)

(a) On July 28, 2021, the Company’s Tennessee subsidiary filed a stipulation and settlement agreement with the Consumer Advocate Unit in the Financial Division of the Office of the Tennessee Attorney General which reflects agreement on the deferral of foregone late fees and incremental operating expenses net of cost savings, all as of April 30, 2021. The deferral of these COVID-19 financial impacts will cease as of April 30, 2021. The stipulation and settlement agreement will be subject to Tennessee Public Utility Commission review and approval, with a hearing on the stipulation and settlement agreement scheduled on August 9, 2021.

The Pennsylvania Public Utility Commission (the “PaPUC”) has granted deferral authority on certain incremental expenses above those embedded in rates resulting from the COVID-19 pandemic. The Company’s Pennsylvania subsidiary has filed for confirmation to defer as a regulatory asset all identified COVID-19 financial impacts, with the proceeding currently pending before the PaPUC. A recommended decision from the Administrative Law Judge (“ALJ”) was issued on June 30, 2021, recommending the PaPUC deny the inclusion of waived late fees, waived reconnect fees, and additional interest costs. The ALJ decision recommended deferral of additional uncollectible costs not embedded in rates and COVID-19 related incremental direct costs and savings. The Company filed exceptions to this recommended decision on July 20, 2021 and reply exceptions on July 30, 2021, with a final order from the PaPUC expected later in the third quarter of 2021.

Consistent with these regulatory orders, the Company has recorded \$44 million in regulatory assets and \$5 million of regulatory liabilities for the financial impacts related to the COVID-19 pandemic on the Consolidated Balance Sheets as of June 30, 2021.

As of August 2, 2021, four states continue moratoria on the suspension of service disconnections due to non-payment. The moratoria on disconnects have expired in ten states. The Company continues to monitor the COVID-19 pandemic and will continue to comply with the current ordered moratoria and any future moratoria implemented.

Recent Financing Activities

On May 10, 2021, American Water Capital Corp. (“AWCC”) completed a \$1.1 billion debt offering, which included the sale of \$550 million aggregate principal amount of its 2.30% senior notes due 2031 and \$550 million aggregate principal amount of its 3.25% senior notes due 2051. Net proceeds of this offering were used to lend funds to parent company and its regulated subsidiaries, to prepay \$327 million in aggregate principal amount of AWCC’s outstanding senior notes, to repay AWCC’s commercial paper obligations and for general corporate purposes. See Note 8—Long-Term Debt in the Notes to Consolidated Financial Statements for additional information.

As a result of AWCC’s prepayment of the various senior notes, a make-whole premium of \$15 million was paid to the holders thereof on June 14, 2021. Substantially all of the early debt extinguishment costs were allocable to the Company’s utility subsidiaries and recorded as regulatory assets, as the Company believes they are probable of recovery in future rates.

Financial Results

For the three and six months ended June 30, 2021, diluted earnings per share, prepared in accordance with accounting principles generally accepted in the United States (“GAAP”), were \$1.14 and \$1.87, respectively, an increase of \$0.17 and \$0.22 per diluted share, respectively, as compared to the prior year. These increases were primarily driven by continued growth in the Regulated Businesses from infrastructure investment, acquisitions and organic growth, and warmer and drier than normal weather in the second quarter of 2021 in the Northeast. These increases were partially offset by additional costs associated with an increase in claims in 2021 in Homeowner Services Group (“HOS”), including from extreme cold weather across the country during the first quarter of 2021, primarily in Texas and Illinois.

Growth—through capital investment in infrastructure and regulated acquisitions, as well as strategic growth opportunities in the Market-Based Businesses

The Company expects to continue to grow its businesses, with the majority of its growth to be achieved in the Regulated Businesses through (i) continued capital investment in the Company’s infrastructure to provide safe, clean, reliable and affordable water and wastewater services to its customers, and (ii) regulated acquisitions to expand the Company’s services to new customers. The Company expects to grow the Market-Based Businesses by leveraging its core water and wastewater competencies. The Company plans to invest approximately \$1.9 billion across its footprint in 2021. During the first six months of 2021, the Company invested \$782 million, primarily in the Regulated Businesses, as discussed below:

Regulated Businesses - Growth and Optimization

- \$735 million capital investment in the Regulated Businesses, the majority for infrastructure improvements and replacements; and
- \$39 million to fund acquisitions, including deposits discussed below, in the Regulated Businesses, which added approximately 2,500 water and wastewater customers through the six months ended June 30, 2021, in addition to approximately 8,200 customers added through organic growth through the six months ended June 30, 2021.

On April 6, 2021, the Company’s Pennsylvania subsidiary entered into an agreement to acquire the wastewater assets of the York City Sewer Authority for \$235 million, plus an amount of average daily revenue calculated for the period between the final meter reading and the date of closing. This system currently directly and indirectly through bulk contracts serves more than 45,000 customers. In connection with the execution of the acquisition agreement, the Company’s Pennsylvania subsidiary paid a \$20 million deposit to the seller on April 30, 2021, which is refundable in the event the agreement is terminated prior to closing of the acquisition. The Company expects to close this acquisition in the first half of 2022, pending regulatory approval.

On March 29, 2021, the Company’s New Jersey subsidiary entered into an agreement to acquire the water and wastewater assets of Egg Harbor City for \$22 million. The water and wastewater systems currently serve approximately 1,500 customers each, or 3,000 combined, and are being sold through the New Jersey Water Infrastructure Protection Act process. The Company expects to close this acquisition by the end of 2021, pending regulatory approval.

During July 2021, the Company closed on the acquisition of one regulated wastewater system adding approximately 500 customers, for a total aggregate purchase price of \$4 million. As of August 2, 2021, the Company has entered into agreements for pending acquisitions in the Regulated Businesses to add approximately 86,900 additional customers.

Sale of New York American Water Company, Inc.

On November 20, 2019, the Company and the Company’s New York subsidiary entered into a Stock Purchase Agreement (the “Stock Purchase Agreement”) with Liberty Utilities Co., which it subsequently assigned to its indirect, wholly owned subsidiary Liberty Utilities (Eastern Water Holdings) Corp. (“Liberty”), pursuant to which Liberty will purchase all of the capital stock of the New York subsidiary (the “Stock Purchase”) for an aggregate purchase price of approximately \$608 million in cash, subject to adjustment as provided in the Stock Purchase Agreement. The Company’s regulated New York operations have approximately 125,000 customers in the State of New York. Algonquin Power & Utilities Corp., Liberty’s ultimate parent company, executed and delivered an absolute and unconditional guaranty of the performance of all of the obligations of Liberty under the Stock Purchase Agreement. The Stock Purchase is subject to various conditions, including obtaining approvals and satisfying or waiving other closing conditions. The Stock Purchase Agreement as originally executed provided for an initial termination date of June 30, 2021 (the “Closing End Date”). On June 29, 2021, the parties mutually agreed to extend the Closing End Date to December 31, 2021 in accordance with the terms of the Stock Purchase Agreement, and agreed to extend further the Closing End Date to January 3, 2022 as December 31, 2021 is a federal holiday. No other provision of the Stock Purchase Agreement was modified by this mutual agreement. Liberty may also terminate the Stock Purchase Agreement if any governmental authority initiates a condemnation or eminent domain proceeding against a majority of the consolidated properties of the Company’s New York subsidiary, taken as a whole.

In 2020, the Governor of New York proposed legislation that, among other things, required the New York State Department of Public Service (“NYSDPS”) to study whether private water suppliers should be placed under municipal control. On February 3, 2021, the Governor issued a press release announcing that he directed the NYSDPS Special Counsel to commence and lead a municipalization feasibility study (the “Study”). The Study was released on March 29, 2021 finding that municipalization was feasible and in the public interest. The Study focused primarily on the imminent need for tax relief for the Company’s New York subsidiary’s customers and included recommendations to eliminate the Special Franchise Tax and create a new public authority to potentially acquire all or a portion of the system. Despite the Study’s findings, the legislative session ended without passage of legislation to eliminate the Special Franchise Tax. However, the New York State Senate and New York State Assembly passed legislation creating the North Shore Water Authority (“NSWA”) and the South Shore Water Authority (“SSWA”). The NSWA relates to a small portion of the New York subsidiary’s service area (about 4,700 customers) while the SSWA relates to the largest portion of its service territory (about 120,000 customers). Both bills must be delivered to and signed by the Governor before they can become law. The Company’s New York subsidiary continues to work constructively with the NYSDPS, including through ongoing settlement discussions held in April and July 2021 among all parties to the proceeding, and to take all actions necessary to facilitate the completion of the Stock Purchase. Subject to satisfying or waiving the various conditions to closing, and assuming no prior termination of the Stock Purchase Agreement by Liberty as described above, the Company remains confident that the Stock Purchase will be completed.

The assets and related liabilities of the Company’s New York subsidiary were classified as held for sale on the Consolidated Balance Sheets as of June 30, 2021. See Note 6—Acquisitions and Divestitures in the Notes to Consolidated Financial Statements for additional information.

Operational Excellence

The Company’s adjusted regulated O&M efficiency ratio, which is used as a measure of the operating performance of the Regulated Businesses, was 33.9% for the twelve months ended June 30, 2021, as compared to 34.3% for the twelve months ended June 30, 2020. The improvement in this ratio reflects the continued focus on operating costs, as well as an increase in operating revenues for the Regulated Businesses.

The Company’s adjusted regulated O&M efficiency ratio is a non-GAAP measure, and is defined by the Company as its operation and maintenance expenses from the Regulated Businesses, divided by the operating revenues from the Regulated Businesses, where both operation and maintenance expenses and operating revenues were adjusted to eliminate purchased water expense. Operating revenues were further adjusted to exclude reductions for the amortization of excess accumulated deferred income taxes. Also excluded from operation and maintenance expenses is the allocable portion of non-O&M support services costs, mainly depreciation and general taxes, which is reflected in the Regulated Businesses segment as operation and maintenance expenses, but for consolidated financial reporting purposes, is categorized within other line items in the accompanying Consolidated Statements of Operations. The items discussed above were excluded from the O&M efficiency ratio calculation as they are not reflective of management’s ability to increase the efficiency of the Regulated Businesses.

The Company evaluates its operating performance using this ratio, and believes it is useful to investors because it directly measures improvement in the operating performance and efficiency of the Regulated Businesses. This information is derived from the Company’s consolidated financial information but is not presented in its financial statements prepared in accordance with GAAP. This information supplements and should be read in conjunction with the Company’s GAAP disclosures, and should be considered as an addition to, and not a substitute for, any GAAP measure. The Company’s adjusted regulated O&M efficiency ratio (i) is not an accounting measure that is based on GAAP; (ii) is not based on a standard, objective industry definition or method of calculation; (iii) may not be comparable to other companies’ operating measures; and (iv) should not be used in place of the GAAP information provided elsewhere in this Form 10-Q.

Presented in the table below is the calculation of the Company's adjusted regulated O&M efficiency ratio and a reconciliation that compares operation and maintenance expenses and operating revenues, each as determined in accordance with GAAP, to those amounts utilized in the calculation of its adjusted O&M efficiency ratio:

(Dollars in millions)	For the Twelve Months Ended June 30,	
	2021	2020
Total operation and maintenance expenses	\$ 1,698	\$ 1,581
Less:		
Operation and maintenance expenses—Market-Based Businesses	422	384
Operation and maintenance expenses—Other	(30)	(17)
Total operation and maintenance expenses—Regulated Businesses	1,306	1,214
Less:		
Regulated purchased water expenses	156	142
Allocation of non-operation and maintenance expenses	45	30
Adjusted operation and maintenance expenses—Regulated Businesses (i)	\$ 1,105	\$ 1,042
Total operating revenues	\$ 3,890	\$ 3,690
Less:		
Operating revenues—Market-Based Businesses	562	533
Operating revenues—Other	(16)	(20)
Total operating revenues—Regulated Businesses	3,344	3,177
Less:		
Regulated purchased water revenues (a)	156	142
Revenue reductions for the amortization of excess accumulated deferred income taxes	(69)	—
Adjusted operating revenues—Regulated Businesses (ii)	\$ 3,257	\$ 3,035
Adjusted O&M efficiency ratio—Regulated Businesses (i) / (ii)	33.9 %	34.3 %

(a) The calculation assumes regulated purchased water revenues approximate regulated purchased water expenses.

Regulatory Matters**General Rate Cases and Infrastructure Surcharges**

Presented in the table below are annualized incremental revenues, excluding reductions for the amortization of excess accumulated deferred income tax (“EADIT”) that are generally offset in income tax expense, assuming a constant water sales volume, resulting from general rate case authorizations and infrastructure surcharge authorizations that became effective in the current period:

(In millions)	During the Three Months Ended June 30,		During the Six Months Ended June 30,	
	2021	2020	2021	2020
General rate cases by state:				
Missouri (effective May 28, 2021)	\$ 22	\$ —	\$ 22	\$ —
New York (a)	7	—	7	—
Pennsylvania (effective January 28, 2021)	—	—	70	—
Indiana (b)	—	13	—	13
California (c)	—	—	—	5
Total general rate cases	\$ 29	\$ 13	\$ 99	\$ 18
Infrastructure surcharges by state:				
New Jersey (effective June 28, 2021, June 29, 2020 and January 1, 2020)	\$ 14	\$ 10	\$ 14	\$ 20
Indiana (effective March 17, 2021)	—	—	8	—
Pennsylvania (effective January 1, 2021, April 1, 2020 and January 1, 2020)	—	5	8	15
Illinois (effective January 1, 2021 and January 1, 2020)	—	—	7	7
West Virginia (effective January 1, 2021 and January 1, 2020)	—	—	5	3
Tennessee (d)	—	2	3	2
Missouri (effective June 27, 2020)	—	10	—	10
Total infrastructure surcharges	\$ 14	\$ 27	\$ 45	\$ 57

- (a) The Company’s New York subsidiary implemented additional annualized revenues of \$7 million on May 1, 2021. The increase was deferred with interest from April 1, 2020.
- (b) The Company’s Indiana subsidiary filed for and, on May 4, 2020, received approval to implement a \$13 million increase for the second rate year, effective May 1, 2020.
- (c) The Company’s California subsidiary received approval for the third year (2020) step increase associated with its most recent general rate case authorization, effective January 1, 2020.
- (d) The Company’s Tennessee subsidiary received approval for infrastructure surcharges for annualized incremental revenues of \$3 million, effective January 1, 2021, and received approval on May 11, 2020 for infrastructure surcharges for annualized incremental revenues of \$2 million, effective January 1, 2020.

On August 28, 2020, the Company’s Iowa subsidiary filed a general rate case requesting \$3 million in annualized incremental revenues. An order was issued on June 28, 2021 authorizing an increase of \$1 million. On July 9, 2021, the Company’s Iowa subsidiary filed a Motion for Clarification with respect to the required accelerated flow back of unprotected EADIT over a three-year period to recognize the increase to rate base and incremental revenues as the unprotected EADIT it amortized. The Company’s Iowa subsidiary filed tariffs consistent with the Motion for Clarification on July 16, 2021, and is awaiting a decision from the Iowa Utilities Board on the Motion for Clarification before new rates are implemented.

Effective July 1, 2021, the Company’s Kentucky subsidiary implemented infrastructure surcharges for annualized incremental revenues of \$1 million.

On April 7, 2021, the Company's Missouri subsidiary was authorized additional annualized revenues of \$22 million, effective May 28, 2021, excluding agreed to reductions for EADIT as a result of the TCJA. The EADIT reduction in revenues is \$25 million and is offset by a like reduction in income tax expense. The protected EADIT balance of \$72 million is being returned to customers using the average rate assumption method ("ARAM"), and the unprotected EADIT balance of \$74 million is being returned to customers over 10 years. The \$25 million EADIT reduction includes both the protected and unprotected catch-up period EADIT of \$13 million. The catch-up period of January 1, 2018 through May 31, 2021 covers the period from when the lower federal corporate income tax rate went into effect until new base rates went into effect and will be amortized over 2.5 years.

On March 2, 2021, an administrative law judge ("ALJ") in the Office of Administrative Law of New Jersey filed an Initial Decision ("ID") with the New Jersey Board of Public Utilities (the "NJBPU") that recommended denial of a petition filed by the Company's New Jersey subsidiary, which sought approval of acquisition adjustments in rates of \$29 million associated with the acquisitions of Shorelands Water Company, Inc. in 2017 and the Borough of Haddonfield's water and wastewater systems in 2015. On July 29, 2021, the NJBPU issued an order adopting the ALJ's ID without modification. The Company's New Jersey subsidiary is continuing to evaluate next steps, including grounds to move for reconsideration within the time permitted by law. There is no financial impact to the Company as a result of the NJBPU's order, since the acquisition adjustments are currently recorded as goodwill on the Consolidated Balance Sheets.

On February 25, 2021, the Company's Pennsylvania subsidiary was authorized additional annualized revenues of \$90 million, effective January 28, 2021, excluding agreed to reductions for EADIT as a result of the TCJA, over two steps. The EADIT reduction in revenues is \$19 million. The overall increase, net of TCJA reductions, is \$71 million in revenues combined over two steps. The first step was effective January 28, 2021 in the amount of \$70 million (\$51 million including TCJA reductions) and the second step will be effective January 1, 2022 in the amount of \$20 million. The protected EADIT balance of \$200 million is being returned to customers using the ARAM, and the unprotected EADIT balance of \$116 million is being returned to customers over 20 years. The \$19 million annually includes both the protected and unprotected EADIT amortizations and a portion of catch-up period EADIT. A bill credit of \$11 million annually for two years returns to customers the remainder of the EADIT catch-up period amortization. The catch-up period of January 1, 2018 through December 31, 2020 covers the period from when the lower federal corporate income tax rate went into effect until new base rates went into effect and will be amortized over two years.

Pending General Rate Case Filings

On April 30, 2021, the Company's West Virginia subsidiary filed a general rate case requesting \$32 million in annualized incremental revenues excluding proposed reductions for EADIT as a result of TCJA and infrastructure surcharges. The proposed EADIT reduction in revenues is \$1 million and the exclusion for infrastructure surcharges is \$10 million.

On July 1, 2019, the Company's California subsidiary filed a general rate case requesting \$29 million in annualized incremental revenues for 2021, and increases of \$10 million and \$11 million in the escalation year of 2022 and the attrition year of 2023, respectively. On October 11, 2019, the Company filed its 100-day update for the same proceeding and updated the request to \$27 million in annualized incremental revenues for 2021, and increases of \$10 million in both the escalation year of 2022 and the attrition year of 2023, respectively. On September 10, 2020, the California Public Utilities Commission (the "CPUC") approved the Company's California subsidiary's motion for interim rates, establishing a memorandum account to track the difference between interim and final rates adopted by the CPUC in this proceeding, which were effective on January 1, 2021. Following settlement discussions among all parties to the proceeding, on January 22, 2021 and January 25, 2021, the Company's California subsidiary filed with the CPUC a comprehensive settlement entered into among the Company's California subsidiary, the Public Advocates Office, and other intervenors. These settlement agreements resolved all matters in dispute among the parties to the settlements. These settlements, as well as resolution of issues raised by non-settling parties, are now before the CPUC for approval.

On January 22, 2020, the Company's California subsidiary submitted a request to delay by one year its cost of capital filing and maintain its current authorized cost of capital through 2021. On March 12, 2020, the CPUC granted the request for a one year extension of the cost of capital filing to May 1, 2021, to set its authorized cost of capital beginning January 1, 2022. On January 5, 2021, the Company's California subsidiary submitted a request to further delay by one year its cost of capital filing and maintain the authorized cost of capital through 2022. On February 22, 2021, the CPUC denied the request to further delay the cost of capital filing. The Company's California subsidiary submitted its cost of capital application on May 3, 2021. Once approved by the CPUC, the new authorized cost of capital will be effective January 1, 2022.

Pending Infrastructure Surcharge Filings

On June 30, 2021, the Company's West Virginia subsidiary filed for an infrastructure surcharge requesting \$3 million in additional annualized revenues.

On June 28, 2021, the Company's Missouri subsidiary filed for an infrastructure surcharge requesting \$7 million in additional annualized revenues.

Legislative Updates

During 2021, the Company's regulatory jurisdictions enacted the following legislation that has been approved and is effective as of August 2, 2021:

- The Kentucky General Assembly adopted House Bill 465 relating to the acquisition of water and wastewater utilities. The legislation affirms a method in valuing water and wastewater systems above net book value and establishes a timeline of 60 days for Public Service Commission approval of an acquisition.
- Indiana House Enrolled Act 1287 creates a mechanism that reduces the required upfront cost to new customers for a water or wastewater utility to extend service to underserved areas.
- Indiana House Enrolled Act 349 establishes a tax rider for water and wastewater utilities based upon a change in state or federal income tax law. The legislation also requires the Indiana Finance Authority to prioritize loans that secure long-term benefits over shorter term projects.
- New Jersey passed Lead Service Line Replacement Bill, Senate Bill 3398/Assembly Bill 5343, which provides for the replacement of lead service lines within 10 years of the effective date of the bill and authorizes cost recovery of customer-owned lead service lines as an O&M expense plus interest through a semi-annual surcharge.

During 2021, the Company's regulatory jurisdictions enacted the following legislation that has been approved but is not yet effective as of August 2, 2021:

- New Jersey passed Senate Bill 647/House Bill 4825 which strengthens the state's existing Water Quality Accountability Act ("WQAA") by requiring the Department of Environmental Protection to adopt regulations to implement the WQAA, enhancing asset management plans and reporting, upgrading cyber security standards and adding criminal penalties for falsifying reports. Legislation is awaiting the Governor's signature.
- Illinois passed House Bill 414, Low Income Water & Sewer Financial Assistance Program, which authorizes the state's Department of Commerce and Economic Opportunity to institute a water and sewer assistance program for customers of privately and publicly owned systems. The program is modeled off the existing energy supplemental state Low Income Home Energy Assistance Program. Legislation is awaiting the Governor's signature.
- Missouri passed the Water and Sewer Infrastructure Act, Senate Bill 44/House Bill 397, to establish a new statewide surcharge mechanism program which covers replacement of aging water distribution and sewer collection infrastructure. This legislation broadens the eligible projects covered by the current Infrastructure System Replacement Surcharge mechanism and expands its applicability to projects across the state. Legislation has been signed by the Governor with an August 28, 2021 effective date.

Condemnation and Eminent Domain

All or portions of the Regulated Businesses' utility assets could be acquired by state, municipal or other government entities through one or more of the following methods: (i) eminent domain (also known as condemnation); (ii) the right of purchase given or reserved by a municipality or political subdivision when the original certificate of public convenience and necessity (a "CPCN") was granted; and (iii) the right of purchase given or reserved under the law of the state in which the utility subsidiary was incorporated or from which it received its CPCN. The acquisition consideration related to such a proceeding initiated by a local government may be determined consistent with applicable eminent domain law, or may be negotiated or fixed by appraisers as prescribed by the law of the state or in the particular CPCN.

As such, the Regulated Businesses are periodically subject to condemnation proceedings in the ordinary course of business. For example, a citizens group in Monterey, California successfully added "Measure J" to the November 2018 election ballot asking voters to decide whether the Monterey Peninsula Water Management District (the "MPWMD") should conduct a feasibility study concerning the potential purchase of the Monterey water service system assets (the "Monterey system assets") of the Company's California subsidiary, and, if feasible, to proceed with a purchase of those assets without an additional public vote. This service territory represents approximately 40,000 customers. In November 2018, Measure J was certified to have passed.

In August 2019, the MPWMD's General Manager issued a report that recommends that the MPWMD board (1) develop criteria to determine which water systems should be considered for acquisition; (2) examine the feasibility of acquiring the Monterey system assets and consider public ownership of smaller systems only if the MPWMD becomes the owner of a larger system; (3) evaluate whether the acquisition of the Monterey system assets by the MPWMD is in the public interest and sufficiently satisfies the criterion of "feasible" as provided in Measure J; (4) ensure there is significant potential for cost savings before agreeing to commence an acquisition; and (5) develop more fully alternate operating plans before deciding whether to consider a Resolution of Necessity.

In November 2019, the MPWMD issued a preliminary valuation and cost of service analysis report, finding in part that (1) an estimate of the Monterey system assets' total value plus adjustments would be approximately \$513 million, (2) the cost of service modeling results indicate significant annual reductions in revenue requirements and projected monthly water bills, and (3) the acquisition of the Monterey system assets by the MPWMD would be economically feasible. On June 12, 2020, the MPWMD issued a draft environmental impact report for the potential acquisition of the Monterey system assets and a related district boundary adjustment that would be required if the MPWMD were to acquire and operate certain of the Monterey system assets located outside the MPWMD's boundaries. On September 15, 2020, the MPWMD gave notice of its intention to appraise the Monterey system assets and related property interests. On September 29, 2020, the Company's California subsidiary declined to make the Monterey system assets and related property interests available for inspection or to comply with any of the other requests contained in the MPWMD's notice. On October 7, 2020, the MPWMD issued a final environmental impact report ("FEIR"), and on November 4, 2020, the MPWMD certified the FEIR, which purports to analyze the environmental impacts of the MPWMD's project to (1) acquire the Monterey system assets through the power of eminent domain, if necessary, and (2) expand its geographic boundaries to include all parts of this system. On November 25, 2020, the Company's California subsidiary filed a petition challenging this certification in court. A hearing on the matter is scheduled for August 30, 2021. See Item 3—Legal Proceedings—Challenge of Certification — Proposed Monterey System Final Environmental Impact Report in the Company's Form 10-K, and Part II, Item 1—Legal Proceedings in this Form 10-Q.

On February 26, 2021, the MPWMD filed an application with the Local Agency Formation Commission of Monterey County ("LAFCO") seeking approval to become a retail water provider and annex approximately 58 parcels of land into the MPWMD's boundaries. On June 28, 2021, LAFCO's board of directors voted to require a third-party independent financial study as to the feasibility of an acquisition by the MPWMD of the Monterey system assets. Approval by LAFCO is a precondition to the MPWMD's ability to file an eminent domain proceeding against the Company's California subsidiary to acquire the Monterey system assets. If the MPWMD were to make a final determination that an acquisition of the Monterey system assets is feasible, it would then need to file a multi-year eminent domain proceeding against the Company's California subsidiary. In that proceeding, it would first need to establish its right to take the Monterey system assets. If such right is established, the amount of just compensation to be paid to the California subsidiary for such assets would then need to be determined. The MPWMD has stated that it anticipates filing such an eminent domain proceeding in late 2021 or early 2022.

Also, five municipalities in the Chicago, Illinois area (approximately 30,300 customers in total) formed a water agency and filed an eminent domain lawsuit against the Company in January 2013, seeking to condemn the water pipeline that serves those five municipalities. Before filing its eminent domain lawsuit, the water agency made an offer of \$38 million for the pipeline. The parties have filed with the court updated valuation reports. A valuation trial has been scheduled for the week of October 25, 2021.

Furthermore, the law in certain jurisdictions in which the Regulated Businesses operate provides for eminent domain rights allowing private property owners to file a lawsuit to seek just compensation against a public utility, if a public utility's infrastructure has been determined to be a substantial cause of damage to that property. In these actions, the plaintiff would not have to prove that the public utility acted negligently. In California, lawsuits have been filed in connection with large-scale natural events such as wildfires. Some of these lawsuits have included allegations that infrastructure of certain utilities triggered the natural event that resulted in damage to the property. In some cases, the PUC has allowed certain costs or losses incurred by the utility to be recovered from customers in rates, but in other cases such recovery in rates has been disallowed. Also, the utility may have obtained insurance that could respond to some or all of such losses, although the utility would be at risk for any losses not ultimately subject to rate or insurance recovery or losses that exceed the limits of such insurance.

Consolidated Results of Operations

Presented in the table below are the Company's consolidated results of operations:

(In millions)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2021	2020	2021	2020
Operating revenues	\$ 999	\$ 931	\$ 1,887	\$ 1,775
Operating expenses:				
Operation and maintenance	431	391	850	774
Depreciation and amortization	158	152	315	297
General taxes	80	75	163	152
Total operating expenses, net	669	618	1,328	1,223
Operating income	330	313	559	552
Other income (expense):				
Interest, net	(101)	(101)	(199)	(197)
Non-operating benefit costs, net	19	12	39	25
Other, net	3	8	7	11
Total other income (expense)	(79)	(81)	(153)	(161)
Income before income taxes	251	232	406	391
Provision for income taxes	44	56	66	91
Net income attributable to common shareholders	\$ 207	\$ 176	\$ 340	\$ 300

Segment Results of Operations

The Company's operating segments are comprised of the revenue-generating components of its business for which separate financial information is internally produced and regularly used by management to make operating decisions, assess performance and allocate resources. The Company operates its business primarily through one reportable segment, the Regulated Businesses segment. The Company also operates market-based businesses that, individually, do not meet the criteria of a reportable segment in accordance with GAAP, and are collectively presented as the Market-Based Businesses, which is consistent with how management assesses the results of these businesses.

Regulated Businesses Segment

Presented in the table below is financial information for the Regulated Businesses:

(In millions)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2021	2020	2021	2020
Operating revenues	\$ 857	\$ 803	\$ 1,612	\$ 1,523
Operation and maintenance	325	299	645	597
Depreciation and amortization	151	144	298	279
General taxes	76	70	152	142
(Gain) on asset dispositions and purchases	—	(1)	—	(3)
Other income (expenses)	(49)	(56)	(97)	(110)
Income before income taxes	257	236	420	398
Provision for income taxes	42	58	70	98
Net income attributable to common shareholders	215	177	350	300

Operating Revenues

Presented in the tables below is information regarding the main components of the Regulated Businesses' operating revenues:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2021	2020	2021	2020
(In millions)				
Water services:				
Residential	\$ 491	\$ 474	\$ 921	\$ 873
Commercial	170	142	314	284
Fire service	37	36	74	73
Industrial	34	31	66	63
Public and other	63	62	116	118
Total water services	795	745	1,491	1,411
Wastewater services:				
Residential	38	33	74	64
Commercial	9	9	18	17
Industrial	1	—	2	1
Public and other	4	4	8	7
Total wastewater services	52	46	102	89
Other (a)	10	12	19	23
Total operating revenues	\$ 857	\$ 803	\$ 1,612	\$ 1,523

(a) Includes other operating revenues consisting primarily of miscellaneous utility charges, fees and rents.

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2021	2020	2021	2020
(Gallons in millions)				
Billed water services volumes:				
Residential	42,897	42,408	79,756	77,958
Commercial	18,680	15,798	34,578	32,878
Industrial	8,374	8,058	16,443	16,497
Fire service, public and other	12,544	11,085	23,407	22,631
Total billed water services volumes	82,495	77,349	154,184	149,964

For the three months ended June 30, 2021, operating revenues increased \$54 million, primarily due to: (i) \$53 million increase from authorized rate increases, including infrastructure surcharges, principally to fund infrastructure investment in various states; (ii) \$18 million increase in demand, primarily driven by (a) weather, including warmer and drier than normal weather in the second quarter of 2021 in the Northeast, and (b) lower demand in 2020 as a result of the COVID-19 pandemic; (iii) \$8 million increase from water and wastewater acquisitions, as well as organic growth in existing systems; and (iv) \$24 million decrease in revenues due to the amortization of EADIT, which is generally offset with a reduction in income tax expense.

For the six months ended June 30, 2021, operating revenues increased \$89 million, primarily due to: (i) \$97 million increase from authorized rate increases, including infrastructure surcharges, principally to fund infrastructure investment in various states; (ii) \$20 million increase in demand, primarily driven by (a) weather, including warmer and drier than normal weather in the second quarter of 2021 in the Northeast, and (b) lower demand in 2020 as a result of the COVID-19 pandemic; (iii) \$16 million increase from water and wastewater acquisitions, as well as organic growth in existing systems; and (iv) \$44 million decrease in revenues due to the amortization of EADIT, which is generally offset with a reduction in income tax expense.

Operation and Maintenance

Presented in the table below is information regarding the main components of the Regulated Businesses' operating and maintenance expense:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2021	2020	2021	2020
(In millions)				
Employee-related costs	\$ 129	\$ 119	\$ 259	\$ 244
Production costs	89	81	167	153
Operating supplies and services	58	54	115	110
Maintenance materials and supplies	23	19	47	38
Customer billing and accounting	15	13	32	27
Other	11	13	25	25
Total	\$ 325	\$ 299	\$ 645	\$ 597

For the three months ended June 30, 2021, operation and maintenance expense increased \$26 million primarily due to (i) \$10 million increase in employee-related costs primarily from higher headcount and related compensation expense in support of the growth in the business; (ii) \$8 million increase in production costs primarily due to higher purchased water usage and costs across several subsidiaries; (iii) \$4 million increase in operating supplies and services primarily due to higher fees related to contracted services; and (iv) \$4 million increase in maintenance materials and supplies primarily due to timing of maintenance and tank painting projects in the Company's New Jersey subsidiary.

For the six months ended June 30, 2021, operation and maintenance expense increased \$48 million, primarily due to: (i) \$15 million increase in employee-related costs primarily from higher headcount and related compensation expense in support of the growth in the business; (ii) \$14 million increase in production costs primarily due to higher purchased water usage in the Company's California subsidiary and increased fuel and power costs across several subsidiaries; (iii) \$5 million increase in operating supplies and services primarily due to higher fees related to contracted services; (iv) \$9 million increase in maintenance materials and supplies primarily due to timing of maintenance and tank painting projects in the Company's New Jersey subsidiary; and (v) \$5 million increase in customer billing and accounting primarily due to higher uncollectible costs.

Depreciation and Amortization

For the three and six months ended June 30, 2021, depreciation and amortization increased \$7 million and \$19 million, respectively, primarily due to additional utility plant placed in service from capital infrastructure investments and acquisitions.

General Taxes

For the three and six months ended June 30, 2021, general taxes increased \$6 million and \$10 million, respectively, primarily due to increased capital investments, including acquisitions and an increase in the New Jersey Gross Receipts Tax.

Other Income (Expenses)

For the three and six months ended June 30, 2021, other income (expenses) increased \$7 million and \$13 million, primarily due to the reduction in the non-service cost components of pension and other postretirement benefits expense resulting from higher asset returns.

Provision for Income Taxes

For the three and six months ended June 30, 2021, the Regulated Businesses' provision for income taxes decreased \$16 million and \$28 million, respectively. The Regulated Businesses' effective income tax rate was 16.3% and 24.6% for the three months ended June 30, 2021 and 2020, respectively, and 16.7% and 24.6% for the six months ended June 30, 2021 and 2020, respectively. The decrease in the Regulated Businesses' effective income tax rate for the three and six months ended June 30, 2021 was primarily due to an increase in the amortization of EADIT resulting from the TCJA, pursuant to regulatory orders. The amortization of EADIT is generally offset with reductions in revenue.

Market-Based Businesses

Presented in the table below is information for the Market-Based Businesses:

(In millions)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2021	2020	2021	2020
Operating revenues	\$ 146	\$ 132	\$ 283	\$ 260
Operation and maintenance	112	94	219	185
Depreciation and amortization	6	7	11	13
Income before income taxes	26	30	48	60
Provision for income taxes	6	8	12	16
Net income attributable to common shareholders	19	23	36	45

Operating Revenues

For the three and six months ended June 30, 2021, operating revenues increased \$14 million and \$23 million, respectively, primarily due to an increase in capital and O&M projects in the Military Services Group (“MSG”), across several of the Company’s military bases, primarily at the United States Military Academy at West Point, New York, Fort Leonard Wood and Joint Base San Antonio.

Operation and Maintenance

For the three months ended June 30, 2021, operation and maintenance expense increased \$18 million, primarily due to (i) costs associated with MSG from increased capital upgrades as discussed above; and (ii) additional costs associated with an increase of claims in 2021 in HOS.

For the six months ended June 30, 2021, operation and maintenance expense increased \$34 million primarily due to (i) costs associated with MSG from increased capital upgrades as discussed above; and (ii) additional costs associated with an increase of claims in 2021 in HOS, including from extreme cold weather across the country during the first quarter of 2021, primarily in Texas and Illinois.

Liquidity and Capital Resources

For a general overview of the sources and uses of capital resources, see the introductory discussion in Part II, Item 7—Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources in the Company’s Form 10-K.

Liquidity needs for capital investment, working capital and other financial commitments are generally funded through cash flows from operations, public and private debt offerings, commercial paper markets, and, if and to the extent necessary, borrowings under AWCC’s revolving credit facility, and, in the future, issuances of equity. The Company’s revolving credit facility provides \$2.25 billion in aggregate total commitments from a diversified group of financial institutions. The revolving credit facility is used principally to support AWCC’s commercial paper program, to provide additional liquidity support, and to provide for the issuance of up to \$150 million in letters of credit. The maximum aggregate principal amount of short-term borrowings authorized for issuance under AWCC’s commercial paper program is \$2.10 billion. Subject to satisfying certain conditions, the credit agreement also permits AWCC to increase the maximum commitment under the facility by up to an aggregate of \$500 million. The weighted-average interest rate on AWCC’s outstanding short-term borrowings, including \$500 million of outstanding principal on the Term Loan Facility (as defined below) as of December 31, 2020, was approximately 0.13% and 0.53% at June 30, 2021 and December 31, 2020, respectively.

To ensure adequate liquidity given the impacts of the COVID-19 pandemic on debt and capital markets, on March 20, 2020, AWCC entered into a Term Loan Credit Agreement, by and among parent company, AWCC and the lenders party thereto (the “Term Loan Facility”). The proceeds were used for general corporate purposes of AWCC and American Water and to provide additional liquidity. As of December 31, 2020, \$500 million of principal was outstanding under the Term Loan Facility. The Term Loan Facility commitments terminated at maturity on March 19, 2021 and the Term Loan Facility was repaid in full.

Presented in the tables below is the aggregate credit facility commitments, commercial paper limit and letter of credit availability under the revolving credit facility, as well as the available capacity for each:

	As of June 30, 2021		
	Commercial Paper Limit	Letters of Credit	Total (a)
(In millions)			
Total availability	\$ 2,100	\$ 150	\$ 2,250
Outstanding debt	(606)	(76)	(682)
Remaining availability as of June 30, 2021	\$ 1,494	\$ 74	\$ 1,568

(a) Total remaining availability of \$1.57 billion as of June 30, 2021 may be accessed through revolver draws.

	As of December 31, 2020		
	Commercial Paper Limit	Letters of Credit	Total (a)
(In millions)			
Total availability	\$ 2,100	\$ 150	\$ 2,250
Outstanding debt	(786)	(76)	(862)
Remaining availability as of December 31, 2020	\$ 1,314	\$ 74	\$ 1,388

(a) Total remaining availability of \$1.39 billion as of December 31, 2020 may be accessed through revolver draws.

Presented in the table below is the Company's total available liquidity as of June 30, 2021 and December 31, 2020, respectively:

	Cash and Cash Equivalents	Availability on Revolving Credit Facility	Total Available Liquidity
(In millions)			
Available liquidity as of June 30, 2021	\$ 70	\$ 1,568	\$ 1,638
Available liquidity as of December 31, 2020	\$ 547	\$ 1,388	\$ 1,935

The Company believes that existing sources of liquidity are sufficient to meet its cash requirements for the foreseeable future. Though not currently anticipated, no assurances can be provided that the lenders will meet existing commitments to AWCC under the revolving credit facility, or that AWCC will be able to access the commercial paper or loan markets in the future on acceptable terms. See Note 9—Short-Term Debt in the Notes to Consolidated Financial Statements for additional information.

On May 10, 2021, AWCC completed a \$1.1 billion debt offering, which included the sale of \$550 million aggregate principal amount of its 2.30% senior notes due 2031 and \$550 million aggregate principal amount of its 3.25% senior notes due 2051. At the closing of the offering, AWCC received, after deduction of underwriting discounts and before deduction of offering expenses, net proceeds of \$1,086 million. AWCC used the net proceeds of this offering: (i) to lend funds to parent company and its regulated subsidiaries; (ii) to prepay \$251 million aggregate principal amount of AWCC's outstanding 5.77% Series D Senior Notes due December 21, 2021 (the "Series D Notes") and \$76 million aggregate principal amount of AWCC's outstanding 6.55% Series H Senior Notes due May 15, 2023 (the "Series H Notes," and together with the Series D Notes, the "Series Notes"); (iii) to repay AWCC's commercial paper obligations; and (iv) for general corporate purposes. After the prepayments described above, none of the Series D Notes, and approximately \$14 million aggregate principal amount of the Series H Notes, remain outstanding. As a result of AWCC's prepayment of the Series Notes, a make-whole premium of \$15 million was paid to the holders thereof on June 14, 2021. Substantially all of the early debt extinguishment costs were allocable to the Company's utility subsidiaries and recorded as regulatory assets, as the Company believes they are probable of recovery in future rates.

On May 6, 2021, the Company entered into two 10-year treasury lock agreements, with notional amounts of \$125 million and \$150 million, to reduce interest rate exposure on debt, which was subsequently issued on May 10, 2021. These treasury lock agreements had an average fixed rate of 1.58%. The Company designated these treasury lock agreements as cash flow hedges, with their fair value recorded in accumulated other comprehensive gain or loss. On May 10, 2021, the Company terminated these two treasury lock agreements with an aggregate notional amount of \$275 million, realizing a net gain of less than \$1 million, to be amortized through interest, net over a 10-year period, in accordance with the terms of the \$1.1 billion new debt issued on May 10, 2021. No ineffectiveness was recognized on hedging instruments for the three and six months ended June 30, 2021 and 2020.

Cash Flows Provided by Operating Activities

Cash flows provided by operating activities primarily result from the sale of water and wastewater services and, due to the seasonality of demand, are generally greater during the warmer months. Presented in the table below is a summary of the major items affecting the Company’s cash flows provided by operating activities:

	For the Six Months Ended June 30,	
	2021	2020
(In millions)		
Net income	\$ 340	\$ 300
Add (less):		
Depreciation and amortization	315	297
Deferred income taxes and amortization of investment tax credits	64	96
Other non-cash activities (a)	(45)	(30)
Changes in working capital (b)	(136)	(104)
Settlement of cash flow hedges	—	(6)
Pension and postretirement healthcare contributions	(18)	(22)
Net cash flows provided by operating activities	<u>\$ 520</u>	<u>\$ 531</u>

- (a) Includes provision for losses on accounts receivable, pension and non-pension postretirement benefits and other non-cash, net. Details of each component can be found on the Consolidated Statements of Cash Flows.
- (b) Changes in working capital include changes to receivables and unbilled revenues, accounts payable and accrued liabilities, and other current assets and liabilities, net, less the settlement of cash flow hedges.

For the six months ended June 30, 2021, cash flows provided by operating activities decreased \$11 million, due to a decrease in deferred income taxes and amortization of investment tax credits primarily driven by an increase in the amortization of EADIT and an increase in changes in working capital partially offset by an increase in net income.

Cash Flows Used in Investing Activities

Presented in the table below is a summary of the major items affecting the Company’s cash flows used in investing activities:

	For the Six Months Ended June 30,	
	2021	2020
(In millions)		
Net capital expenditures	\$ (752)	\$ (870)
Acquisitions	(39)	(40)
Other investing activities, net (a)	(43)	(48)
Net cash flows used in investing activities	<u>\$ (834)</u>	<u>\$ (958)</u>

- (a) Includes removal costs from property, plant and equipment retirements and proceeds from sale of assets.

For the six months ended June 30, 2021, cash used in investing activities decreased \$124 million, primarily due to the timing of payments for capital expenditures. The Company plans to invest approximately \$1.9 billion across its footprint in 2021.

Cash Flows from Financing Activities

Presented in the table below is a summary of the major items affecting the Company's cash flows provided by financing activities:

(In millions)	For the Six Months Ended June 30,	
	2021	2020
Proceeds from long-term debt	\$ 1,102	\$ 1,163
Repayments of long-term debt	(364)	(166)
(Repayments of) proceeds from term loan	(500)	500
Net proceeds from (repayments of) short-term borrowings	(176)	(367)
Debt issuance costs and make-whole premium on early debt redemption	(26)	(12)
Dividends paid	(209)	(190)
Other financing activities, net (a)	15	13
Net cash flows (used in) provided by financing activities	\$ (158)	\$ 941

(a) Includes proceeds from issuances of common stock under various employee stock plans and the Company's dividend reinvestment plan, net of taxes paid, and advances and contributions in aid of construction, net of refunds.

For the six months ended June 30, 2021, cash flows provided by financing activities decreased \$1,099 million, primarily due to the \$500 million borrowed under the Term Loan Facility during the first quarter of 2020 which was repaid in full at maturity in 2021 and an increase in repayments of long-term debt due to the prepayment of \$327 million in aggregate principal amount of AWCC's outstanding senior notes during the second quarter of 2021, partially offset by lower net repayments of commercial paper borrowings.

Debt Covenants

The Company's debt agreements contain financial and non-financial covenants. To the extent that the Company is not in compliance with these covenants, an event of default may occur under one or more debt agreements and the Company or its subsidiaries may be restricted in its ability to pay dividends, issue new debt or access the revolving credit facility. The long-term debt indentures contain a number of covenants that, among other things, prohibit or restrict the Company from issuing debt secured by the Company's assets, subject to certain exceptions. Failure to comply with any of these covenants could accelerate repayment obligations.

Covenants in certain long-term notes and the revolving credit facility require the Company to maintain a ratio of consolidated debt to consolidated capitalization (as defined in the relevant documents) of not more than 0.70 to 1.00. On June 30, 2021, the Company's ratio was 0.62 to 1.00 and therefore the Company was in compliance with the covenants.

Security Ratings

Presented in the table below are long-term and short-term credit ratings and rating outlooks as of August 2, 2021 as issued by the following rating agencies:

Securities	Moody's Investors Service	Standard & Poor's Ratings Service
Rating outlook	Stable	Stable
Senior unsecured debt	Baa1	A
Commercial paper	P-2	A-1

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

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

Access to the capital markets, including the commercial paper market, and respective financing costs in those markets, may be directly affected by the Company's securities ratings. The Company primarily accesses the debt capital markets, including the commercial paper market, through AWCC. However, the Company has also issued debt through its regulated subsidiaries, primarily in the form of tax-exempt securities or borrowings under state revolving funds, to lower the overall cost of debt.

Dividends

For discussion of the Company's dividends, see Note 7—Shareholders' Equity in the Notes to Consolidated Financial Statements for additional information.

Application of Critical Accounting Policies and Estimates

Financial condition of the Company, results of operations and cash flows are impacted by the methods, assumptions and estimates used in the application of critical accounting policies. See Part II, Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates in the Company's Form 10-K for a discussion of its critical accounting policies. Additionally, see Note 2—Significant Accounting Policies in the Notes to Consolidated Financial Statements for updates, if any, to the significant accounting policies previously disclosed in the Company's Form 10-K.

Recent Accounting Standards

See Note 2—Significant Accounting Policies in the Notes to Consolidated Financial Statements for a description of new accounting standards recently adopted or pending adoption.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risk in the normal course of business, including changes in commodity prices, equity prices and interest rates. For further discussion of its exposure to market risk, see Part II, Item 7A—Quantitative and Qualitative Disclosures about Market Risk in the Company's Form 10-K. There have been no significant changes to the Company's exposure to market risk since December 31, 2020.

The Company had no significant derivative instruments outstanding as of June 30, 2021.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

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

The Company's management, including the Chief Executive Officer and the Chief Financial Officer, conducted an evaluation of the effectiveness of its disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of June 30, 2021.

Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of June 30, 2021, the Company's disclosure controls and procedures were effective at a reasonable level of assurance.

Changes in Internal Control over Financial Reporting

The Company concluded that there have been no changes in internal control over financial reporting that occurred during the three months ended June 30, 2021, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The following information updates and amends the information provided in the Company's Form 10-K in Part I, Item 3—Legal Proceedings, and in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2021 in Part II, Item 1—Legal Proceedings. Capitalized terms used but not otherwise defined herein have the meanings set forth in the Company's Form 10-K.

Alternative Water Supply in Lieu of Carmel River Diversions

Compliance with SWRCB Orders to Reduce Carmel River Diversions

Cal Am continues to work constructively with all appropriate agencies to provide necessary information in connection with obtaining required approvals for the Water Supply Project. However, there can be no assurance that the Water Supply Project in its current configuration will be completed on a timely basis, if ever. Beginning in January 2022, Cal Am expects to be able to comply with the diversion reduction requirement schedule contained in the 2016 Order, but continued compliance with the diversion reduction requirements for 2023 and future years will depend on successful development of alternate water supply sources sufficient to meet customer demand. The 2009 Order and the 2016 Order remain in effect until Cal Am certifies to the SWRCB, and the SWRCB concurs, that Cal Am has obtained a permanent supply of water to substitute for past unauthorized Carmel River diversions. While the Company cannot currently predict the likelihood or result of any adverse outcome associated with these matters, attempts to comply with the 2009 Order and the 2016 Order in the future may result in material additional costs and obligations to Cal Am, including fines and penalties against Cal Am in the event of noncompliance with the 2009 Order and the 2016 Order.

Monterey Peninsula Water Supply Project

Coastal Development Permit Application

In March 2021, Cal Am provided responses to the Coastal Commission's notice of incomplete application. On June 18, 2021, the Coastal Commission responded, acknowledging the responses and requesting certain additional information before the application could be considered complete. The original jurisdiction application remains pending.

Desalination Plant Development Permit

On May 25, 2021, Cal Am filed a notice of appeal as to the Monterey County Superior Court's January 21, 2021 decision granting in part and denying in part MCWD's petition that challenged Monterey County's approval of Cal Am's combined development permit application. The notice of appeal seeks to challenge the court's decision on Monterey County's statement of overriding considerations. Monterey County filed a notice of appeal as to the same issue on May 26, 2021. On June 22, 2021, MCWD filed cross-appeals on its claims that had been denied by the court.

Challenge of Certification — Proposed Monterey System Acquisition Final Environmental Impact Report

On November 25, 2020, the Company's California subsidiary filed a petition for writ of mandate in Monterey County Superior Court challenging certification of the issuance of a FEIR by MPWMD for the potential acquisition of the Monterey system assets. A hearing on the matter is scheduled for August 30, 2021.

Dunbar, West Virginia Water Main Break Class Action Litigation

On remand of this case to the Circuit Court for further consideration in light of a recent Supreme Court of Appeals decision issued in another case relating to the class certification issued raised, a briefing schedule has been set and, following briefing by all parties, oral argument on the issue of class certification was heard on July 16, 2021. This matter remains pending.

Other Matters

On April 2, 2021, American Water Resources, LLC ("AWR"), an indirect, wholly owned subsidiary of the parent company, received a grand jury subpoena for certain of its records in connection with an investigation by the U.S. Attorney's Office for the Eastern District of New York (the "EDNY"). A portion of HOS, which provides warranty protection programs and other home services to residential customers, is conducted through AWR. The subpoena seeks information about AWR's operations and its contractor network in the New York City metropolitan area. Based on the subpoena and discussions with the EDNY, the investigation does not appear to be focused on the parent company or the operations of any of its other subsidiaries. AWR is fully cooperating with the investigation. While it is not possible at this time to predict the outcome of the investigation or determine the amount, if any, of fines, penalties or other liabilities that may be incurred in connection with it, the Company does not currently believe that the investigation will have a material adverse effect on the Company's results of operations, financial condition or liquidity.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report, readers should carefully consider the factors discussed in Part I, Item 1A—Risk Factors in the Form 10-K, and in the Company’s other filings with the SEC, which could materially affect the Company’s business, financial condition, cash flows or future results. There have been no material changes from the risk factors previously disclosed in Part I, Item 1A—Risk Factors in the Form 10-K.

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

In February 2015, the Board of Directors authorized an anti-dilutive stock repurchase program to mitigate the dilutive effect of shares issued through the Company’s dividend reinvestment, employee stock purchase and executive compensation activities. The program allows the Company to purchase up to 10 million shares of its outstanding common stock over an unrestricted period of time in the open market or through privately negotiated transactions. The program is conducted in accordance with Rule 10b-18 of the Exchange Act, and, to facilitate these repurchases, the Company enters into Rule 10b5-1 stock repurchase plans with a third-party broker, which allow the Company to repurchase shares of its common stock at times when it otherwise might be prevented from doing so under insider trading laws or because of self-imposed trading blackout periods. Subject to applicable regulations, the Company may elect to amend or cancel the program or the stock repurchase parameters at its discretion to manage dilution.

The Company did not repurchase shares of common stock during the three months ended June 30, 2021. From April 1, 2015, the date repurchases under the anti-dilutive stock repurchase program commenced, through June 30, 2021, the Company repurchased an aggregate of 4,860,000 shares of common stock under the program, leaving an aggregate of 5,140,000 shares available for repurchase under this program.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION**Adoption of Change of Control Severance Policy**

On July 27, 2021, the Executive Development and Compensation Committee (the “Committee”) of the Board of Directors of parent company (the “Board”), in consultation with the Committee’s independent compensation consultant, approved the adoption of a Change of Control Severance Policy (the “Policy”). The Policy provides, subject to certain conditions and limitations, benefits to each of parent company’s officers as defined under rules promulgated under Section 16 of the Exchange Act (each, a “Covered Executive”) in the event of an involuntary termination of the Covered Executive’s employment with the Company without “cause” or if the Covered Executive resigns from employment for “good reason” and within 24 months after the consummation of a “change of control” (each as defined in the Policy) of parent company (a “Covered Termination”). The benefits and payments provided under the Policy are designed to replace and enhance existing benefits payable under the Company’s Executive Severance Policy with respect to a Covered Termination of a Covered Executive following a change of control; however, the Executive Severance Policy remains in effect for employees covered by that policy with respect to an involuntary termination of employment without cause other than following a change of control. In accordance with the Committee’s charter, the Policy was also approved by the independent members of the Board on July 28, 2021.

The Policy provides that, in the event of a Covered Termination, the Chief Executive Officer and each other Covered Executive would be eligible to receive three times and two times, respectively, the sum of (1) such Covered Executive’s annual base salary on the termination date of employment (the “Termination Date”) and (2) the greater of the last annual award paid to the Covered Executive under the Company’s Annual Performance Plan (the “APP”) or the average of the last three such annual APP awards. A Covered Executive will also receive Company-paid COBRA coverage for health, dental and vision benefits for the maximum statutory period, and benefits under any applicable nonqualified deferred compensation plan will be deemed to be fully vested. A Covered Executive will continue to be eligible to participate for six months in the Company’s Employee Assistance Plan and will receive up to 12 months of outplacement services. The Policy also provides that, in the event of a Covered Termination, a Covered Executive would be entitled to receive unpaid base salary due for periods prior to the Termination Date, all of the Covered Executive’s accrued and unused vacation through the Termination Date, and reimbursement of all properly documented reasonable and necessary expenses incurred in connection with employment prior to the Termination Date.

The Policy is deemed to be a plan of the Company covered by the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), and the Policy includes a process to appeal the denial of benefits under ERISA. The Company will not gross up any payments under the Policy for excise taxes imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the “Code”), with respect to a change of control. If the total of lump sum severance payments under the Policy would exceed limits defined in Section 280G of the Code and would result in the imposition of an excise tax under Section 4999 of the Code, the Covered Executive’s benefits will be determined based on a “best net benefit” provision. Compensation payable under the Policy is intended to comply with Section 409A of the Code. Before receiving any severance benefits under the Policy, a Covered Executive will be required to execute a severance agreement and general release waiving any claims against the Company and agreeing to restrictive covenants addressing confidentiality, non-solicitation and non-competition.

ITEM 6. EXHIBITS

Exhibit Number	Exhibit Description
#2.1.1	Stock Purchase Agreement, dated November 20, 2019, by and among American Water Works Company, Inc., New York American Water Company, Inc. and Liberty Utilities Co. (incorporated by reference to Exhibit 2.1 to American Water Works Company, Inc.’s Current Report on Form 8-K, File No. 001-34028, filed November 20, 2019).
2.1.2	Letter Agreement, dated June 29, 2021, by and among the Company, the Company’s New York subsidiary, and Liberty Utilities (Eastern Water Holdings) Corp. (incorporated by reference to Exhibit 2.1 to American Water Works Company, Inc.’s Current Report on Form 8-K, File No. 001-34028, filed June 29, 2021).
3.1	Restated Certificate of Incorporation of American Water Works Company, Inc. (incorporated by reference to Exhibit 3.1 to the Company’s Quarterly Report on Form 10-Q, File No. 001-34028, filed November 6, 2008).
3.2	Amended and Restated Bylaws of American Water Works Company, Inc. (incorporated by reference to Exhibit 3.1 to the Company’s Current Report on Form 8-K, File No. 001-34028, filed December 10, 2020).
4.1	Indenture, dated as of December 4, 2009, between American Water Capital Corp. and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.’s Current Report on Form 8-K, File No. 001-34028, filed December 3, 2010).
4.2	Officers’ Certificate of American Water Capital Corp., dated May 14, 2021, establishing the terms and authorizing the issuance of the 2.300% Senior Notes due 2031 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.’s Current Report on Form 8-K, File No. 001-34028, filed May 14, 2021).
4.3	Officers’ Certificate of American Water Capital Corp., dated May 14, 2021, establishing the terms and authorizing the issuance of the 3.250% Senior Notes due 2051 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.’s Current Report on Form 8-K, File No. 001-34028, filed May 14, 2021).
*10.1	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Stock Unit Grant Form for Non-Employee Directors.
*10.2	American Water Works Company, Inc. Executive Severance Policy, as amended and restated as of July 27, 2021.
*10.3	American Water Works Company, Inc. Change of Control Severance Policy, dated as of July 27, 2021.
*31.1	Certification of Walter J. Lynch, President and Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act.
*31.2	Certification of M. Susan Hardwick, Executive Vice President and Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act.
**32.1	Certification of Walter J. Lynch, President and Chief Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act.
**32.2	Certification of M. Susan Hardwick, Executive Vice President and Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act.
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101).

Certain schedules and exhibits to this agreement have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The Company will furnish the omitted schedules and exhibits to the SEC upon request.

* Filed herewith.

** Furnished herewith

The Stock Purchase Agreement filed as Exhibit 2.1.1 hereto has been included to provide investors and security holders with information regarding its terms. It is not intended to provide any other factual information about the parties thereto, or any of their respective subsidiaries or affiliates. The representations, warranties and covenants contained in the Stock Purchase Agreement (i) were made by the parties thereto only for purposes of that agreement and as of specific dates; (ii) were made solely for the benefit of the parties to the Stock Purchase Agreement; (iii) may be subject to limitations agreed upon by the contracting parties, including being qualified by confidential disclosures exchanged between the parties in connection with the execution of the Stock Purchase Agreement (such disclosures include information that has been included in public disclosures, as well as additional non-public information); (iv) may have been made for the purposes of allocating contractual risk between the parties to the Stock Purchase Agreement instead of establishing these matters as facts; and (v) may be subject to standards of materiality applicable to the contracting parties that differ from those applicable to investors.

Investors should not rely on the representations, warranties and covenants or any descriptions thereof as characterizations of the actual state of facts or condition of the parties thereto, or any of their respective subsidiaries or affiliates. Additionally, the representations, warranties, covenants, conditions and other terms of the Stock Purchase Agreement may be subject to subsequent waiver or modification. Moreover, information concerning the subject matter of the representations, warranties and covenants may change after the date of the Stock Purchase Agreement, which subsequent information may or may not be fully reflected in the Company's public disclosures. The Stock Purchase Agreement should not be read alone, but should instead be read in conjunction with the other information regarding the Company and its New York subsidiary that is or will be contained in, or incorporated by reference into, the reports and other documents that are filed by the Company with the SEC.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 2nd day of August, 2021.

AMERICAN WATER WORKS COMPANY, INC.
(REGISTRANT)

By _____ /s/ WALTER J. LYNCH
Walter J. Lynch
President and Chief Executive Officer
(Principal Executive Officer)

By _____ /s/ M. SUSAN HARDWICK
M. Susan Hardwick
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

By _____ /s/ MELISSA K. WIKLE
Melissa K. Wikle
Vice President and Controller
(Principal Accounting Officer)

AMERICAN WATER WORKS COMPANY, INC.
2017 OMNIBUS EQUITY COMPENSATION PLAN
STOCK UNIT GRANT

This STOCK UNIT GRANT, dated as of May 12, 2021 (the "Date of Grant"), is delivered by American Water Works Company, Inc. (the "Company") to _____ (the "Participant").

RECITALS

WHEREAS, the Board of Directors of the Company (the "Board") has determined to grant each non-employee director of the Company on the date of the Company's 2021 Annual Meeting of Shareholders a stock unit grant that will be converted to shares of common stock of the Company, par value \$0.01 per share, (the "Company Stock") at a later date;

WHEREAS, the Participant is a non-employee director on the Board; and

WHEREAS, the Board has determined that the stock unit grant granted to the Participant shall be issued under the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "Plan") and the terms and conditions of such stock unit shall be memorialized in this grant (the "Grant").

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

1. Grant of Stock Units. Subject to the terms and conditions set forth in this Grant and the Plan, the Company hereby grants to the Participant _____ units (the "Stock Units"). Each Stock Unit shall be a phantom right and shall be equivalent to one share of Company Stock on the applicable distribution date, as described in Paragraph 4 below.
2. Stock Unit Account. The Company shall establish and maintain a Stock Unit account as a bookkeeping account on its records (the "Stock Unit Account") for the Participant and shall record in such Stock Unit Account the number of Stock Units granted to the Participant. The Participant shall not have any interest in any fund or specific assets of the Company by reason of this grant or the Stock Unit Account established for the Participant.
3. Vesting. The Participant shall be fully vested in the Stock Units credited to the Participant's Stock Unit Account pursuant to this Grant on the Date of Grant.
4. Distribution. The Stock Units shall be converted to shares of Company Stock and distributed by the Company within thirty (30) days following the earlier of (i) August 12, 2022 (the "Specified Date") (or, if applicable, the Deferred Date, as defined in Paragraph 5 below), (ii) the Participant's separation from service (within the meaning of section 409A of the Internal

Revenue Code of 1986, as amended (the “Code”) with the Company (the “Separation from Service Date”), or (iii) the date of a Change of Control (as defined below) (the “Change of Control Date”). At the time of distribution, all Stock Units shall be converted to an equivalent number of shares of Company Stock, and the Participant shall receive a single distribution of such shares of Company Stock, which shall be issued under the Plan. For purposes of this Grant, the term “Change of Control” shall have the same meaning as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Grant unless the event constituting the Change of Control constitutes a change in ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Code and its corresponding regulations.

5. Deferrals. The Participant may make an irrevocable election to defer the Specified Date (or further defer the Deferred Date (as defined below), if applicable) of all of the Stock Units, plus dividend equivalents earned on such Stock Units as described in Paragraph 6 below, to a later date, provided that (i) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (ii) the deferred Specified Date cannot be earlier than five (5) years from the original Specified Date under Paragraph 4 (or five (5) years from the applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (iii) the election must be made no less than twelve (12) months prior to the date of the Specified Date (or twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Specified Date, the Participant must elect to defer 100% of the Stock Units, including corresponding dividend equivalents, granted to the Participant under this Grant and complete the deferral election form provided to the Participant, in the form attached hereto as Exhibit A or as may subsequently modified in the discretion of the Board. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant’s election pursuant to this Paragraph, if the Separation from Service Date or Change of Control Date occurs prior to the Deferred Date, the distribution of the Participant’s Stock Units, plus corresponding dividend equivalents, will be made as a result of the occurrence of the Separation from Service Date or Change of Control Date, whichever is earlier. If a Specified Date is delayed one or more times pursuant to this Paragraph 5, the new Specified Date shall be referred to as the “Deferred Date.”

6. Dividend Equivalents. Until the earlier of the Specified Date (or the Deferred Date, if elected), Separation from Service Date or Change of Control Date, if any dividends are paid with respect to the shares of Company Stock, the Company shall credit to a dividend equivalent account (the “Dividend Equivalent Account”) the value of the dividends that would have been distributed if the Stock Units credited to the Participant’s Stock Unit Account as of the date of payment of any such dividend were shares of Company Stock. At the same time that the Stock Units are converted to shares of Company Stock and distributed to the Participant, the Company shall pay to the Participant in a lump sum cash equal to the value of the dividends credited to the Participant’s Dividend Equivalent Account. No interest shall accrue on any dividend equivalents credited to the Participant’s Dividend Equivalent Account.

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

8. Acknowledgment by Participant. By accepting this Grant, the Participant acknowledges that with respect to any right to distribution pursuant to this Grant, the Participant is and shall be an unsecured general creditor of the Company without any preference as against other unsecured general creditors of the Company, and the Participant hereby covenants for himself or herself, and anyone at any time claiming through or under the Participant, not to claim any such preference, and hereby disclaims and waives any such preference which may at any time be at issue, to the fullest extent permitted by applicable law. The Participant also hereby agrees to be bound by the terms and conditions of the Plan and this Grant. The Participant further agrees to be bound by the determinations and decisions of the Board with respect to this Grant and the Plan and the Participant's rights to benefits under this Grant and the Plan, and agrees that all such determinations and decisions of the Board shall be binding on the Participant, his or her beneficiaries and any other person having or claiming an interest under this Grant and the Plan on behalf of the Participant.

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

(a) The obligation of the Company to deliver shares of Company Stock upon the distribution of the Stock Units shall be subject to the condition that shares of Company Stock be qualified for listing on the New York Stock Exchange or another securities exchange and be registered under the Securities Act of 1933, as amended, and that any consent or approval of any governmental regulatory body that is necessary to issue shares of Company Stock has been so obtained, and that shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Board. The issuance of shares of Company Stock and the payment of cash to the Participant pursuant to this Grant is subject to any applicable taxes and other laws or regulations of the United States or of any state having jurisdiction thereof.

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

(i) to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time) regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Insider Trading and Prohibited Transactions Policy and its Personal Securities Trading and Preclearance Practice; and

(ii) that the shares of Company Stock obtained by the Participant upon the distribution of the Stock Units shall not be transferred or disposed of by any means until

the Participant owns enough shares of Company Stock, or shares underlying stock units convertible into shares of Company Stock, or time-based restricted Company Stock, to meet or exceed five (5) times the Participant's annual cash retainer, which ownership requirement must be satisfied by the fifth (5th) anniversary of the Participant's commencement of service as a director on the Board.

10. Grant Subject to Plan Provisions. This Grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. In the event of any contradiction, distinction or difference between this Grant and the terms of the Plan, the terms of the Plan will control. Except as otherwise defined in this Grant, capitalized terms used in this Grant shall have the meanings set forth in the Plan. This Grant is subject to the interpretations, regulations and determinations concerning the Plan established from time to time by the Board in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (i) rights and obligations with respect to withholding taxes, (ii) the registration, qualification or listing of the shares of Company Stock, (iii) changes in capitalization of the Company, and (iv) other requirements of applicable law. The Board shall have the authority to interpret and construe this Grant pursuant to the terms of the Plan, its decisions shall be conclusive as to any questions arising hereunder and the Participant's acceptance of this Grant is the Participant's agreement to be bound by the interpretations and decisions of the Board with respect to this Grant and the Plan.

11. No Rights as Shareholder. The Participant shall not have any rights as a shareholder of the Company, including the right to any cash dividends (except with respect to the dividend equivalent rights provided in Paragraph 6), or the right to vote, with respect to any Stock Units.

12. No Rights to Continued Service. This Grant shall not confer upon the Participant any right to be retained in the service of the Employer (as defined in the Plan) and shall not interfere in any way with the right to terminate the Participant's service at any time. The right to terminate at will the Participant's service at any time for any reason is specifically reserved.

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

14. Withholding. To the extent required by applicable law, the Participant shall be required to pay to the Company, or make other arrangements satisfactory to the Company to provide for the payment of, any federal, state, local or other taxes that the Company is required to withhold with respect to the Grant, vesting or distribution of the Stock Units and dividend equivalents.

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

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

17. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the records of the Company, or to such other address as the Participant may designate to the Company in writing. Any notice shall be delivered by hand, sent by facsimile, e-mail or other electronic means (with confirmation of receipt to be made by any oral, electronic or written means), or enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service.

18. Section 409A of the Code.

(a) This Grant is intended to comply with the requirements of section 409A of the Code and shall be interpreted and administered to avoid any penalty sanctions under section 409A of the Code. If any distribution cannot be provided or made at the time specified herein or as elected by the Participant, then such distribution shall be provided in full at the earliest time thereafter when such sanctions cannot be imposed. Except according to a valid election made pursuant to Paragraph 5 above, in no event may the Participant designate the calendar year of distribution.

(b) Notwithstanding any provision to the contrary in this Grant, if any of the distributions under this Grant are payable to the Participant upon separation from service (within the meaning of section 409A of the Code) from the Employer, then if at the time of the Participant's separation from service the Participant is a "specified employee" (as such term is defined in section 409A(2)(B)(i) of the Code and its corresponding regulations) as determined by the Company (or any successor thereto) in its sole discretion in accordance with its specified employee determination policy, then all distributions to the Participant pursuant to this Grant shall be postponed for a period of six (6) months following the Participant's separation from service from the Employer. The postponed amounts shall be distributed to the Participant in a lump sum within thirty (30) days after the date that is six (6) months following the Participant's separation from service from the Employer. If the Participant dies during such six (6)-month period and prior to the distribution of the postponed amounts hereunder, the amounts delayed on account of section 409A of the Code shall be distributed to the personal representative of the Participant's estate within sixty (60) days after the date of the Participant's death, and any amounts not delayed shall be distributed to the personal representative of the Participant's estate in accordance with the terms of this Grant.

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

AMERICAN WATER WORKS COMPANY, INC.

By: **Walter Lynch**

A handwritten signature in black ink, appearing to read "Walter Lynch", is written over a light gray rectangular background.

Its: President and CEO

EXHIBIT A

SUBSEQUENT DEFERRAL ELECTION FORM

PART A. TIME OF DISTRIBUTION

I, _____, (the "Participant") hereby irrevocably elect to have all of the Stock Units, plus corresponding dividend equivalents, (the "Deferred Units") granted to me pursuant to the Stock Unit Grant, dated as of May 12, 2021, (the "Grant") under the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "Plan") that would have been distributed by American Water Works Company, Inc. to me on the Specified Date (as defined in the Grant), instead be distributed to me on the deferred date designated below (the "Deferred Date"), which date must be at least five (5) years later than the Specified Date, and this election is at least twelve (12) months prior to the Specified Date (to make this deferral election you must defer all of the Stock Units, plus corresponding dividend equivalents, granted to you pursuant the Grant, meaning there is no partial deferral):

Number of Stock Units, and Dividend Equivalents, to be Further Deferred (All Must Be Deferred) 100%	Original Specified Date (Election Must Be Made at Least 12 Months Prior to the Specified Date) August 12, 2022	Deferred Date (Must be a date that is at least 5 years later than the Original Specified Date)
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PART B. ACKNOWLEDGMENT

I understand and expressly agree that (i) the Deferred Date for the Deferred Units shall be the date I specified in Part A above (which is a date that is at least five (5) years later than the original Specified Date), and (ii) I will not be entitled to receive distribution of the Deferred Units on an earlier date, except in the event that the Separation from Service Date (as defined in the Grant) or the Change of Control Date (as defined in the Grant) occurs prior to the Deferred Date. I also understand and expressly agree that this deferral election is irrevocable, is being made at least twelve (12) months prior to the original Specified Date, and shall not take effect until twelve (12) months after the date on which I make this election. I further understand and agree that the terms and conditions of the Grant and the Plan are hereby incorporated into this form. Lastly, I understand and agree that this deferral election applies to 100% of the Stock Units, and corresponding dividend equivalents, granted to me pursuant to the Grant.

PARTICIPANT SIGNATURE

Participant: _____ Date: _____

Receipt Acknowledged:

By: _____

Title: _____ Date: _____

POLICY DOCUMENT



Executive Severance Policy

Policy Number: POL-_____

Applicability: American Water Works Company, Inc. ("Parent Company") and its controlled subsidiaries (together "American Water" or the "Company")

Effective Date: July 27, 2021

Executive Sponsor: SVP, Chief Human Resources Officer

Document Approver: VP, Compensation & Benefits

Document Owner: Director, Compensation

I. PURPOSE

The purpose of this Executive Severance Policy (this "Policy") is to set forth the severance benefits that will be provided to eligible executive employees of American Water. The Company specifically reserves its right to amend, modify or terminate this Policy in writing at any time (with or without notice) and at its sole discretion, by action of the Committee (as defined below) or its delegate. The Policy is intended to be an employee welfare benefit plan and severance pay plan for purposes of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). This document is also intended to serve as the summary plan description for the Policy.

II. POLICY STATEMENT

This Policy applies only to executive employees in American Water salary grade levels 70 and above who are not otherwise covered by an agreement that provides for severance benefits in the event of a covered termination of employment. For purposes of this Policy, an employee who is eligible and is not covered by an agreement that provides for severance benefits, will be referred to as an "Eligible Executive."

Before an Eligible Executive receives any severance benefits provided for under this Policy, the Eligible Executive will be required to execute a Severance Agreement and General Release ("Release") waiving any claims against the Company and agreeing to appropriate restrictive covenants dealing with confidentiality, non-solicitation and non-competition. The Company shall have no obligation to an Eligible Executive under this Policy unless and until the Eligible Executive timely executes a Release and any applicable revocation period has expired without the Eligible Executive revoking such Release. If an Eligible Executive's employment is terminated by the Company for Cause, the Eligible Executive resigns their employment, or their employment is terminated due to retirement, death or disability, the Company would not be obligated to pay severance benefits under this Policy to the Eligible Executive.

No term or provision in this Policy confers upon an Eligible Executive any rights to continued employment by the Company or obligates the Company to employ an Eligible Executive for any specific period of time or interferes with or restricts an Eligible Executive's or the Company's right to terminate employment at any time for any reason and with or without notice.

A. Accrued Wages, Vacation and Expenses

Without regard to the reason for, or the timing of, an Eligible Executive's termination of employment: (i) the Company will pay the Eligible Executive any unpaid base salary due for periods prior to the Termination Date; (ii) the Company will pay the Eligible Executive all of their accrued and unused vacation through the Termination Date; and (iii) following submission of proper expense reports by the Eligible Executive, the Company will

reimburse them for all expenses reasonably and necessarily incurred by them (and which comply with all other policies of the Company) in connection with their employment with the Company prior to the Termination Date. These payments will be made promptly upon termination and within the period of time mandated by law.

B. Severance Benefits for Termination without Cause

In the event an Eligible Executive's employment with the Company is involuntarily terminated by the Company without Cause, then the Eligible Executive shall be entitled to the severance benefits provided below, should the Eligible Executive execute (and not revoke, if applicable) a Release:

(i) Severance Pay. Each Eligible Executive shall receive severance pay in an amount equal to the base salary that would have been paid to the Eligible Executive for a period of time defined below based on the Eligible Executive's annual base salary in effect as of the Termination Date ("Severance Pay"). For purposes of this Policy, the "Termination Date" shall refer to the effective date of an Eligible Executive's termination of employment with the Company, which shall be the last day the Eligible Executive is employed by the Company.

Payments made under this Policy shall be made in accordance with the Release, net of applicable taxes and other lawful deductions, commencing within 60 days following the Eligible Executive's Termination Date, unless further delay is required by law.

Severance Pay for Eligible Executives under this Policy is based on the following time periods:

<u>Salary Grade Level</u>	<u>Severance Period</u>
100	18 months
70 – 95	12 months

(ii) Annual Performance Plan (APP). Each Eligible Executive shall receive a pro rata APP award for the year in which the Termination Date occurs to the extent such payment is made under the terms of the applicable APP. APP eligibility terminates on the Termination Date, and therefore, no APP award shall be earned or accrued for any period of time after the Termination Date.

(iii) Equity Grants. The terms and conditions set forth in the terms of an Eligible Executive's award based upon shares of the common stock of Parent Company including the terms of the plan under which such award was granted, shall govern the impact, if any, of the Eligible Executive's termination of employment on such awards after the Eligible Executive's Termination Date.

(iv) Health, Dental and Vision Coverage. An Eligible Executive will receive Company-paid COBRA benefits consistent with the chart below as of the Termination Date.

<u>Salary Grade Level</u>	<u>Minimum Company paid COBRA benefits (less than 5 years of service)</u>	<u>At least 5 years of service, but less than 10 years of service</u>	<u>10 or more years of service</u>
70 – 100	8 weeks	12 weeks	16 weeks

At the end of the period of Company-paid COBRA benefits, COBRA coverage may be continued by the Eligible Executive at their own expense, for the remaining balance of the statutory coverage period.

If an Eligible Executive is otherwise eligible to retire at the time of termination, they may, if eligible for retiree healthcare, begin retiree healthcare at the appropriate contribution levels after the Company-paid COBRA period expires.

(v) Nonqualified Deferred Compensation Plans/Qualified Retirement Plans. An Eligible Executive shall be deemed to have accrued service as of their Termination Date equivalent to the Severance Pay time period defined in

Section B.(i) under any applicable nonqualified deferred compensation or defined benefit retirement plans in which they participated as of the Termination Date solely for purposes of determining whether the Eligible Executive is vested (e.g., 5 years of service), but not for any other purpose. Nothing in this Policy affects an Eligible Executive's rights under any of the Company's qualified defined benefit pension plans. The timing of payment of the Eligible Executive's benefit under all nonqualified and qualified plans in which they participated prior to the Termination Date shall be governed by the terms of such plan.

(vi) Life Insurance. An Eligible Executive's life insurance benefits will terminate on the Termination Date. Eligible Executives interested in porting or converting their Basic and/or Voluntary Life Insurance to an individual policy must follow the terms of the policy documents.

(vii) Employee Assistance Plan. For a period of six months, an Eligible Executive shall continue to be eligible to participate in the Employee Assistance Plan provided by the Company, subject to the same terms and conditions as are applicable to then current active employees of the Company during the Severance Period.

(viii) Perquisites. All executive perquisites shall terminate effective as of the Eligible Executive's Termination Date.

(ix) Outplacement Services. Each Eligible Executive shall be entitled to outplacement services through a designated provider arranged by the Company for a period ending on the earlier of (i) 12 months following the Termination Date or (ii) the date the Eligible Executive commences employment with another employer. All outplacement services provided by the Company shall be subject to terms and conditions determined at the sole discretion of the Company. No cash shall be paid in lieu of outplacement services.

C. Section 409A

(i) Notwithstanding anything to the contrary in this Policy, if an Eligible Executive is a "specified employee" within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended, or any successor law or provision ("Section 409A") at the time of the Eligible Executive's termination of employment, then the severance payable to the Eligible Executive, if any, pursuant to this Policy, when considered together with any other severance payments or separation benefits that are considered deferred compensation under Section 409A (together, the "Deferred Compensation Separation Benefits") that are payable within the first six months following the Eligible Executive's termination of employment, will become payable on the first payroll date that occurs on or after the date six months and one day following the date of the Eligible Executive's termination of employment. All subsequent Deferred Compensation Separation Benefits, if any, will be payable in accordance with the payment schedule applicable to each payment or benefit. Notwithstanding anything herein to the contrary, if the Eligible Executive dies following their termination but prior to the six-month anniversary of their termination, then any payments delayed in accordance with this paragraph will be payable in a lump sum as soon as administratively practicable to the Eligible Executive's estate after the date of the Eligible Executive's death and all other Deferred Compensation Separation Benefits will be payable in accordance with the payment schedule applicable to each payment or benefit. Each payment and benefit payable under this Policy is intended to constitute separate payments for purposes of Section 1.409A-2(b)(2) of the Treasury Regulations.

(ii) To the extent Section 409A applies, the Policy shall be interpreted to avoid the taxes and penalties imposed under Section 409A, and (1) each payment and benefit payable under this Policy is intended to constitute separate payments for purposes of Section 1.409A-2(b)(2) of the Treasury Regulations; (2) the term "termination of employment" shall mean the Eligible Executive's separation from service with the Company and its affiliates within the meaning of Section 409A; (3) all reimbursements and in-kind benefits provided under the Policy shall be made or provided in accordance with the requirements of Section 409A; (4) in no event may an Eligible Executive designate the year of payment for any amounts payable under the Policy; and (5) if the payments and benefits provided for under the Policy are subject to Section 409A, in no event shall the timing of an Eligible Executive's execution of the Release, directly or indirectly, result in the Eligible Executive designating the calendar year of payment, and if a payment that is subject to execution of the Release could be made in more than one taxable year, payment shall be made in the later taxable year.

(iii) This Policy is intended to satisfy the requirements of the "short-term deferral" exception, the "separation pay" exception, and any other applicable exception under Section 409A.

- (iv) Notwithstanding the foregoing, there is no guaranty or assurance as to the tax treatment of benefits and payments under the Policy.

III. RESPONSIBILITIES

This Policy supersedes and hereby voids in their entirety any prior severance policy covering Eligible Executives.

For an Eligible Executive who is Parent Company's CEO, CFO or COO, the independent members of the Board of Directors of Parent Company (the "Board") shall have complete authority, in their sole discretion (subject to the express provisions of this Policy and the recommendations of the Executive Development and Compensation Committee (the "Committee") of the Board), to interpret this Policy and to make any determinations necessary or advisable for the administration of this Policy. For all other Eligible Executives, the Committee shall have complete authority, in its sole discretion (subject to the express provisions of this Policy) to interpret this Policy and to make any determinations necessary or advisable for the administration of this Policy.

For purposes of this Policy, the determination of whether an Eligible Executive's employment was terminated for "Cause" shall be determined at the sole discretion of the Committee or the Board (as the case may be, as described above) and the decision thereof shall be final and binding. The interpretations, determinations, and decisions of the Committee and the Board in all matters relating to the Policy that are within the scope of their respective authorities will be final and binding on all parties.

The Committee and the Board may delegate certain administrative or ministerial matters under this Policy to one or more officers of the Company (or their designees) as determined in the Committee's or Board's discretion.

IV. DEFINITION OF CAUSE

For purposes of this Policy, the term "Cause" shall mean a finding by the Committee or the Board, as the case may be, that the Eligible Executive (i) has breached any employment, service, non-competition, non-solicitation or other agreement or contract with the Company, if any, and, if such breach can be cured by the Eligible Executive, the breach remains uncured after the Eligible Executive receives notice of such breach and is afforded a period of not less than 30 days to remedy the breach; (ii) has persistently refused or willfully failed to perform substantially their duties and responsibilities to the Company, which continues after the Eligible Executive receives notice of such refusal or failure and is afforded a period of not less than 30 days to remedy the refusal or failure; (iii) has engaged in conduct that constitutes disloyalty to the Company or that materially damages the property, business or reputation of the Company; (iv) has engaged in fraud, embezzlement, theft, material misappropriation with respect to the business or assets of the Company, or the proven commission of a felony; (v) has disclosed trade secrets or confidential information of the Company to persons not entitled to receive such information; (vi) has breached any written non-competition or non-solicitation agreement between the Eligible Executive and the Company; or (vii) has engaged in such other behavior detrimental to the interests of the Company as the Committee or the Board determines.

V. WAIVERS; MODIFICATIONS

Any deviation or waiver from or exception to this Policy requires the prior written approval of the Board upon recommendation of the Committee for an Eligible Executive who is the CEO, CFO or COO of Parent Company, or the Committee for all other Eligible Executives.

VI. CONTACT INFORMATION; MONITORING

The Senior Vice President, Chief Human Resources Officer and the VP, Compensation and Benefits are responsible for assuring compliance with this Policy.

VII. MISCELLANEOUS

- (i) Headings. The headings used in this document are for convenience of reference only and may not be given any weight in interpreting any provision of the Policy.

- (ii) **Severability.** If a court of competent jurisdiction determines that any term, provision, or portion of the Policy is void, illegal, or unenforceable, the other terms, provisions, and portions of the Policy will remain in full force and effect, and the terms, provisions, and portions that are determined to be void, illegal, or unenforceable will either be limited so that they will remain in effect to the extent permissible by law, or the court will substitute, to the extent enforceable, provisions similar thereto or other provisions, so as to provide to the Company, to the fullest extent permitted by applicable law, the benefits intended by the Policy.
- (iii) **Governing Law.** The Policy will be construed, administered, and regulated in accordance with the laws of the state of New Jersey (excluding any conflicts or choice of law rule or principle), except to the extent that those laws are preempted by federal law.
- (iv) **Complete Statement of Policy.** This document contains a complete statement of the Policy's terms. The Policy may be amended, suspended, or terminated only in writing and then only as provided in Section 1. An Eligible Executive's right to any benefit of a type provided under the Policy will be determined solely in accordance with the terms of the Policy. No other evidence, whether written or oral, will be taken into account in interpreting the provisions of the Policy. Notwithstanding the preceding provisions of this subsection, for purposes of determining benefits with respect to an Eligible Executive, the Policy will be deemed to include the provisions of any other written agreement between the Company and the Eligible Executive to the extent such other agreement explicitly provides for the incorporation of some or all of its terms into the Policy.
- (v) **Incapacity.** If the Plan Administrator determines that any Eligible Executive entitled to benefits under the Policy is unable to care for his or her affairs because of illness or accident, any payment due (unless a duly qualified guardian or other legal representative has been appointed) may be paid for the benefit of such Eligible Executive to his or her spouse, parent, brother, sister, or other party deemed by the Plan Administrator to have incurred expenses for such Eligible Executive.
- (vi) **Nonalienation.** None of the payments, benefits or rights of any Eligible Executive shall be subject to any claim of any creditor, and, in particular, to the fullest extent permitted by law, all such payments, benefits and rights shall be free from attachment, garnishment, trustee's process, or any other legal or equitable process available to any creditor of the Eligible Executive. No Eligible Executive shall have the right to alienate, anticipate, commute, pledge, encumber or assign any of the benefits or payments which the Eligible Executive may expect to receive, contingently or otherwise, under this Policy.

VIII. GENERAL INFORMATION

- **Plan Name:** American Water Works Company, Inc. Executive Severance Policy
- **Plan Number:** 506
- **Employer/Plan Sponsor:** American Water Works Company, Inc.
- **Employer Identification Number:** 51-0063696
- **Type of Plan:** Welfare benefit – severance pay plan
- **Plan Administrator:** The Executive Development and Compensation Committee of the Board of Directors of American Water Works Company, Inc., at 1 Water Street, Camden, NJ 08102.
- **Agent for Service of Legal Process:** The Plan Administrator, at the above address
- **Sources of Contributions:** The Policy is unfunded and all benefits are paid from the general assets of the Company.
- **Type of Administration:** The Policy is administered by the Plan Administrator
- **Plan Year:** Calendar year

IX. CLAIMS AND APPEALS PROCEDURES

A terminated Eligible Executive does not need to apply for Policy benefits. However, if the terminated Eligible Executive or his or her authorized representative or beneficiary (a "Claimant") wishes to file a claim for benefits, the claim must be in writing and filed with the Committee (or the Board, with respect to Eligible Executives in salary grade level 100). References to the Committee in the remainder of this Section shall be deemed to refer to the Board in the case of Eligible Executives in salary grade level 100.

Adverse Benefit Determinations

If the Committee denies a claim in whole or in part, the Committee will provide notice to the Claimant, in writing, within 90 days after the claim is filed, unless the Committee determines that an extension of time for processing is required. If the Committee determines that the extension is required, it shall furnish written notice of the extension to the Claimant before the end of the initial 90-day period. The extension shall not exceed a period of 90 days from the end of the initial 90-day period and the extension notice shall indicate the special circumstances requiring an extension of time and the date by which the Committee expects to render the benefit decision.

If the Committee denies the claim, it shall furnish a written notice of the denial that sets forth, in a manner calculated to be understood by the Claimant: (i) the specific reason or reasons for the denial; (ii) reference to the specific Severance Policy provisions on which the denial is based; (iii) a description of any additional material or information needed for the terminated employee to perfect the claim and an explanation as to why the information is needed; and (iv) an explanation of the Severance Policy's claims procedure and the time limits applicable to such procedures, including a statement of the Claimant's right to bring a civil action in Federal district court under section 502(a) of ERISA following an adverse benefit determination on appeal.

Appeal of Adverse Benefit Determinations

If the initial claim is denied, the Claimant may appeal a claim denial to the Committee for a full and fair review. Specifically, the Claimant may: (i) request a review upon written notice to the Committee within 60 days after receipt of a notice of the denial of a claim for benefits; (ii) submit written comments, documents, records, and other information relating to the claim for benefits; and (iii) examine the Policy and obtain, upon request and without charge, copies of all documents, records, and other information relevant to the Claimant's claim for benefits.

The Committee's review shall take into account all comments, documents, records, and other information submitted by the Claimant relating to the claim, without regard to whether such information was submitted or considered by the Committee in the initial benefit determination. A determination on the review by the Committee will be made no later than 60 days after receipt of a request for review, unless the Committee determines that an extension of time for processing is required. If the Committee determines that the extension is required, written notice of the extension shall be furnished to the Claimant prior to the termination of the initial 60-day period. The extension shall not exceed a period of 60 days from the end of the initial period and the extension notice shall indicate the special circumstances requiring an extension of time and the date on which the Committee expects to render the determination on review.

If the Committee denies the claim on appeal, it shall furnish a written determination that sets forth, in a manner calculated to be understood by the terminated employee: (i) the specific reason or reasons for the decision; (ii) reference to the specific Severance Policy provisions on which the decision is based; (iii) the terminated employee's right to receive, upon request and without charge, reasonable access to, and copies of, all documents, records and other information relevant to the claim for benefits; and (iv) a statement of the claimant's right to bring a civil action in Federal district court under section 502(a) of ERISA.

Claims and Limitations

Claims under the Policy must be brought within a reasonable period of time (but not more than 12 months) following the earliest of (1) the date of an employee's termination of employment or (2) the date the Committee first denied the employee's claim for Policy benefits. If a Claimant follows the entire claims procedure as described above and at the end of the process the claim is denied by the Committee, the Claimant may bring a civil action in Federal district court under Section 502(a) of ERISA. However, any such action must be filed within 180 days after the date of the Committee's final decision on the claim. Any

such legal action must be brought in a court of competent jurisdiction in the state of New Jersey. Any claim or action filed after the expiration of these periods will be time-barred.

No person may bring an action for any alleged wrongful denial of Policy benefits in a court of law unless the claims procedures set forth above are exhausted and a final determination is made by the Committee. If the terminated employee challenges a decision of the Committee in court, judicial review will be limited to the facts, evidence and issues presented to the Committee during the claims procedure set forth above. Issues not raised with the Committee will be deemed waived.

X. ERISA RIGHTS STATEMENT

As a participant in the Policy, you are entitled to certain rights and protections under ERISA. ERISA provides that all Policy participants shall be entitled to:

Receive Information about Your Plan and Benefits

- Examine, without charge, at the Committee's office and at other specified locations, such as worksites and union halls, all documents governing the plan, including insurance contracts and collective bargaining agreements, and a copy of the latest annual report (Form 5500 Series) filed by the plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration.
- Obtain, upon written request to the Committee, copies of documents governing the operation of the plan, including insurance contracts and collective bargaining agreements, and copies of the latest annual report (Form 5500 Series) and updated summary plan description. The Committee may make a reasonable charge for the copies.

Prudent Actions by Plan Fiduciaries

In addition to creating rights for plan participants, ERISA imposes duties upon the people who are responsible for the operation of the employee benefit plan. The people who operate your plan, called "fiduciaries" of the plan, have a duty to do so prudently and in the interest of you and other plan participants and beneficiaries. No one, including your employer, your union, or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a welfare benefit or exercising your rights under ERISA.

Enforce Your Rights

If your claim for a benefit is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request materials from the plan and do not receive them within thirty (30) days, you may file suit in federal court as described above. In such a case, the court may require the Committee to provide the materials and pay you up to one hundred ten dollars (\$110) a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the administrator. If you have a claim for benefits which is denied or ignored, in whole or in part, you may file suit in a state or federal court. If it should happen that the plan fiduciaries misuse the plan's money or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a federal court. The court will decide who should pay court costs and legal fees. If you are successful the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

Assistance with Your Questions

If you have any questions about your plan, you should contact the Committee. If you have any questions about this statement or about your rights under ERISA, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S.

Department of Labor, 200 Constitution Avenue NW, Washington, D.C. 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publication hotline of the Employee Benefits Security Administration.



Appendix – Summary of Policies & Practices Related to Executive Severance Policy

Policy	Related Practice
Change of Control Severance Policy	
Separation of Employment Policy	



POLICY DOCUMENT

Change of Control Severance Policy

Policy Number: POL-_____ **Effective Date:** 07/27/2021

Applicability: American Water Works Company, Inc. ("Parent Company") and its controlled subsidiaries (together "American Water" or the "Company")

Executive Sponsor: SVP, Chief Human Resources Officer

Document Approver: VP, Compensation & Benefits

Document Owner: Director, Compensation

I. PURPOSE

The purpose of this Change of Control Severance Policy (the "Policy") is to provide assurances of specified benefits to Eligible Executives of the Company whose employment is subject to being involuntarily terminated other than for death, disability, or Cause or voluntarily terminated for Good Reason in connection with a Change of Control as described in the Policy. The Policy is intended to: (a) assure that the Company will have the continued dedication and objectivity of its Eligible Executives, notwithstanding the possibility, threat or occurrence of a Change of Control and (b) provide Eligible Executives with an incentive to continue their employment and to maximize the value of the Company prior to and following a Change of Control for the benefit of the Company's stockholders. This Policy sets forth the severance benefits that will be provided to Eligible Executives of American Water in the event of a Change of Control. The Company specifically reserves its right to amend, modify or terminate this Policy in writing at any time (with or without notice) and at its sole discretion, by action of the Committee (as defined below) or its delegate. The Policy is intended to be an employee welfare benefit plan and severance pay plan for purposes of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). This document is also intended to serve as the summary plan description for the Policy.

II. POLICY STATEMENT

This Policy applies only to employees who (i) have been determined by the Board of Directors of Parent Company (the "Board") to be an "officer," as such term is defined in Rule 16a-1(f) promulgated under the Securities Exchange Act of 1934, as amended, as such rule may be in effect from time to time, with respect Parent Company, and (ii) are not otherwise covered by an agreement that provides for severance benefits in the event of a covered termination of employment. For purposes of this Policy, an employee who is eligible and is not covered by an agreement that provides for severance benefits, will be referred to as an "Eligible Executive."

Before an Eligible Executive receives any severance benefits provided for under this Policy, the Eligible Executive will be required to execute a Severance Agreement and General Release ("Release") waiving any claims against the Company and agreeing to appropriate restrictive covenants dealing with confidentiality, non-solicitation and non-competition. The Company shall have no obligation to an Eligible Executive under this Policy unless and until the Eligible Executive timely executes a Release and any applicable revocation period has expired without the Eligible Executive revoking such Release. If an Eligible Executive's employment is terminated by the Company for Cause, the Eligible Executive resigns their employment, or their employment is terminated due to retirement, death or disability, the Company would not be obligated to pay severance benefits under this Policy to the Eligible Executive.

No term or provision in this Policy confers upon an Eligible Executive any rights to continued employment by the Company or obligates the Company to employ an Eligible Executive for any specific period of time or interferes with or restricts an Eligible Executive's or the Company's right to terminate employment at any time for any reason and with or without notice.

A. Accrued Wages, Vacation and Expenses

Without regard to the reason for, or the timing of, an Eligible Executive's termination of employment: (i) the Company will pay the Eligible Executive any unpaid base salary due for periods prior to the Termination Date; (ii) the Company will pay the Eligible Executive all of their accrued and unused vacation through the Termination Date; and (iii) following submission of proper expense reports by the Eligible Executive, the Company will reimburse them for all expenses reasonably and necessarily incurred by them (and which comply with all other policies of the Company) in connection with their employment with the Company prior to the Termination Date. These payments will be made promptly upon termination and within the period mandated by law.

B. Severance Benefits for Termination without Cause or Resignation for Good Reason in Connection with a Change of Control

In the event the Eligible Executive's employment with the Company is involuntarily terminated by the Company without Cause or if the Eligible Executive resigns from employment for Good Reason, and such termination occurs within the period beginning on the date a Change of Control is consummated and ending 24 months after such date, then Eligible Executive shall be entitled to the severance benefits provided below.

(i) Severance Pay. An Eligible Executive shall receive severance pay, net of applicable taxes and other lawful deductions, which shall be paid to such Eligible Executive in accordance with the Release, either in regular equal payroll installments or as a lump sum commencing within 60 days following the Eligible Executive's Termination Date ("Severance Pay"), in an amount equal to:

- (a) For an Eligible Executive in level 100, an amount equal to 3 times the sum of (a) annual base salary at the Termination Date and (b) the greater of the Eligible Executive's last annual award under the APP or the average of the Eligible Executive's last three annual awards under the APP.
- (b) For Eligible Executives other than in level 100, an amount equal to 2 times the sum of (a) annual base salary at the Termination Date and (b) the greater of the Eligible Executive's last annual award under the APP or the average of the Eligible Executive's last three annual awards under the APP.

(ii) Equity Grants. The terms and conditions set forth in the terms of an Eligible Executive's award based upon shares of the common stock of Parent Company, including the terms of the plan under which such award was granted, shall govern the impact, if any, of the Eligible Executive's termination of employment in connection with a Change of Control on such awards after the Eligible Executive's Termination Date.

(iii) Health, Dental and Vision Coverage. An Eligible Executive will receive Company-paid COBRA benefits for the maximum statutory period; provided, however, that if the Eligible Executive becomes employed with another employer and receives such health and welfare benefits under such other employer's plan, the Company's health and welfare benefits will be secondary to those provided under such other plan.

(iv) Nonqualified Deferred Compensation Plan. An Eligible Executive's benefits shall be deemed to be fully vested under any applicable nonqualified deferred compensation plan. The timing of payment of the Eligible Executive's benefit under such nonqualified deferred compensation plan shall be governed by the terms of such plan.

(v) Life Insurance. An Eligible Executive's life insurance benefits will terminate on the Termination Date. Eligible Executives interested in porting or converting their Basic and/or Voluntary Life Insurance to an individual policy must follow the terms of the policy documents.

(vi) Employee Assistance Plan. For a period of six months, an Eligible Executive shall continue to be eligible to participate in the Employee Assistance Plan provided by Company, subject to the same terms and conditions as are applicable to then-current active employees of the Company during the Severance Period.

(vii) Perquisites. All executive perquisites shall terminate effective as of the Eligible Executive's Termination Date.

(viii) Outplacement Services. Each Eligible Executive shall be entitled to outplacement services through a designated provider arranged by the Company for a period ending on the earlier of (i) 12 months following the Termination Date or (ii) the date the Eligible Executive commences employment with another employer. All outplacement services provided by the Company shall be subject to terms and conditions determined at the sole discretion of the Company. No cash shall be paid in lieu of outplacement services.

C. Section 409A

(i) Notwithstanding anything to the contrary in this Policy, if an Eligible Executive is a "specified employee" within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended (the "IRC"), or any successor law or provision ("Section 409A"), at the time of the Eligible Executive's termination of employment, then the severance payable to the Eligible Executive, if any, pursuant to this Policy, when considered together with any other severance payments or separation benefits that are considered deferred compensation under Section 409A (together, the "Deferred Compensation Separation Benefits") that are payable within the first six months following the Eligible Executive's termination of employment, will become payable on the first payroll date that occurs on or after the date six months and one day following the date of the Eligible Executive's termination of employment. All subsequent Deferred Compensation Separation Benefits, if any, will be payable in accordance with the payment schedule applicable to each payment or benefit. Notwithstanding anything herein to the contrary, if the Eligible Executive dies following their termination but prior to the six-month anniversary of their termination, then any payments delayed in accordance with this paragraph will be payable in a lump sum as soon as administratively practicable to the Eligible Executive's estate after the date of the Eligible Executive's death and all other Deferred Compensation Separation Benefits will be payable in accordance with the payment schedule applicable to each payment or benefit. Each payment and benefit payable under this Policy is intended to constitute separate payments for purposes of Section 1.409A-2(b)(2) of the Treasury Regulations.

(ii) To the extent Section 409A applies, the Policy shall be interpreted to avoid the taxes and penalties imposed under Section 409A, and (1) each payment and benefit payable under this Policy is intended to constitute separate payments for purposes of Section 1.409A-2(b)(2) of the Treasury Regulations; (2) the term "termination of employment" shall mean the Eligible Executive's separation from service with the Company and its affiliates within the meaning of Section 409A; (3) all reimbursements and in-kind benefits provided under the Policy shall be made or provided in accordance with the requirements of Section 409A; (4) in no event may an Eligible Executive designate the year of payment for any amounts payable under the Policy; and (5) if the payments and benefits provided for under the Policy are subject to Section 409A, in no event shall the timing of an Eligible Executive's execution of the Release, directly or indirectly, result in the Eligible Executive designating the calendar year of payment, and if a payment that is subject to execution of the Release could be made in more than one taxable year, payment shall be made in the later taxable year.

(iii) This Policy is intended to satisfy the requirements of the "short-term deferral" exception, the "separation pay" exception, and any other applicable exception under Section 409A.

(iv) Notwithstanding the foregoing, there is no guaranty or assurance as to the tax treatment of benefits and payments under the Policy.

D. Section 280G

The Company will not gross up any payments under this Policy for excise taxes imposed by Section 4999 of the IRC.

Notwithstanding anything herein to the contrary, if any of the payments or benefits received or to be received by an Eligible Executive pursuant to this Policy (which will not include any portion of payments allocated to any non-solicitation or non-competition covenants or agreements classified as payments of reasonable compensation for purposes of Section 280G of the IRC), when taken together with payments and benefits provided to an Eligible Executive under any other plans, contracts, policies or arrangements with the Company (all such payments and

benefits, the "Total Payments"), will be subject to any excise tax imposed under Section 4999 of the IRC (together with any interest or penalties, the "Excise Tax"), then such Total Payments will be reduced to the extent necessary so that no portion thereof will be subject to the Excise Tax; provided, however, that if an Eligible Executive would receive in the aggregate greater value (as determined under Section 280G of the IRC and the regulations thereunder) on an after-tax basis and as if the Total Payments were not subject to such reduction, then no such reduction will be made. To effectuate the reduction described above, if applicable, the Company will first reduce or eliminate the payments and benefits provided under this Policy.

III. RESPONSIBILITIES

For an Eligible Executive who is Parent Company's CEO, CFO or COO, the independent members of the Board shall have complete authority, in their sole discretion (subject to the express provisions of this Policy and the recommendations of the Executive Development and Compensation Committee (the "Committee") of the Board), to interpret this Policy and to make any determinations necessary or advisable for the administration of this Policy. For all other Eligible Executives, the Committee shall have complete authority, in its sole discretion (subject to the express provisions of this Policy) to interpret this Policy and to make any determinations necessary or advisable for the administration of this Policy.

For purposes of this Policy, the determination of whether an Eligible Executive's employment was terminated for "Cause" shall be determined at the sole discretion of the Committee or the Board (as the case may be as described above) and the decision thereof shall be final and binding. The interpretations, determinations, and decisions of the Committee and the Board in all matters relating to the Policy that are within the scope of their respective authorities will be final and binding on all parties.

The Committee and the Board may delegate certain administrative or ministerial matters under this Policy to one or more officers of the Company (or their designees) as determined in the Committee's or Board's discretion.

IV. DEFINITIONS

Cause – a finding by the Committee or the Board as the case may be, that the Eligible Executive (i) has breached any employment, service, non-competition, non-solicitation or other agreement or contract with the Company, if any, and, if such breach can be cured by the Eligible Executive, the breach remains uncured after the Eligible Executive receives notice of such breach and is afforded a period of not less than 30 days to remedy the breach; (ii) has persistently refused or willfully failed to perform substantially their duties and responsibilities to the Company, which continues after the Eligible Executive receives notice of such refusal or failure and is afforded a period of not less than 30 days to remedy the refusal or failure; (iii) has engaged in conduct that constitutes disloyalty to the Company or that materially damages the property, business or reputation of the Company; (iv) has engaged in fraud, embezzlement, theft, material misappropriation with respect to the business or assets of the Company, or the proven commission of a felony; (v) has disclosed trade secrets or confidential information of the Company to persons not entitled to receive such information; (vi) has breached any written non-competition or non-solicitation agreement between the Eligible Executive and the Company; or (vii) has engaged in such other behavior detrimental to the interests of the Company as the Committee or the Board determines.

Change of Control – a change of control shall be deemed to have occurred if:

- (i) Any "person" (as such term is used in sections 13(d) and 14(d) of the Securities Exchange Act of 1934 ("Exchange Act")) becomes (x) during the 12-month period ending on the date of any acquisition of securities, a "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing more than 35% of the voting power of the then outstanding securities of the Company, or (y) a "beneficial owner," as defined in clause (x) above, of more than 50% of the voting power of the then outstanding securities of the Company;
- (ii) The consummation of (a) a merger or consolidation of the Company with another corporation where the stockholders of the Company, immediately prior to the merger or consolidation, will not beneficially own, immediately after the merger or consolidation, shares entitling such stockholders to more than 50% of all votes to which all shareholders of the surviving corporation would be entitled in the election of directors, or (b) a sale or other disposition of all or substantially all of the assets of the Company; or

- (iii) During any period of 12 consecutive months, directors are elected such that a majority of the members of the Board are individuals who shall not have been members of the Board of Directors at the beginning of such 12-month period, except (x) in the case of a director's death or (y) the election or nomination for election of each new director who was not a director at the beginning of such 12-month period where such election was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of such period.

Good Reason – means any of the following circumstances, provided that (a) the Eligible Executive provides written notification of such circumstances to the Company (or, if applicable, a Subsidiary) no later than 90 days from the original occurrence of such circumstances, (b) the Company (or the Subsidiary) fails to fully correct such circumstances within 30 days of receipt of such notification, and (c) the Eligible Executive terminates their employment with the Company within 12 months after the original occurrence of such circumstances:

- (i) a material diminution in the authority, duties or responsibilities of the Eligible Executive from those in effect immediately prior to a Change of Control;
- (ii) a material reduction in the Eligible Executive's base compensation as in effect immediately before the Change of Control;
- (iii) a material diminution in the authority, duties, or responsibilities of the supervisor to whom the Eligible Executive is required to report, from those in effect immediately prior to the Change of Control; or
- (iv) the Company's (or, if applicable, Subsidiary's) requiring the Eligible Executive to be based in any office or location more than 50 miles from that location at which they performed their services immediately prior to the Change of Control, except for travel reasonably required in the performance of the Eligible Executive's responsibilities.

V. WAIVERS; MODIFICATIONS

Any deviation or waiver from or exception to this Policy requires the prior written approval of the Board upon recommendation of the Committee for an Eligible Executive who is the CEO, CFO or COO of Parent Company, and the prior written approval of the Committee for all other Eligible Executives.

VI. CONTACT INFORMATION; MONITORING

The Senior Vice President, Chief Human Resources Officer and the VP, Compensation and Benefits are responsible for compliance with this Policy.

VII. MISCELLANEOUS

- (i) Headings. The headings used in this document are for convenience of reference only and may not be given any weight in interpreting any provision of the Policy.
- (ii) Severability. If a court of competent jurisdiction determines that any term, provision, or portion of the Policy is void, illegal, or unenforceable, the other terms, provisions, and portions of the Policy will remain in full force and effect, and the terms, provisions, and portions that are determined to be void, illegal, or unenforceable will either be limited so that they will remain in effect to the extent permissible by law, or the court will substitute, to the extent enforceable, provisions similar thereto or other provisions, so as to provide to the Company, to the fullest extent permitted by applicable law, the benefits intended by the Policy.
- (iii) Governing Law. The Policy will be construed, administered, and regulated in accordance with the laws of the state of New Jersey (excluding any conflicts or choice of law rule or principle), except to the extent that those laws are preempted by federal law.
- (iv) Complete Statement of Policy. This document contains a complete statement of the Policy's terms. The Policy may be amended, suspended, or terminated only in writing and then only as provided in Section 1. An Eligible Executive's right to any benefit of a type provided under the Policy will be determined solely in accordance with the terms of the Policy. No other evidence, whether written or oral, will be taken into account in interpreting

the provisions of the Policy. Notwithstanding the preceding provisions of this subsection, for purposes of determining benefits with respect to an Eligible Executive, the Policy will be deemed to include the provisions of any other written agreement between the Company and the Eligible Executive to the extent such other agreement explicitly provides for the incorporation of some or all of its terms into the Policy.

(v) **Incapacity.** If the Plan Administrator determines that any Eligible Executive entitled to benefits under the Policy is unable to care for his or her affairs because of illness or accident, any payment due (unless a duly qualified guardian or other legal representative has been appointed) may be paid for the benefit of such Eligible Executive to his or her spouse, parent, brother, sister, or other party deemed by the Plan Administrator to have incurred expenses for such Eligible Executive.

(vi) **Nonalienation.** None of the payments, benefits or rights of any Eligible Executive shall be subject to any claim of any creditor, and, in particular, to the fullest extent permitted by law, all such payments, benefits and rights shall be free from attachment, garnishment, trustee's process, or any other legal or equitable process available to any creditor of the Eligible Executive. No Eligible Executive shall have the right to alienate, anticipate, commute, pledge, encumber or assign any of the benefits or payments which the Eligible Executive may expect to receive, contingently or otherwise, under this Policy.

VIII. GENERAL INFORMATION

- **Plan Name:** American Water Works Company, Inc. Executive Severance Policy
- **Plan Number:**
- **Employer/Plan Sponsor:** American Water Works Company, Inc.
- **Employer Identification Number:** 51-0063696
- **Type of Plan:** Welfare benefit – severance pay plan
- **Plan Administrator:** The Executive Development and Compensation Committee of the Board of Directors of American Water Works Company, Inc., at 1 Water Street, Camden, NJ 08102
- **Agent for Service of Legal Process:** The Plan Administrator, at the above address
- **Sources of Contributions:** The Policy is unfunded and all benefits are paid from the general assets of the Company.
- **Type of Administration:** The Policy is administered by the Plan Administrator
- **Plan Year:** Calendar year

IX. CLAIMS AND APPEALS PROCEDURES

A terminated Eligible Executive does not need to apply for Policy benefits. However, if the terminated Eligible Executive or his or her authorized representative or beneficiary (a "Claimant") wishes to file a claim for benefits, the claim must be in writing and filed with the Committee (or the Board, with respect to Eligible Executives in salary grade level 100). References to the Committee in the remainder of this Section shall be deemed to refer to the Board in the case of Eligible Executives in salary grade level 100.

Adverse Benefit Determinations

If the Committee denies a claim in whole or in part, the Committee will provide notice to the Claimant, in writing, within 90 days after the claim is filed, unless the Committee determines that an extension of time for processing is required. If the Committee determines that the extension is required, it shall furnish written notice of the extension to the Claimant before the end of the initial 90-day period. The extension shall not exceed a period of 90 days from the end of the initial 90-day period and the extension notice shall indicate the special circumstances requiring an extension of time and the date by which the Committee expects to render the benefit decision.

If the Committee denies the claim, it shall furnish a written notice of the denial that sets forth, in a manner calculated to be understood by the Claimant: (i) the specific reason or reasons for the denial; (ii) reference to the specific Severance Policy provisions on which the denial is based; (iii) a description of any additional material or information needed for the terminated employee to perfect the claim and an explanation as to why the information is needed; and (iv) an explanation of the Severance Policy's claims procedure and the time limits applicable to such procedures, including a statement of the Claimant's right to bring a civil action in Federal district court under section 502(a) of ERISA following an adverse benefit determination on appeal.

Appeal of Adverse Benefit Determinations

If the initial claim is denied, the Claimant may appeal a claim denial to the Committee for a full and fair review. Specifically, the Claimant may: (i) request a review upon written notice to the Committee within 60 days after receipt of a notice of the denial of a claim for benefits; (ii) submit written comments, documents, records, and other information relating to the claim for benefits; and (iii) examine the Policy and obtain, upon request and without charge, copies of all documents, records, and other information relevant to the Claimant's claim for benefits.

The Committee's review shall take into account all comments, documents, records, and other information submitted by the Claimant relating to the claim, without regard to whether such information was submitted or considered by the Committee in the initial benefit determination. A determination on the review by the Committee will be made no later than 60 days after receipt of a request for review, unless the Committee determines that an extension of time for processing is required. If the Committee determines that the extension is required, written notice of the extension shall be furnished to the Claimant prior to the termination of the initial 60-day period. The extension shall not exceed a period of 60 days from the end of the initial period and the extension notice shall indicate the special circumstances requiring an extension of time and the date on which the Committee expects to render the determination on review.

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Claims under the Policy must be brought within a reasonable period of time (but not more than 12 months) following the earliest of (1) the date of an employee's termination of employment or (2) the date the Committee first denied the employee's claim for Policy benefits. If a Claimant follows the entire claims procedure as described above and at the end of the process the claim is denied by the Committee, the Claimant may bring a civil action in Federal district court under Section 502(a) of ERISA. However, any such action must be filed within 180 days after the date of the Committee's final decision on the claim. Any such legal action must be brought in a court of competent jurisdiction in the state of New Jersey. Any claim or action filed after the expiration of these periods will be time-barred.

No person may bring an action for any alleged wrongful denial of Policy benefits in a court of law unless the claims procedures set forth above are exhausted and a final determination is made by the Committee. If the terminated employee challenges a decision of the Committee in court, judicial review will be limited to the facts, evidence and issues presented to the Committee during the claims procedure set forth above. Issues not raised with the Committee will be deemed waived.

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As a participant in the Policy, you are entitled to certain rights and protections under ERISA. ERISA provides that all Policy participants shall be entitled to:

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- Examine, without charge, at the Committee's office and at other specified locations, such as worksites and union halls, all documents governing the plan, including insurance contracts and collective bargaining agreements, and a copy of the latest annual report (Form 5500 Series) filed by the plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration.
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Enforce Your Rights

If your claim for a benefit is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request materials from the plan and do not receive them within thirty (30) days, you may file suit in federal court as described above. In such a case, the court may require the Committee to provide the materials and pay you up to one hundred ten dollars (\$110) a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the administrator. If you have a claim for benefits which is denied or ignored, in whole or in part, you may file suit in a state or federal court. If it should happen that the plan fiduciaries misuse the plan's money or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a federal court. The court will decide who should pay court costs and legal fees. If you are successful the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

Assistance with Your Questions

If you have any questions about your plan, you should contact the Committee. If you have any questions about this statement or about your rights under ERISA, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue NW, Washington, D.C. 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publication hotline of the Employee Benefits Security Administration.



POLICY DOCUMENT

Appendix – Summary of Policies & Practices Related to Change of Control Severance Policy

Policy	Related Practice
Executive Severance Policy	

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

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

I, Walter J. Lynch, certify that:

1. I have reviewed this quarterly report on Form 10-Q of American Water Works Company, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the consolidated financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2021

By: /s/ WALTER J. LYNCH
Walter J. Lynch
President and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

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

I, M. Susan Hardwick, certify that:

1. I have reviewed this quarterly report on Form 10-Q of American Water Works Company, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the consolidated financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2021

By: /s/ M. SUSAN HARDWICK

M. Susan Hardwick

Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

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

In connection with the quarterly report of American Water Works Company, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Walter J. Lynch, President and Chief Executive Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ WALTER J. LYNCH
Walter J. Lynch
President and Chief Executive Officer
(Principal Executive Officer)
August 2, 2021

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

In connection with the quarterly report of American Water Works Company, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, M. Susan Hardwick, Executive Vice President and Chief Financial Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ M. SUSAN HARDWICK

M. Susan Hardwick

Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

August 2, 2021

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2023-00191
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 29**

Description of Filing Requirement:

Current Chart of Accounts

Response:

Please see attached.

For electronic version, refer to KAW_APP_EX29_063023.

Kentucky-American Water Company
Chart of Accounts

GL Account	GL Account Description	NARUC96	NARUC96 Account Description
10130100	UPIS - Organization	C3011	Organization
10130200	UPIS - Franchises	C3021	Franchises
10130320	UPIS - Land & Land Rights - Source of Supply	C3032	Land & Land Rights S
10130322	UPIS - Land & Land Rights - Source of Supply ROW	C3032	Land & Land Rights S
10130330	UPIS - Land & Land Rights - Pumping	C3032	Land & Land Rights S
10130332	UPIS - Land & Land Rights - Pumping ROW	C3032	Land & Land Rights S
10130340	UPIS - Land & Land Rights - Water Treatment	C3033	Land & Land Rights W
10130342	UPIS - Land & Land Rights - Water Treatment ROW	C3033	Land & Land Rights W
10130350	UPIS - Land & Land Rights - Transmission & Distrib	C3034	Land & Land Rights T
10130352	UPIS - Land & Land Rights - T&D ROW	C3034	Land & Land Rights T
10130360	UPIS - Land & Land Rights - Admin & General	C3035	Land & Land Rights A
10130362	UPIS - Land & Land Rights - Admin & General ROW	C3035	Land & Land Rights A
10130410	UPIS - Struct & Imp - Source of Supply	C3042	Struct & Improve SS
10130420	UPIS - Struct & Imp - Pumping	C3042	Struct & Improve SS
10130430	UPIS - Struct & Imp - Water Treatment	C3043	Struct & Improve WT
10130440	UPIS - Struct & Imp - Transmission & Distribution	C3044	Struct & Improve TD
10130450	UPIS - Struct & Imp - Admin & General	C3045	Struct & Improve AG
10130500	UPIS - Collect & Impounding	C3052	Collecting & Impound
10130600	UPIS - Lake & River & Other	C3062	Lake, River & Other
10130700	UPIS - Wells & Springs	C3072	Wells & Springs
10130800	UPIS - Infiltration Galleries	C3082	Infiltration Galleri
10130900	UPIS - Supply Mains	C3092	Supply Mains
10131000	UPIS - Power Generation Equipment	C3102	Power Generation Equ
10131020	UPIS - Boiler Plant Equipment	C3112	Pumping Equipment SS
10131110	UPIS - Pumping Equipment - Steam	C3112	Pumping Equipment SS
10131120	UPIS - Pumping Equipment - Electric	C3112	Pumping Equipment SS
10131130	UPIS - Pumping Equipment - Diesel	C3112	Pumping Equipment SS
10131140	UPIS - Pumping Equipment - Hydraulic	C3112	Pumping Equipment SS
10131150	UPIS - Pumping Equipment - Other	C3112	Pumping Equipment SS
10131152	UPIS - Pumping Equipment - Source of Supply	C3112	Pumping Equipment SS
10131153	UPIS - Pumping Equipment - Water Treatment	C3113	Pumping Equipment WT
10131154	UPIS - Pumping Equipment - Transmission & Distrib	C3114	Pumping Equipment TD
10132010	UPIS - Water Treatment Equipment	C3203	Water Treatment Equi
10133000	UPIS - Distribution Reservoirs & Standpipes	C3304	Dist Reservoirs & St
10133100	UPIS - Transmission & Distribution Mains	C3314	TD Mains
10133200	UPIS - Fire Mains	C3314	TD Mains
10133300	UPIS - Services	C3334	Services
10133410	UPIS - Meters	C3344	Meters & Meter Insta
10133420	UPIS - Meter Installations	C3344	Meters & Meter Insta
10133500	UPIS - Hydrants	C3354	Hydrants
10133600	UPIS - Backflow Prevention	C3364	Backflow Prevention
10133910	UPIS - Other P/E - Intangible	C3391	Other Plant & Equip
10133920	UPIS - Other P/E - Source of Supply	C3392	Other Plant & Equip
10133930	UPIS - Other P/E - Water Treatment	C3393	Other Plant & Equip
10133950	UPIS - Other P/E - Transmission & Distribution	C3394	Other Plant & Equip
10134010	UPIS - Office Furniture & Equipment	C3405	Office Furniture & E
10134100	UPIS - Transportation Equipment	C3415	Transportation Equip
10134200	UPIS - Stores Equipment	C3425	Stores Equipment
10134300	UPIS - Tools-Shop-Garage Equipment	C3435	Tools, Shop, Garage
10134400	UPIS - Laboratory Equipment	C3445	Laboratory Equipment
10134500	UPIS - Power Operated Equipment	C3455	Power Operated Equip
10134600	UPIS - Communication Equipment	C3465	Communication Equip
10134700	UPIS - Misc Equipment	C3475	Miscellaneous Equip
10134800	UPIS - Other Tangible Property	C3485	Other Tangible Plant
10135100	UPIS - WW Organization	C3511	WW Organization
10135200	UPIS - WW Franchises	C3521	WW Franchises
10135220	UPIS - WW Other Intangible	C3521	WW Franchises
10135320	UPIS - WW Land & Land Rights - Coll	C3532	WW Land & Ld Rights
10135322	UPIS - Land & Land Rights - Coll ROW	C3532	WW Land & Ld Rights
10135330	UPIS - WW Land & Land Rights - SPP	C3533	WW Land & Ld Rights

10135332	UPIS - Land & Land Rights - Pumping ROW	C3533	WW Land & Ld Rights
10135340	UPIS - WW Land & Land Rights - TDP	C3534	WW Land & Ld Rights
10135342	UPIS - Land & Land Rights - TDP ROW	C3534	WW Land & Ld Rights
10135350	UPIS - WW Land & Land Rights - General	C3537	WW Land & Ld Rights
10135352	UPIS - Land & Land Rights - General ROW	C3537	WW Land & Ld Rights
10135420	UPIS - WW Struct & Imp - Coll	C3542	WW Struct & Imp Coll
10135430	UPIS - WW Struct & Imp - SPP	C3543	WW Struct & Imp SPP
10135440	UPIS - WW Struct & Imp - TDP	C3544	WW Struct & Imp TDP
10135450	UPIS - WW Struct & Imp - General	C3547	WW Struct & Imp Gen
10135520	UPIS - WW Pwr Gen Equipment - Col	C3552	WW Pwr Gen Equip Col
10135530	UPIS - WW Pwr Gen Equipment - SPP	C3553	WW Pwr Gen Equip SPP
10135540	UPIS - WW Pwr Gen Equipment - TDP	C3554	WW Pwr Gen Equip TDP
10135550	UPIS - WW Pwr Gen Equipment - RWT	C3555	WW Pwr Gen Equip RWT
10135560	UPIS - WW Pwr Gen Equipment - RWD	C3556	WW Pwr Gen Equip RWD
10136000	UPIS - WW Collection Sewers	C3602	WW Collection Sewers
10136110	UPIS - WW Collecting Mains	C3612	WW Collection Sewers
10136200	UPIS - WW Special Coll Struct	C3622	WW Special Coll Stru
10136300	UPIS - WW Services Sewer	C3632	WW Services Sewer
10136400	UPIS - WW Flow Measuring Device	C3642	WW Flow Measuring De
10136500	UPIS - WW Flow Measuring Install	C3652	WW Flow Measuring In
10137000	UPIS - WW Receiving Wells	C3703	WW Receiving Wells
10137110	UPIS - WW Pump Equipment - Elect	C3713	WW Pumping Equipment
10137120	UPIS - WW Pump Equipment - Oth Pwr	C3713	WW Pumping Equipment
10138000	UPIS - WW - Transmission & D244Distribution Equip	C3804	WW TD Equipment
10138100	UPIS - WW Plant Sewers	C3814	WW Plant Sewers
10138200	UPIS - WW Outfall Sewer Line	C3824	WW Outfall Sewer Lin
10138910	UPIS - WW Oth Plant & Misc Equipment	C3891	WW Oth Plt&Misc Eq I
10138920	UPIS - WW Oth Plant & Misc Equipment - Coll	C3892	WW Oth Plt&Misc Eq C
10138930	UPIS - WW Oth Plant & Misc Equipment - SPP	C3893	WW Oth Plt&Misc Eq S
10138940	UPIS - WW Oth Plant & Misc Equipment - TDP	C3894	WW Oth Plt&Misc Eq T
10139000	UPIS - WW Office Furniture	C3907	WW Office Furniture
10139100	UPIS - WW Transportation Equipment	C3917	WW Transportation Eq
10139200	UPIS - WW Stores Equipment	C3927	WW Stores Equip
10139300	UPIS - WW Tool Shop & Garage	C3937	WW Tools,Shop,Garage
10139400	UPIS - WW Laboratory Equipment	C3947	WW Laboratory Equipm
10139500	UPIS - WW Power Operated Equipment	C3957	WW Power Operated Eq
10139600	UPIS - WW Communication Equipment	C3967	WW Communications Eq
10139700	UPIS - WW Misc Equipment	C3977	WW Misc Equipment
10139800	UPIS - WW Other Tangible Pl	C3987	WW Other Tangible Pr
10190000	Reg Asset-AFUDC-Debt	C101	UP In Service
10230100	Leased - Organization	C3011	Organization
10230320	Leased - Land & Land Rights - Source of Supply	C3032	Land & Land Rights S
10230330	Leased - Land & Land Rights - Pumping	C3032	Land & Land Rights S
10230340	Leased - Land & Land Rights - Water Treatment	C3033	Land & Land Rights W
10230350	Leased - Land & Land Rights - Transmission & Distr	C3034	Land & Land Rights T
10230360	Leased - Land & Land Rights - Admin & General	C3035	Land & Land Rights A
10230410	Leased - Struct & Imp - Source of Supply	C3042	Struct & Improve SS
10230420	Leased - Struct & Imp - Pumping	C3042	Struct & Improve SS
10230430	Leased - Struct & Imp - Water Treatment	C3043	Struct & Improve WT
10230440	Leased - Struct & Imp - Transmission & Distrib	C3044	Struct & Improve TD
10230450	Leased - Struct & Imp - Admin & General	C3045	Struct & Improve AG
10230500	Leased - Collect & Impounding	C3052	Collecting & Impound
10230600	Leased - Lake - River & Other	C3062	Lake, River & Other
10230900	Leased - Supply Mains	C3092	Supply Mains
10231000	Leased - Power Generation Equipment	C3102	Power Generation Equ
10231120	Leased - Pump Equipment Electric	C3112	Pumping Equipment SS
10232010	Leased - WT Equipment	C3203	Water Treatment Equi
10233000	Leased - Distribution Reservoirs & Standpipes	C3304	Dist Reservoirs & St
10233100	Leased - TD Mains	C3314	TD Mains
10233300	Leased - Services	C3334	Services
10233410	Leased - Meters	C3344	Meters & Meter Insta
10233420	Leased - Meter Installations	C3344	Meters & Meter Insta
10233500	Leased - Hydrants	C3354	Hydrants
10233950	Leased - Other P/E - Transmission & Distribution	C3394	Other Plant & Equip
10234010	Leased - Office Furniture & Equipment	C3405	Office Furniture & E

10234100	Leased - Transportation Equipment	C3415	Transportation Equip
10234200	Leased - Stores Equipment	C3425	Stores Equipment
10234300	Leased - Tools-Shop-Garage Equipment	C3435	Tools, Shop, Garage
10234400	Leased - Laboratory Equipment	C3445	Laboratory Equipment
10234500	Leased - Power Operated Equipment	C3455	Power Operated Equip
10234600	Leased - Comm Equipment Not Class	C3465	Communication Equip
10234700	Leased - Misc Equipment	C3475	Miscellaneous Equip
10300000	Property Held Future	C103	Prop Held for Future
10400000	Utility Plant Purchased or Sold	C104	UP Purchased or Sold
10630100	CCNC Organization	C3011	Organization
10630200	CCNC Franchises	C3021	Franchises
10630320	CCNC Land & Land Rights - Source of Supply	C3032	Land & Land Rights S
10630322	CCNC Land & Land Rights - Source of Supply ROW	C3032	Land & Land Rights S
10630330	CCNC Land & Land Rights - Pumping	C3032	Land & Land Rights S
10630332	CCNC Land & Land Rights - Pumping ROW	C3032	Land & Land Rights S
10630340	CCNC Land & Land Rights - Water Treatment	C3033	Land & Land Rights W
10630342	CCNC Land & Land Rights - Water Treatment ROW	C3033	Land & Land Rights W
10630350	CCNC Land & Land Rights - Transmssn & Distr	C3034	Land & Land Rights T
10630352	CCNC Land & Land Rights - T&D ROW	C3034	Land & Land Rights T
10630360	CCNC Land & Land Rights - Adm & Gen	C3035	Land & Land Rights A
10630362	CCNC Land & Land Rights - Admin & General ROW	C3035	Land & Land Rights A
10630410	CCNC Struct & Imp - Source of Supply	C3042	Struct & Improve SS
10630420	CCNC Struct & Imp - Pumping	C3042	Struct & Improve SS
10630430	CCNC Struct & Imp - Water Treatment	C3043	Struct & Improve WT
10630440	CCNC Struct & Imp - Transmission & Distribution	C3044	Struct & Improve TD
10630450	CCNC Struct & Imp - Admin & General	C3045	Struct & Improve AG
10630500	CCNC Collect & Impounding	C3052	Collecting & Impound
10630600	CCNC Lake - River & Other	C3062	Lake, River & Other
10630700	CCNC Wells & Springs	C3072	Wells & Springs
10630800	CCNC Infiltration Galleries	C3082	Infiltration Galleri
10630900	CCNC Supply Mains	C3092	Supply Mains
10631000	CCNC Power Generation Equipment	C3102	Power Generation Equ
10631020	CCNC Boiler Plant Equipment	C3112	Pumping Equipment SS
10631110	CCNC Pumping Equipment - Steam	C3112	Pumping Equipment SS
10631120	CCNC Pumping Equipment - Electric	C3112	Pumping Equipment SS
10631130	CCNC Pumping Equipment - Diesel	C3112	Pumping Equipment SS
10631140	CCNC Pumping Equipment - Hydraulic	C3112	Pumping Equipment SS
10631150	CCNC Pumping Equipment - Other	C3112	Pumping Equipment SS
10631152	CCNC Pumping Equipment - Source of Supply	C3112	Pumping Equipment SS
10631153	CCNC Pumping Equipment - Water Treatment	C3113	Pumping Equipment WT
10631154	CCNC Pumping Equipment - Transmssn & Distr	C3114	Pumping Equipment TD
10632010	CCNC - Water Treatment Equipment - Non-Media	C3203	Water Treatment Equi
10633000	CCNC - Distribution Reservoirs & Standpipes	C3304	Dist Reservoirs & St
10633100	CCNC - Transmssn & Distr Mains Not Classified	C3314	TD Mains
10633200	CCNC Fire Mains	C3314	TD Mains
10633300	CCNC Services	C3334	Services
10633410	CCNC Meters	C3344	Meters & Meter Insta
10633420	CCNC Meter Installations	C3344	Meters & Meter Insta
10633500	CCNC Hydrants	C3354	Hydrants
10633600	CCNC Backflow Prevention	C3364	Backflow Prevention
10633910	CCNC Other P/E Intangible	C3391	Other Plant & Equip
10633920	CCNC Other P/E - Source of Supply	C3392	Other Plant & Equip
10633930	CCNC Other P/E - Water Treatment	C3393	Other Plant & Equip
10633950	CCNC Other P/E - Transmission & Distribution	C3394	Other Plant & Equip
10634010	CCNC Office Furniture & Equipment	C3405	Office Furniture & E
10634100	CCNC Transportation Equipment Not Classified	C3415	Transportation Equip
10634200	CCNC Stores Equipment	C3425	Stores Equipment
10634300	CCNC Tools-Shop-Garage Equipment	C3435	Tools, Shop, Garage
10634400	CCNC Laboratory Equipment	C3445	Laboratory Equipment
10634500	CCNC Power Operated Equipment	C3455	Power Operated Equip
10634600	CCNC Communication Equipment	C3465	Communication Equip
10634700	CCNC Misc Equipment	C3475	Miscellaneous Equip
10634800	CCNC Other Tangible Property	C3485	Other Tangible Plant
10635320	CCNC WW Land & Land Rights - Coll	C3532	WW Land & Ld Rights
10635322	CCNC Land & Land Rights - Coll ROW	C3532	WW Land & Ld Rights

10635330	CCNC WW Land & Land Rights - SPP	C3533	WW Land & Ld Rights
10635332	CCNC Land & Land Rights - Pumping ROW	C3533	WW Land & Ld Rights
10635340	CCNC WW Land & Land Rights - TDP	C3534	WW Land & Ld Rights
10635342	CCNC Land & Land Rights - TDP ROW	C3534	WW Land & Ld Rights
10635350	CCNC WW Land & Land Rights - Gen	C3537	WW Land & Ld Rights
10635352	CCNC Land & Land Rights - General ROW	C3537	WW Land & Ld Rights
10635420	CCNC WW Struct & Imp - Coll	C3542	WW Struct & Imp Coll
10635430	CCNC WW Struct & Imp - SPP	C3543	WW Struct & Imp SPP
10635440	CCNC WW Struct & Imp - TDP	C3544	WW Struct & Imp TDP
10635450	CCNC WW Struct & Imp - Gen	C3547	WW Struct & Imp Gen
10635520	CCNC WW Power Gen Equipment - Col	C3552	WW Pwr Gen Equip Col
10635530	CCNC WW Power Gen Equipment - SPP	C3553	WW Pwr Gen Equip SPP
10635540	CCNC WW Power Gen Equipment - TDP	C3554	WW Pwr Gen Equip TDP
10635550	CCNC WW Power Gen Equipment - RWT	C3555	WW Pwr Gen Equip RWT
10635560	CCNC WW Power Gen Equipment - RWD	C3556	WW Pwr Gen Equip RWD
10636000	CCNC WW Collection Sewers	C3602	WW Collection Sewers
10636110	CCNC WW Collecting Mains	C3612	WW Collection Sewers
10636200	CCNC WW Special Coll Stru	C3622	WW Special Coll Stru
10636300	CCNC WW Services Sewer	C3632	WW Services Sewer
10636400	CCNC WW Flow Measuring De	C3642	WW Flow Measuring De
10636500	CCNC WW Flow Measuring In	C3652	WW Flow Measuring In
10637000	CCNC WW Receiving Wells	C3703	WW Receiving Wells
10637110	CCNC WW Pump Equipment - Elect	C3713	WW Pumping Equipment
10637120	CCNC WW Pump Equipment - Oth Pwr	C3713	WW Pumping Equipment
10638000	CCNC WW TD Equipment	C3804	WW TD Equipment
10638100	CCNC WW Plant Sewers	C3814	WW Plant Sewers
10638200	CCNC WW Outfall Sewer Line	C3824	WW Outfall Sewer Lin
10638910	CCNC WW Oth Plant & Misc Equipment	C3891	WW Oth Plt&Misc Eq I
10638920	CCNC WW Oth Plant & Misc Eq - Coll	C3892	WW Oth Plt&Misc Eq C
10638930	CCNC WW Oth Plant & Misc Eq - SPP	C3893	WW Oth Plt&Misc Eq S
10638940	CCNC WW Oth Plant & Misc Eq - TDP	C3894	WW Oth Plt&Misc Eq T
10639000	CCNC WW Office Furniture	C3907	WW Office Furniture
10639100	CCNC WW Transportation Equipment	C3917	WW Transportation Eq
10639200	CCNC WW Stores Equipment	C3927	WW Stores Equip
10639300	CCNC WW Tool Shop & Garage Equip	C3937	WW Tools,Shop,Garage
10639400	CCNC WW Laboratory Equipment	C3947	WW Laboratory Equipm
10639500	CCNC WW Power Operated Equip	C3957	WW Power Operated Eq
10639600	CCNC WW Communication Equip	C3967	WW Communications Eq
10639700	CCNC WW Misc Equipment	C3977	WW Misc Equipment
10639800	CCNC WW Other Tangible Pl	C3987	WW Other Tangible Pr
10700000	CWIP	C105	CWIP
10780000	CWIP - Workbasket Accrual	C105	CWIP
10780100	CWIP - Backhoe Clearing	C105	CWIP
10780110	CWIP - Eng Clearing Dist Overhead	C105	CWIP
10780120	CWIP - Eng Clearing Eng Overhead	C105	CWIP
10780130	CWIP - Management Study - AMR	C105	CWIP
10780140	CWIP - Management Study - Pipe	C105	CWIP
10780150	CWIP - Interdistrict Clearing	C105	CWIP
10780160	CWIP - Suspended CWIP Reserve	C105	CWIP
10780170	CWIP-T&I Indirect OH Clearing	C105	CWIP
10790000	CWIP - Capital Settlement Clearing	C105	CWIP
10801000	Accum Depreciation - Utility Plant in Service	C1081	Accu Depr-UP in Serv
10802000	Accum Depreciation - Salvage/Scrap	C1081	Accu Depr-UP in Serv
10803000	Accum Depreciation - Asset Sale	C1081	Accu Depr-UP in Serv
10804000	Accum Depreciation - Original Cost	C1081	Accu Depr-UP in Serv
10810000	Accum Depreciation - Reg Asset	C1081	Accu Depr-UP in Serv
10820000	Accum Depreciation - Utility Plant Leased to Othrs	C1082	Accu Depr-UP Leased
10830000	Accum Depreciation - Property Held for Future Use	C1083	Accu Depr-Future Use
10840000	Accum Amortization - Utility Plant in Service	C1101	Accu Amort-UP in Ser
10850000	Accum Amortization - Utility Plant Capital Lease	C1101	Accu Amort-UP in Ser
10860000	Accum Depreciation - Regulatory Acquisition Adjs	C1101	Accu Amort-UP in Ser
11410000	UPAA - Above The Line	C114	UPAA
11415000	UPAA - Above The Line - Accum Amortization	C115	Accu Amort-UPAA
11420000	UPAA - Above The Line Depreciation	C114	UPAA
11425000	UPAA - Above The Line Depr - Accum Depreciation	C115	Accu Amort-UPAA

11430000	UPAA - Neg Post 1/1/06	C114	UPAA
11435000	UPAA - Neg Post 1/1/06 - Accum Amortization	C115	Accu Amort-UPAA
11441000	Regulatory Acquisition Adjustment - Water	C114	UPAA
11442000	Regulatory Acquisition Adjustment - Waste Water	C114	UPAA
12110000	Non-Utility Property - Land	C121	Nonutility Property
12120000	Non-Utility Property - Buildings	C121	Nonutility Property
12130003	Non-Utility Property - Capital Lease 3yr	C121	Nonutility Property
12130004	Non-Utility Property - Capital Lease 4yr	C121	Nonutility Property
12130005	Non-Utility Property - Capital Lease 5yr	C121	Nonutility Property
12130007	Non-Utility Property - Capital Lease 7yr	C121	Nonutility Property
12130010	Non-Utility Property - Capital Lease 10yr	C121	Nonutility Property
12130015	Non-Utility Property - Capital Lease 15yr	C121	Nonutility Property
12140000	Non-Utility Property - Leasehold Improvement	C121	Nonutility Property
12150000	Non-Utility Property - Other 10 Yr	C121	Nonutility Property
12150010	Non-Utility Property - Other 5yr	C121	Nonutility Property
12150020	Non-Utility Property - Other 7yr	C121	Nonutility Property
12150030	Non-Utility Property - Other 4 Yr	C121	Nonutility Property
12150040	Non-Utility Property - Other Hardware	C121	Nonutility Property
12150050	Non-Utility Property - Other Software	C121	Nonutility Property
12150080	Non-Utility Property - Other Enterprise	C121	Nonutility Property
12180000	Non-Utility Property - CWIP	C121	Nonutility Property
12200000	Non-Utility Property - Accum Depreciation	C122	Accu Depr/Amort NUP
12210000	Non-Utility Property - Accum Amortization Cap Lse	C122	Accu Depr/Amort NUP
12310000	Goodwill	C123	Investment in Assoc
12320000	Goodwill - Post 1/1/06 UPAA	C114	UPAA
12400000	Investments - Outside	C125	Other Investments
12401000	Investment in Joint Venture	C125	Other Investments
12401100	Investment in Group Share Joint Venture	C125	Other Investments
12410000	Investment in Assoc Co's	C123	Investment in Assoc
12420000	Investment in Assoc Co's Preferred Stock	C123	Investment in Assoc
12510000	Intangibles - Finite Life	C123	Investment in Assoc
12515000	Intangibles - Finite Life - Accum Amort	C123	Investment in Assoc
13112000	PNC AWK - Main	C1312	Cash in Bank
13112001	PNC AWK - Outbound Wire	C1312	Cash in Bank
13112002	PNC AWK - Outbound ACH	C1312	Cash in Bank
13112003	PNC AWK - Outbound Check	C1312	Cash in Bank
13112004	PNC AWK - Inbound Wires & ACH	C1312	Cash in Bank
13112017	PNC AWK - Misc Debits/Credits	C1312	Cash in Bank
13112100	PNC AWR - Main	C1312	Cash in Bank
13112101	PNC AWR - Outbound Wire	C1312	Cash in Bank
13112102	PNC AWR - Outbound ACH	C1312	Cash in Bank
13112103	PNC AWR - Outbound Check	C1312	Cash in Bank
13112104	PNC AWR - Inbound Wires & ACH	C1312	Cash in Bank
13112116	PNC AWR - NSF Return Payments	C1312	Cash in Bank
13112117	PNC AWR - Misc Debits/Credits	C1312	Cash in Bank
13112400	PNC Pennvest - Main	C1312	Cash in Bank
13112401	PNC Pennvest - Outbound Wire	C1312	Cash in Bank
13112402	PNC Pennvest - Outbound ACH	C1312	Cash in Bank
13112404	PNC Pennvest - Inbound Wires & ACH	C1312	Cash in Bank
13112417	PNC Pennvest - Misc Debits/Credits	C1312	Cash in Bank
13112500	PNC Investment IL - Main	C1312	Cash in Bank
13112501	PNC Investment IL - Outbound Wire	C1312	Cash in Bank
13112502	PNC Investment IL - Outbound ACH	C1312	Cash in Bank
13112504	PNC Investment IL - Inbound Wires & ACH	C1312	Cash in Bank
13112517	PNC Investment IL - Misc Debits/Credits	C1312	Cash in Bank
13112700	PNC VA - Main	C1312	Cash in Bank
13112701	PNC VA - Main - Outbound Wire	C1312	Cash in Bank
13112702	PNC VA - Main - Outbound ACH	C1312	Cash in Bank
13112717	PNC VA - Main - Misc Debits/Credits	C1312	Cash in Bank
13112800	PNC WV Green Metering - Main	C1312	Cash in Bank
13112801	PNC WV Green Metering - Outbound Wire	C1312	Cash in Bank
13112802	PNC WV Green Metering - Outbound ACH	C1312	Cash in Bank
13112804	PNC WV Green Metering - Inbound Wires & ACH	C1312	Cash in Bank
13112817	PNC WV Green Metering - Misc Debits/Credits	C1312	Cash in Bank
13115100	PNC ETown Corporate - Main	C1312	Cash in Bank

13115101	PNC ETown Corporate - Outbound Wire	C1312	Cash in Bank
13115102	PNC ETown Corporate - Outbound ACH	C1312	Cash in Bank
13115103	PNC ETown Corporate - Outbound Check	C1312	Cash in Bank
13115104	PNC ETown Corporate - Inbound Wires & ACH	C1312	Cash in Bank
13115116	PNC ETown Corporate - NSF Return Payments	C1312	Cash in Bank
13115117	PNC ETown Corporate - Misc Debits/Credits	C1312	Cash in Bank
13115700	PNC ETown Properties - Main	C1312	Cash in Bank
13115701	PNC ETown Properties - Outbound Wire	C1312	Cash in Bank
13115702	PNC ETown Properties - Outbound ACH	C1312	Cash in Bank
13115703	PNC ETown Properties - Outbound Check	C1312	Cash in Bank
13115704	PNC ETown Properties - Inbound Wires & ACH	C1312	Cash in Bank
13115716	PNC ETown Properties - NSF Return Payments	C1312	Cash in Bank
13115717	PNC ETown Properties - Misc Debits/Credits	C1312	Cash in Bank
13118000	PNC Laurel Oak Properties - Main	C1312	Cash in Bank
13118001	PNC Laurel Oak Properties - Outbound Wire	C1312	Cash in Bank
13118002	PNC Laurel Oak Properties - Outbound ACH	C1312	Cash in Bank
13118003	PNC Laurel Oak Properties - Outbound Check	C1312	Cash in Bank
13118004	PNC Laurel Oak Properties - Inbound Wires & ACH	C1312	Cash in Bank
13118016	PNC Laurel Oak Properties - NSF Return Payments	C1312	Cash in Bank
13118017	PNC Laurel Oak Properties - Misc Debits/Credits	C1312	Cash in Bank
13118500	PNC ACUS Corp/Ashbrook - Main (Closed early 2012)	C1312	Cash in Bank
13119000	PNC Thames Water Holding Inc - Main	C1312	Cash in Bank
13119001	PNC Thames Water Holding Inc - Outbound Wire	C1312	Cash in Bank
13119002	PNC Thames Water Holding Inc - Outbound ACH	C1312	Cash in Bank
13119003	PNC Thames Water Holding Inc - Outbound Check	C1312	Cash in Bank
13119004	PNC Thames Water Holding Inc - Inbound Wires & ACH	C1312	Cash in Bank
13119016	PNC Thames Water Holding Inc - NSF Return Payments	C1312	Cash in Bank
13119017	PNC Thames Water Holding Inc - Misc Debits/Credits	C1312	Cash in Bank
13119100	PNC TWNA - Main	C1312	Cash in Bank
13119101	PNC TWNA - Outbound Wire	C1312	Cash in Bank
13119102	PNC TWNA - Outbound ACH	C1312	Cash in Bank
13119103	PNC TWNA - Outbound Check	C1312	Cash in Bank
13119104	PNC TWNA - Inbound Wires & ACH	C1312	Cash in Bank
13119116	PNC TWNA - NSF Return Payments	C1312	Cash in Bank
13119117	PNC TWNA - Misc Debits/Credits	C1312	Cash in Bank
13120000	BNYM - Concentration	C1312	Cash in Bank
13120001	BNYM-Conc - Outbound Wire	C1312	Cash in Bank
13120004	BNYM-Conc - Inbound Wires & ACH	C1312	Cash in Bank
13120005	BNYM-Conc - ZBA Activity	C1312	Cash in Bank
13120006	BNYM-Conc - Customer Direct Debit	C1312	Cash in Bank
13120007	BNYM-Conc - Customer ACH	C1312	Cash in Bank
13120008	BNYM-Conc - Customer Lockbox	C1312	Cash in Bank
13120009	BNYM-Conc - Online Resources Credit Corp	C1312	Cash in Bank
13120010	BNYM-Conc - First Tech	C1312	Cash in Bank
13120011	BNYM-Conc - FiServ (fka CheckFree)	C1312	Cash in Bank
13120012	BNYM-Conc - Penn Credit	C1312	Cash in Bank
13120013	BNYM-Conc - E-Return - Mellon	C1312	Cash in Bank
13120014	BNYM-Conc - E-Return - Online Resource Ck Conv	C1312	Cash in Bank
13120015	BNYM-Conc - Customer Accts Receiv Ck Conversion	C1312	Cash in Bank
13120016	BNYM-Conc - NSF Return Payments	C1312	Cash in Bank
13120017	BNYM-Conc - Misc Debits/Credits	C1312	Cash in Bank
13120100	BNYM Pass thru-IL	C1312	Cash in Bank
13120101	BNYM Pass thru-IL - Outbound Wire	C1312	Cash in Bank
13120104	BNYM Pass thru-IL - Inbound Wires & ACH	C1312	Cash in Bank
13120106	BNYM Pass thru-IL - Customer Direct Debit	C1312	Cash in Bank
13120107	BNYM Pass thru-IL - Customer ACH	C1312	Cash in Bank
13120108	BNYM Pass thru-IL - Customer Lockbox	C1312	Cash in Bank
13120109	BNYM Pass thru-IL - Online Resources Credit Corp	C1312	Cash in Bank
13120110	BNYM Pass thru-IL - First Tech	C1312	Cash in Bank
13120111	BNYM Pass thru-IL - FiServ (fka CheckFree)	C1312	Cash in Bank
13120112	BNYM Pass thru-IL - Penn Credit	C1312	Cash in Bank
13120113	BNYM Pass thru-IL - E-Return - Mellon	C1312	Cash in Bank
13120114	BNYM Pass thru-IL - E-Return - Online Rsrc Ck Conv	C1312	Cash in Bank
13120115	BNYM Pass thru-IL - Customer A/R Ck Conversion	C1312	Cash in Bank
13120116	BNYM Pass thru-IL - NSF Return Payments	C1312	Cash in Bank

13120117	BNYM Pass thru-IL - Misc Debits/Credits	C1312	Cash in Bank
13120200	BNYM Pass thru-NJ	C1312	Cash in Bank
13120201	BNYM Pass thru-NJ - Outbound Wire	C1312	Cash in Bank
13120204	BNYM Pass thru-NJ - Inbound Wires & ACH	C1312	Cash in Bank
13120206	BNYM Pass thru-NJ - Customer Direct Debit	C1312	Cash in Bank
13120207	BNYM Pass thru-NJ - Customer ACH	C1312	Cash in Bank
13120208	BNYM Pass thru-NJ - Customer Lockbox	C1312	Cash in Bank
13120209	BNYM Pass thru-NJ - Online Resources Credit Corp	C1312	Cash in Bank
13120211	BNYM Pass thru-NJ - FiServ (fka CheckFree)	C1312	Cash in Bank
13120212	BNYM Pass thru-NJ - Penn Credit	C1312	Cash in Bank
13120213	BNYM Pass thru-NJ - E-Return - Mellon	C1312	Cash in Bank
13120214	BNYM Pass thru-NJ - E-Return - Online Rsrc Ck Conv	C1312	Cash in Bank
13120215	BNYM Pass thru-NJ - Customer A/R Ck Conversion	C1312	Cash in Bank
13120216	BNYM Pass thru-NJ - NSF Return Payments	C1312	Cash in Bank
13120217	BNYM Pass thru-NJ - Misc Debits/Credits	C1312	Cash in Bank
13120300	BNYM Pass thru-NE	C1312	Cash in Bank
13120301	BNYM Pass thru-NE - Outbound Wire	C1312	Cash in Bank
13120304	BNYM Pass thru-NE - Inbound Wires & ACH	C1312	Cash in Bank
13120306	BNYM Pass thru-NE - Customer Direct Debit	C1312	Cash in Bank
13120307	BNYM Pass thru-NE - Customer ACH	C1312	Cash in Bank
13120308	BNYM Pass thru-NE - Customer Lockbox	C1312	Cash in Bank
13120309	BNYM Pass thru-NE - Online Resources Credit Corp	C1312	Cash in Bank
13120310	BNYM Pass thru-NE - First Tech	C1312	Cash in Bank
13120311	BNYM Pass thru-NE - FiServ (fka CheckFree)	C1312	Cash in Bank
13120312	BNYM Pass thru-NE - Penn Credit	C1312	Cash in Bank
13120313	BNYM Pass thru-NE - E-Return - Mellon	C1312	Cash in Bank
13120314	BNYM Pass thru-NE - E-Return - Online Rsrc Ck Conv	C1312	Cash in Bank
13120315	BNYM Pass thru-NE - Customer A/R Ck Conversion	C1312	Cash in Bank
13120316	BNYM Pass thru-NE - NSF Return Payments	C1312	Cash in Bank
13120317	BNYM Pass thru-NE - Misc Debits/Credits	C1312	Cash in Bank
13120400	BNYM Pass thru-CA	C1312	Cash in Bank
13120401	BNYM Pass thru-CA - Outbound Wire	C1312	Cash in Bank
13120404	BNYM Pass thru-CA - Inbound Wires & ACH	C1312	Cash in Bank
13120406	BNYM Pass thru-CA - Customer Direct Debit	C1312	Cash in Bank
13120407	BNYM Pass thru-CA - Customer ACH	C1312	Cash in Bank
13120408	BNYM Pass thru-CA - Customer Lockbox	C1312	Cash in Bank
13120409	BNYM Pass thru-CA - Online Resources Credit Corp	C1312	Cash in Bank
13120411	BNYM Pass thru-CA - FiServ (fka CheckFree)	C1312	Cash in Bank
13120412	BNYM Pass thru-CA - Penn Credit	C1312	Cash in Bank
13120413	BNYM Pass thru-CA - E-Return - Mellon	C1312	Cash in Bank
13120414	BNYM Pass thru-CA - E-Return - Online Rsrc Ck Conv	C1312	Cash in Bank
13120415	BNYM Pass thru-CA - Customer A/R Ck Conversion	C1312	Cash in Bank
13120416	BNYM Pass thru-CA - NSF Return Payments	C1312	Cash in Bank
13120417	BNYM Pass thru-CA - Misc Debits/Credits	C1312	Cash in Bank
13121000	BNYM IN	C1312	Cash in Bank
13121001	BNYM IN - Outbound Wire	C1312	Cash in Bank
13121004	BNYM IN - Inbound Wires & ACH	C1312	Cash in Bank
13121006	BNYM IN - Customer Direct Debit	C1312	Cash in Bank
13121007	BNYM IN - Customer ACH	C1312	Cash in Bank
13121008	BNYM IN - Customer Lockbox	C1312	Cash in Bank
13121009	BNYM IN - Credit Card and E-Checks	C1312	Cash in Bank
13121010	BNYM IN - First Tech	C1312	Cash in Bank
13121012	BNYM IN - Penn Credit - 3rd Party Collections	C1312	Cash in Bank
13121013	BNYM IN - E-Return - Mellon	C1312	Cash in Bank
13121014	BNYM IN -Credit Card & Echeck E>Returns	C1312	Cash in Bank
13121015	BNYM IN - Customer A/R Ck Conversion	C1312	Cash in Bank
13121016	BNYM IN - NSF Return Payments	C1312	Cash in Bank
13121017	BNYM IN - Misc Debits/Credits	C1312	Cash in Bank
13121018	BNYM IN - Client Services - 3rd Party Collections	C1312	Cash in Bank
13121100	BNYM IA	C1312	Cash in Bank
13121101	BNYM IA - Outbound Wire	C1312	Cash in Bank
13121104	BNYM IA - Inbound Wires & ACH	C1312	Cash in Bank
13121106	BNYM IA - Customer Direct Debit	C1312	Cash in Bank
13121107	BNYM IA - Customer ACH	C1312	Cash in Bank
13121108	BNYM IA - Customer Lockbox	C1312	Cash in Bank

13121109	BNYM IA - Credit Card and E-Checks	C1312	Cash in Bank
13121110	BNYM IA - Firstech Collections	C1312	Cash in Bank
13121111	BNYM IA - FiServ (fka CheckFree)	C1312	Cash in Bank
13121112	BNYM IA - Penn Credit	C1312	Cash in Bank
13121113	BNYM IA - E-Return - Mellon	C1312	Cash in Bank
13121114	BNYM IA -Credit Card & Echeck E>Returns	C1312	Cash in Bank
13121115	BNYM IA - Customer A/R Ck Conversion	C1312	Cash in Bank
13121116	BNYM IA - NSF Return Payments	C1312	Cash in Bank
13121117	BNYM IA - Misc Debits/Credits	C1312	Cash in Bank
13121118	BNYM IA - Client Services - 3rd Party Collections	C1312	Cash in Bank
13121200	BNYM KY	C1312	Cash in Bank
13121201	BNYM KY - Outbound Wire	C1312	Cash in Bank
13121204	BNYM KY - Inbound Wires & ACH	C1312	Cash in Bank
13121206	BNYM KY - Customer Direct Debit	C1312	Cash in Bank
13121207	BNYM KY - Customer ACH	C1312	Cash in Bank
13121208	BNYM KY - Customer Lockbox	C1312	Cash in Bank
13121209	BNYM KY - Credit Card and E-Checks	C1312	Cash in Bank
13121211	BNYM KY - FiServ (fka CheckFree)	C1312	Cash in Bank
13121212	BNYM KY - Penn Credit	C1312	Cash in Bank
13121213	BNYM KY - E-Return - Mellon	C1312	Cash in Bank
13121214	BNYM KY -Credit Card & Echeck E>Returns	C1312	Cash in Bank
13121215	BNYM KY - Customer A/R Ck Conversion	C1312	Cash in Bank
13121216	BNYM KY - NSF Return Payments	C1312	Cash in Bank
13121217	BNYM KY - Misc Debits/Credits	C1312	Cash in Bank
13121218	BNYM KY - Client Services - 3rd Party Collections	C1312	Cash in Bank
13121300	BNYM MD	C1312	Cash in Bank
13121301	BNYM MD - Outbound Wire	C1312	Cash in Bank
13121304	BNYM MD - Inbound Wires & ACH	C1312	Cash in Bank
13121306	BNYM MD - Customer Direct Debit	C1312	Cash in Bank
13121307	BNYM MD - Customer ACH	C1312	Cash in Bank
13121308	BNYM MD - Customer Lockbox	C1312	Cash in Bank
13121309	BNYM MD - Credit Card and E-Checks	C1312	Cash in Bank
13121311	BNYM MD - FiServ (fka CheckFree)	C1312	Cash in Bank
13121312	BNYM MD - Penn Credit	C1312	Cash in Bank
13121313	BNYM MD - E-Return - Mellon	C1312	Cash in Bank
13121314	BNYM MD -Credit Card & Echeck E>Returns	C1312	Cash in Bank
13121315	BNYM MD - Customer A/R Ck Conversion	C1312	Cash in Bank
13121316	BNYM MD - NSF Return Payments	C1312	Cash in Bank
13121317	BNYM MD - Misc Debits/Credits	C1312	Cash in Bank
13121318	BNYM MD - Client Services - 3rd Party Collections	C1312	Cash in Bank
13121500	BNYM CA - Main	C1312	Cash in Bank
13121501	BNYM CA - Outbound Wire	C1312	Cash in Bank
13121504	BNYM CA - Inbound Wires & ACH	C1312	Cash in Bank
13121506	BNYM CA - Customer Direct Debit	C1312	Cash in Bank
13121507	BNYM CA - Customer ACH	C1312	Cash in Bank
13121508	BNYM CA - Customer Lockbox	C1312	Cash in Bank
13121509	BNYM CA - Credit Card and E-Checks	C1312	Cash in Bank
13121511	BNYM CA - FiServ (fka CheckFree)	C1312	Cash in Bank
13121512	BNYM CA - Penn Credit	C1312	Cash in Bank
13121513	BNYM CA - E-Return - Mellon	C1312	Cash in Bank
13121514	BNYM CA - Credit Card & Echeck E>Returns	C1312	Cash in Bank
13121515	BNYM CA - Customer A/R Ck Conversion	C1312	Cash in Bank
13121516	BNYM CA - NSF Return Payments	C1312	Cash in Bank
13121517	BNYM CA - Misc Debits/Credits	C1312	Cash in Bank
13121518	BNYM CA - Client Services - 3rd Party Collections	C1312	Cash in Bank
13121700	BNYM MO	C1312	Cash in Bank
13121701	BNYM MO - Outbound Wire	C1312	Cash in Bank
13121704	BNYM MO - Inbound Wires & ACH	C1312	Cash in Bank
13121706	BNYM MO - Customer Direct Debit	C1312	Cash in Bank
13121707	BNYM MO - Customer ACH	C1312	Cash in Bank
13121708	BNYM MO - Customer Lockbox	C1312	Cash in Bank
13121709	BNYM MO - Credit Card and E-Checks	C1312	Cash in Bank
13121710	BNYM MO - First Tech	C1312	Cash in Bank
13121712	BNYM MO - Penn Credit	C1312	Cash in Bank
13121713	BNYM MO - E-Return - Mellon	C1312	Cash in Bank

13121714	BNYM MO -Credit Card & Echeck E>Returns	C1312	Cash in Bank
13121715	BNYM MO - Customer A/R Ck Conversion	C1312	Cash in Bank
13121716	BNYM MO - NSF Return Payments	C1312	Cash in Bank
13121717	BNYM MO - Misc Debits/Credits	C1312	Cash in Bank
13121718	BNYM MO - Client Services - 3rd Party Collections	C1312	Cash in Bank
13121800	BNYM NJ	C1312	Cash in Bank
13121801	BNYM NJ - Outbound Wire	C1312	Cash in Bank
13121804	BNYM NJ - Inbound Wires & ACH	C1312	Cash in Bank
13121806	BNYM NJ - Customer Direct Debit	C1312	Cash in Bank
13121807	BNYM NJ - Customer ACH	C1312	Cash in Bank
13121808	BNYM NJ - Customer Lockbox	C1312	Cash in Bank
13121809	BNYM NJ - Credit Card and E-Checks	C1312	Cash in Bank
13121811	BNYM NJ - FiServ (fka CheckFree)	C1312	Cash in Bank
13121812	BNYM NJ - Penn Credit	C1312	Cash in Bank
13121813	BNYM NJ - E-Return - Mellon	C1312	Cash in Bank
13121814	BNYM NJ - Credit Card & Echeck E>Returns	C1312	Cash in Bank
13121815	BNYM NJ - Customer A/R Ck Conversion	C1312	Cash in Bank
13121816	BNYM NJ - NSF Return Payments	C1312	Cash in Bank
13121817	BNYM NJ - Misc Debits/Credits	C1312	Cash in Bank
13121818	BNYM NJ - Client Services - 3rd Party Collections	C1312	Cash in Bank
13121900	BNYM NM	C1312	Cash in Bank
13121907	BNYM NM - Customer ACH	C1312	Cash in Bank
13121908	BNYM NM - Customer Lockbox	C1312	Cash in Bank
13121916	BNYM NM - NSF Return Payments	C1312	Cash in Bank
13121917	BNYM NM - Misc Debits/Credits	C1312	Cash in Bank
13122200	BNYM OH	C1312	Cash in Bank
13122207	BNYM OH - Customer ACH	C1312	Cash in Bank
13122208	BNYM OH - Customer Lockbox	C1312	Cash in Bank
13122216	BNYM OH - NSF Return Payments	C1312	Cash in Bank
13122217	BNYM OH - Misc Debits/Credits	C1312	Cash in Bank
13122300	BNYM AZ	C1312	Cash in Bank
13122307	BNYM AZ - Customer ACH	C1312	Cash in Bank
13122308	BNYM AZ - Customer Lockbox	C1312	Cash in Bank
13122316	BNYM AZ - NSF Return Payments	C1312	Cash in Bank
13122317	BNYM AZ - Misc Debits/Credits	C1312	Cash in Bank
13122400	BNYM PA	C1312	Cash in Bank
13122401	BNYM PA - Outbound Wire	C1312	Cash in Bank
13122404	BNYM PA - Inbound Wires & ACH	C1312	Cash in Bank
13122406	BNYM PA - Customer Direct Debit	C1312	Cash in Bank
13122407	BNYM PA - Customer ACH	C1312	Cash in Bank
13122408	BNYM PA - Customer Lockbox	C1312	Cash in Bank
13122409	BNYM PA - Credit Card and E-Checks	C1312	Cash in Bank
13122411	BNYM PA - FiServ (fka CheckFree)	C1312	Cash in Bank
13122412	BNYM PA - Penn Credit	C1312	Cash in Bank
13122413	BNYM PA - E-Return - Mellon	C1312	Cash in Bank
13122414	BNYM PA -Credit Card & Echeck E>Returns	C1312	Cash in Bank
13122415	BNYM PA - Customer A/R Ck Conversion	C1312	Cash in Bank
13122416	BNYM PA - NSF Return Payments	C1312	Cash in Bank
13122417	BNYM PA - Misc Debits/Credits	C1312	Cash in Bank
13122418	BNYM PA - Client Services - 3rd Party Collections	C1312	Cash in Bank
13122500	BNYM IL - Main	C1312	Cash in Bank
13122501	BNYM IL - Outbound Wire	C1312	Cash in Bank
13122504	BNYM IL - Inbound Wires & ACH	C1312	Cash in Bank
13122506	BNYM IL - Customer Direct Debit	C1312	Cash in Bank
13122507	BNYM IL - Customer ACH	C1312	Cash in Bank
13122508	BNYM IL - Customer Lockbox	C1312	Cash in Bank
13122509	BNYM IL - Credit Card and E-Checks	C1312	Cash in Bank
13122510	BNYM IL - First Tech	C1312	Cash in Bank
13122511	BNYM IL - FiServ (fka CheckFree)	C1312	Cash in Bank
13122512	BNYM IL - Penn Credit	C1312	Cash in Bank
13122513	BNYM IL - E-Return - Mellon	C1312	Cash in Bank
13122514	BNYM IL -Credit Card & Echeck E>Returns	C1312	Cash in Bank
13122515	BNYM IL - Customer A/R Ck Conversion	C1312	Cash in Bank
13122516	BNYM IL - NSF Return Payments	C1312	Cash in Bank
13122517	BNYM IL - Misc Debits/Credits	C1312	Cash in Bank

13122518	BNYM IL - Client Services - 3rd Party Collections	C1312	Cash in Bank
13122600	BNYM TN	C1312	Cash in Bank
13122601	BNYM TN - Outbound Wire	C1312	Cash in Bank
13122604	BNYM TN - Inbound Wires & ACH	C1312	Cash in Bank
13122606	BNYM TN - Customer Direct Debit	C1312	Cash in Bank
13122607	BNYM TN - Customer ACH	C1312	Cash in Bank
13122608	BNYM TN - Customer Lockbox	C1312	Cash in Bank
13122609	BNYM TN - Credit Card and E-Checks	C1312	Cash in Bank
13122610	BNYM TN - Firstech Collections	C1312	Cash in Bank
13122611	BNYM TN - FiServ (fka CheckFree)	C1312	Cash in Bank
13122612	BNYM TN - Penn Credit	C1312	Cash in Bank
13122613	BNYM TN - E-Return - Mellon	C1312	Cash in Bank
13122614	BNYM TN - Credit Card & Echeck E>Returns	C1312	Cash in Bank
13122615	BNYM TN - Customer A/R Ck Conversion	C1312	Cash in Bank
13122616	BNYM TN - NSF Return Payments	C1312	Cash in Bank
13122617	BNYM TN - Misc Debits/Credits	C1312	Cash in Bank
13122618	BNYM TN - Client Services - 3rd Party Collections	C1312	Cash in Bank
13122700	BNYM VA	C1312	Cash in Bank
13122701	BNYM VA - Outbound Wire	C1312	Cash in Bank
13122704	BNYM VA - Inbound Wires & ACH	C1312	Cash in Bank
13122706	BNYM VA - Customer Direct Debit	C1312	Cash in Bank
13122707	BNYM VA - Customer ACH	C1312	Cash in Bank
13122708	BNYM VA - Customer Lockbox	C1312	Cash in Bank
13122709	BNYM VA - Credit Card and E-Checks	C1312	Cash in Bank
13122711	BNYM VA - FiServ (fka CheckFree)	C1312	Cash in Bank
13122712	BNYM VA - Penn Credit	C1312	Cash in Bank
13122713	BNYM VA - E-Return - Mellon	C1312	Cash in Bank
13122714	BNYM VA -Credit Card & Echeck E>Returns	C1312	Cash in Bank
13122715	BNYM VA - Customer A/R Ck Conversion	C1312	Cash in Bank
13122716	BNYM VA - NSF Return Payments	C1312	Cash in Bank
13122717	BNYM VA - Misc Debits/Credits	C1312	Cash in Bank
13122718	BNYM VA - Client Services - 3rd Party Collections	C1312	Cash in Bank
13122800	BNYM WV	C1312	Cash in Bank
13122801	BNYM WV - Outbound Wire	C1312	Cash in Bank
13122804	BNYM WV - Inbound Wires & ACH	C1312	Cash in Bank
13122806	BNYM WV - Customer Direct Debit	C1312	Cash in Bank
13122807	BNYM WV - Customer ACH	C1312	Cash in Bank
13122808	BNYM WV - Customer Lockbox	C1312	Cash in Bank
13122809	BNYM WV - Credit Card and E-Checks	C1312	Cash in Bank
13122811	BNYM WV - FiServ (fka CheckFree)	C1312	Cash in Bank
13122812	BNYM WV - Penn Credit	C1312	Cash in Bank
13122813	BNYM WV - E-Return - Mellon	C1312	Cash in Bank
13122814	BNYM WV -Credit Card & Echeck E>Returns	C1312	Cash in Bank
13122815	BNYM WV - Customer A/R Ck Conversion	C1312	Cash in Bank
13122816	BNYM WV - NSF Return Payments	C1312	Cash in Bank
13122817	BNYM WV - Misc Debits/Credits	C1312	Cash in Bank
13122818	BNYM WV - Client Services - 3rd Party Collections	C1312	Cash in Bank
13123000	BNYM HI	C1312	Cash in Bank
13123001	BNYM HI - Outbound Wire	C1312	Cash in Bank
13123004	BNYM HI - Inbound Wires & ACH	C1312	Cash in Bank
13123006	BNYM HI - Customer Direct Debit	C1312	Cash in Bank
13123007	BNYM HI - Customer ACH	C1312	Cash in Bank
13123008	BNYM HI - Customer Lockbox	C1312	Cash in Bank
13123009	BNYM HI - Credit Card and E-Checks	C1312	Cash in Bank
13123010	BNYM HI - First Tech	C1312	Cash in Bank
13123011	BNYM HI - FiServ (fka CheckFree)	C1312	Cash in Bank
13123012	BNYM HI - Penn Credit	C1312	Cash in Bank
13123013	BNYM HI - E-Return - Mellon	C1312	Cash in Bank
13123014	BNYM HI -Credit Card & Echeck E>Returns	C1312	Cash in Bank
13123015	BNYM HI - Customer A/R Ck Conversion	C1312	Cash in Bank
13123016	BNYM HI - NSF Return Payments	C1312	Cash in Bank
13123017	BNYM HI - Misc Debits/Credits	C1312	Cash in Bank
13123018	BNYM HI - Client Services - 3rd Party Collections	C1312	Cash in Bank
13123800	BNYM NY	C1312	Cash in Bank
13123801	BNYM NY - Outbound Wire	C1312	Cash in Bank

13123804	BNYM NY - Inbound Wires & ACH	C1312	Cash in Bank
13123806	BNYM NY - Customer Direct Debit	C1312	Cash in Bank
13123807	BNYM NY - Customer ACH	C1312	Cash in Bank
13123808	BNYM NY - Customer Lockbox	C1312	Cash in Bank
13123809	BNYM NY - Credit Card and E-Checks	C1312	Cash in Bank
13123810	BNYM NY - First Tech	C1312	Cash in Bank
13123811	BNYM NY - FiServ (fka CheckFree)	C1312	Cash in Bank
13123812	BNYM NY - Penn Credit	C1312	Cash in Bank
13123813	BNYM NY - E-Return - Mellon	C1312	Cash in Bank
13123814	BNYM NY -Credit Card & Echeck E>Returns	C1312	Cash in Bank
13123815	BNYM NY - Customer A/R Ck Conversion	C1312	Cash in Bank
13123816	BNYM NY - NSF Return Payments	C1312	Cash in Bank
13123817	BNYM NY - Misc Debits/Credits	C1312	Cash in Bank
13123818	BNYM NY - Client Services - 3rd Party Collections	C1312	Cash in Bank
13125200	BNYM EWC	C1312	Cash in Bank
13125201	BNYM EWC - Outbound Wire	C1312	Cash in Bank
13125204	BNYM EWC - Inbound Wires & ACH	C1312	Cash in Bank
13125206	BNYM EWC - Customer Direct Debit	C1312	Cash in Bank
13125208	BNYM EWC - Customer Lockbox	C1312	Cash in Bank
13125209	BNYM EWC - Online Resources Credit Corp	C1312	Cash in Bank
13125210	BNYM EWC - First Tech	C1312	Cash in Bank
13125211	BNYM EWC - FiServ (fka CheckFree)	C1312	Cash in Bank
13125212	BNYM EWC - Penn Credit	C1312	Cash in Bank
13125213	BNYM EWC - E-Return - Mellon	C1312	Cash in Bank
13125214	BNYM EWC - E-Return - Online Resource Ck Conv	C1312	Cash in Bank
13125215	BNYM EWC - Customer A/R Ck Conversion	C1312	Cash in Bank
13125216	BNYM EWC - NSF Return Payments	C1312	Cash in Bank
13125217	BNYM EWC - Misc Debits/Credits	C1312	Cash in Bank
13125300	BNYM MH	C1312	Cash in Bank
13125301	BNYM MH - Outbound Wire	C1312	Cash in Bank
13125306	BNYM MH - Customer Direct Debit	C1312	Cash in Bank
13125308	BNYM MH - Customer Lockbox	C1312	Cash in Bank
13125309	BNYM MH - Online Resources Credit Corp	C1312	Cash in Bank
13125310	BNYM MH - First Tech	C1312	Cash in Bank
13125311	BNYM MH - FiServ (fka CheckFree)	C1312	Cash in Bank
13125312	BNYM MH - Penn Credit	C1312	Cash in Bank
13125313	BNYM MH - E-Return - Mellon	C1312	Cash in Bank
13125314	BNYM MH - E-Return - Online Resource Ck Conv	C1312	Cash in Bank
13125315	BNYM MH - Customer A/R Ck Conversion	C1312	Cash in Bank
13125316	BNYM MH - NSF - Return Payments	C1312	Cash in Bank
13125317	BNYM MH - Misc Debits/Credits	C1312	Cash in Bank
13140000	PNC AWCC-Concentration	C234	N/P Assoc Co
13140001	PNC AWCC-Concentration - Outbound Wire	C234	N/P Assoc Co
13140002	PNC AWCC-Concentration - Outbound ACH	C234	N/P Assoc Co
13140004	PNC AWCC-Concentration - Inbound Wires & ACH	C234	N/P Assoc Co
13140005	PNC AWCC-Concentration - ZBA Activity	C234	N/P Assoc Co
13140012	PNC AWCC-Concentration - Penn Credit	C234	N/P Assoc Co
13140017	PNC AWCC-Concentration - Misc Debits/Credits	C234	N/P Assoc Co
13140100	PNC AWCC-Accounts Payable	C234	N/P Assoc Co
13140102	PNC AWCC-Accounts Payable - Outbound ACH	C234	N/P Assoc Co
13140103	PNC AWCC-Accounts Payable - Outbound Check	C234	N/P Assoc Co
13140104	PNC AWCC-Accounts Payable - Inbound Wires & ACH	C234	N/P Assoc Co
13140105	PNC AWCC-Accounts Payable - ZBA Activity	C234	N/P Assoc Co
13140117	PNC AWCC-Accounts Payable - Misc Debits/Credits	C234	N/P Assoc Co
13140200	PNC AWCC-Payroll	C234	N/P Assoc Co
13140202	PNC AWCC-Payroll - Outbound ACH	C234	N/P Assoc Co
13140203	PNC AWCC-Payroll - Outbound Check	C234	N/P Assoc Co
13140204	PNC AWCC-Payroll - Inbound Wires & ACH	C234	N/P Assoc Co
13140205	PNC AWCC-Payroll - ZBA Activity	C234	N/P Assoc Co
13140217	PNC AWCC-Payroll - Misc Debits/Credits	C234	N/P Assoc Co
13140300	PNC AWCC-Customer Refund	C234	N/P Assoc Co
13140303	PNC AWCC-Customer Refund - Outbound Check	C234	N/P Assoc Co
13140304	PNC AWCC-Customer Refund - Inbound Wires & ACH	C234	N/P Assoc Co
13140305	PNC AWCC-Customer Refund - ZBA Activity	C234	N/P Assoc Co
13140317	PNC AWCC-Customer Refund - Misc Debits/Credits	C234	N/P Assoc Co

13140400	PNC AWCC-Commercial Paper	C234	N/P Assoc Co
13140401	PNC AWCC-Commercial Paper - Outbound Wire	C234	N/P Assoc Co
13140402	PNC AWCC-Commercial Paper - Outbound ACH	C234	N/P Assoc Co
13140404	PNC AWCC-Commercial Paper - Inbound Wires & ACH	C234	N/P Assoc Co
13140417	PNC AWCC-Commercial Paper - Misc Debits/Credits	C234	N/P Assoc Co
13140500	PNC AWCC- Credit Line	C234	N/P Assoc Co
13140501	PNC AWCC- Credit Line - Outbound Wire	C234	N/P Assoc Co
13140502	PNC AWCC- Credit Line - Outbound ACH	C234	N/P Assoc Co
13140504	PNC AWCC- Credit Line - Inbound Wires & ACH	C234	N/P Assoc Co
13140517	PNC AWCC- Credit Line - Misc Debits/Credits	C234	N/P Assoc Co
13140600	PNC AWCC-Misc Items Lockbox	C234	N/P Assoc Co
13140601	PNC AWCC-Misc Items Lockbox - Outbound Wire	C234	N/P Assoc Co
13140602	PNC AWCC-Misc Items Lockbox - Outbound ACH	C234	N/P Assoc Co
13140604	PNC AWCC-Misc Items Lockbox - Inbound Wires & ACH	C234	N/P Assoc Co
13140617	PNC AWCC-Misc Items Lockbox - Misc Debits/Credits	C234	N/P Assoc Co
13140700	PNC AWCC-AP Vendor Payment	C234	N/P Assoc Co
13140701	PNC AWCC-AP Vendor Payment - Outbound Wire	C234	N/P Assoc Co
13140702	PNC AWCC-AP Vendor Payment - Outbound ACH	C1312	Cash in Bank
13140704	PNC AWCC-AP Vendor Payment - Inbound Wires & ACH	C234	N/P Assoc Co
13140705	PNC AWCC-AP Vendor Payment - ZBA Activity	C234	N/P Assoc Co
13161200	US Bank KY - Main	C1312	Cash in Bank
13161201	KY- US Bank Outbound and ACH	C1312	Cash in Bank
13161204	KY- US Bank Inbound Wire and ACH	C1312	Cash in Bank
13161206	US Bank KY - Customer Direct Debit	C1312	Cash in Bank
13161207	US Bank KY - Customer ACH	C1312	Cash in Bank
13161208	US Bank KY - Customer Lockbox	C1312	Cash in Bank
13161209	US Bank KY - Credit Card and E-Checks	C1312	Cash in Bank
13161210	US Bank KY - Firstech Collections	C1312	Cash in Bank
13161211	US Bank KY - FiServ (aka CheckFree)	C1312	Cash in Bank
13161212	US Bank KY - Penn Credit	C1312	Cash in Bank
13161213	US Bank KY - E-Return - US Bank	C1312	Cash in Bank
13161214	US Bank KY -Credit Card & Echeck E>Returns	C1312	Cash in Bank
13161215	US Bank KY - Customer A/R Ck Conversion	C1312	Cash in Bank
13161216	US Bank KY - NSF Return Payments	C1312	Cash in Bank
13161217	US Bank KY - Misc Debits/Credits	C1312	Cash in Bank
13161218	US Bank KY - Client Services-3rd Party Collections	C1312	Cash in Bank
13164600	USBANK Concentration Account	C1312	Cash in Bank
13164699	USBANK Concentration Clearing Account	C1312	Cash in Bank
13180100	Suntrust TN	C1312	Cash in Bank
13180101	Suntrust TN - Outbound Wire	C1312	Cash in Bank
13180106	Suntrust TN - Customer Direct Debit	C1312	Cash in Bank
13180108	Suntrust TN - Customer Lockbox	C1312	Cash in Bank
13180109	Suntrust TN - Online Resources Credit Corp	C1312	Cash in Bank
13180111	Suntrust TN - FiServ (fka CheckFree)	C1312	Cash in Bank
13180112	Suntrust TN - Penn Credit	C1312	Cash in Bank
13180113	Suntrust TN - E-Return - Mellon	C1312	Cash in Bank
13180114	Suntrust TN - E-Return - Online Resource Ck Conv	C1312	Cash in Bank
13180115	Suntrust TN - Customer A/R Ck Conversion	C1312	Cash in Bank
13180116	Suntrust TN - NSF - Return Payments	C1312	Cash in Bank
13180117	Suntrust TN - Misc Debits/Credits	C1312	Cash in Bank
13180200	River Valley: Incredible Bank	C1312	Cash in Bank
13180201	River Valley MI - Outbound Wire	C1312	Cash in Bank
13180202	River Valley MI - Outbound ACH	C1312	Cash in Bank
13180208	River Valley MI - Customer Lockbox	C1312	Cash in Bank
13180216	River Valley MI - NSF Return Payments	C1312	Cash in Bank
13180217	River Valley MI - Misc Debits/Credits	C1312	Cash in Bank
13180300	First Hawaiian HI	C1312	Cash in Bank
13180301	First Hawaiian HI - Outbound Wire	C1312	Cash in Bank
13180302	First Hawaiian HI - Outbound ACH	C1312	Cash in Bank
13180308	First Hawaiian HI - Customer Lockbox	C1312	Cash in Bank
13180316	First Hawaiian HI - NSF Return Payments	C1312	Cash in Bank
13180317	First Hawaiian HI - Misc Debits/Credits	C1312	Cash in Bank
13180400	Union First VA	C1312	Cash in Bank
13180401	Union First VA - Outbound Wire	C1312	Cash in Bank
13180402	Union First VA - Outbound ACH	C1312	Cash in Bank

13180408	Union First VA - Customer Lockbox	C1312	Cash in Bank
13180417	Union First VA - Misc Debits/Credits	C1312	Cash in Bank
13181201	KY- US Bank Outbound Wire	C1312	Cash in Bank
13181202	KY- US Bank Outbound ACH	C1312	Cash in Bank
13181204	KY- US Bank Inbound Wire and ACH	C1312	Cash in Bank
13181211	Community Trust Bank KY - FiServ (aka CheckFree)	C1312	Cash in Bank
13181220	US Bank for Kiosk in Owenton, KY	C1312	Cash in Bank
13181800	TD Bank - Gift Card Incentive	C1312	Cash in Bank
13182400	PNC Conveyance Fee Escrow - Main	C1312	Cash in Bank
13182401	PNC Conveyance Fee Escrow - Outbound Wire	C1312	Cash in Bank
13182417	PNC Conveyance Fee Escrow - Misc Debits/Credits	C1312	Cash in Bank
13182500	Busey Bank IL-Collections for Bollingbrook	C1312	Cash in Bank
13182516	Busey Bank IL-NSF Return Payments-Bollingbrook	C1312	Cash in Bank
13182600	First Volunteer Bank, Whitwell, TN	C1312	Cash in Bank
13182820	PNC for Kiosk in Charleston, WV	C1312	Cash in Bank
13199001	Cash Clearing - NSF Check	C1312	Cash in Bank
13199002	Cash Clearing - Mixed Payments	C1312	Cash in Bank
13199003	Cash Clearing - Misc Debits/Credits	C1312	Cash in Bank
13199004	Cash Clearing - MI's	C1312	Cash in Bank
13199005	Cash Clearing - ORCOM	C1312	Cash in Bank
13199006	Cash Clearing - Intercompany	C1312	Cash in Bank
13199999	Cash Conversion History	C1312	Cash in Bank
13500000	Petty Cash	C134	Working Funds
13600000	Temp Investments - under 90 days	C135	Temp Cash Investment
13700000	Temp Investments - over 90 days	C135	Temp Cash Investment
13800000	Funds Restricted for Construction - Current	C1312	Cash in Bank
14100000	A/R - Customer - CIS Reconciliation	C141	Customer Accts Recei
14100001	A/R - Customer - Non-Regulated	C141	Customer Accts Recei
14100002	A/R - Customer - Unallocated	C141	Customer Accts Recei
14100003	A/R - Customer - ECIS	C141	Customer Accts Recei
14100010	A/R - Customer - Miscellaneous - PAW Other	C141	Customer Accts Recei
14100020	A/R - Customer - Pittsburgh	C141	Customer Accts Recei
14100099	A/R - Customer - Clearing - Credit Rfnd Processing	C141	Customer Accts Recei
14100998	A/R - Customer - Payment Clarification	C141	Customer Accts Recei
14100999	A/R - Customer - Returns Clarification	C141	Customer Accts Recei
14300000	Allowance for Uncollectible Accounts	C143	Accu Provision for U
14300001	Allowance for Uncollectible Accounts Non-Regulated	C143	Accu Provision for U
14399999	Allowance for Uncollectable Accts - CIS Conversion	C143	Accu Provision for U
14400000	Unbilled Utility Revenue	C173	Accrued Utility Reve
14400001	Unbilled Utility Revenue Non-Regulated	C173	Accrued Utility Reve
14510000	A/R Assoc Cos - Miscellaneous	C145	A/R from Assoc Co
14510041	AR Associated Cos - AWI IOTG	C145	A/R from Assoc Co
14510100	A/R Assoc Cos - Reconciliation Account	C145	A/R from Assoc Co
14510600	Intercompany System Clearing -CIS Only	C145	A/R from Assoc Co
14510999	A/R Assoc Cos - Settlement Clearing	C145	A/R from Assoc Co
14511000	A/R Assoc Cos - Service Company Bill	C145	A/R from Assoc Co
14511001	A/R Assoc Cos - Service Company Bill	C145	A/R from Assoc Co
14511031	A/R Assoc Cos - Service Settlement AWE	C145	A/R from Assoc Co
14511039	A/R Assoc Cos - Service Settlement New York Aqua	C145	A/R from Assoc Co
14511054	A/R Assoc Cos - Service Settlement Edison	C145	A/R from Assoc Co
14511055	A/R Assoc Cos - Service Settlement Liberty	C145	A/R from Assoc Co
14511056	A/R Assoc Cos - Service Settlement E'Town Services	C145	A/R from Assoc Co
14511070	A/R Assoc Cos - SC AIW	C145	A/R from Assoc Co
14511076	A/R Assoc Cos - One Water Street LLC	C145	A/R from Assoc Co
14511077	A/R Assoc Cos - AW Intellectual Properties	C145	A/R from Assoc Co
14511081	A/R Assoc Cos - Service Settlement AWE HOS	C145	A/R from Assoc Co
14511082	A/R Assoc Cos - Service Settlement AWE Pivotal	C145	A/R from Assoc Co
14511083	A/R Assoc Cos - Service Settlement AWE MSG	C145	A/R from Assoc Co
14511084	A/R Assoc Cos - Service Settlement AWE CSG	C145	A/R from Assoc Co
14512000	A/R Assoc Cos - Payroll Tax	C145	A/R from Assoc Co
14512500	A/R Assoc Cos - Payroll Disbursements	C145	A/R from Assoc Co
14571000	A/R Assoc Cos - Dividend Receivable	C171	Accrued Int/Div Rece
14572000	A/R Assoc Cos - Interest Receivable	C171	Accrued Int/Div Rece
14573000	A/R Assoc Cos - Dividend Equivalents	C145	A/R from Assoc Co
14574000	N/R Assoc Co's	C146	N/R from Assoc Co

14575000	Capital Lease Rec Assoc Cos	C145	A/R from Assoc Co
14575500	Unearned Capital Lease Rec Assoc Cos	C145	A/R from Assoc Co
14576000	N/R Term Loan - Assoc Cos	C146	N/R from Assoc Co
14610000	Misc A/R - Reconciliation Account	C142	Other Accounts Recei
14610099	Misc A/R - Conversion	C142	Other Accounts Recei
14611000	Misc A/R - Manual	C142	Other Accounts Recei
14611200	Misc A/R - Retro Insurance	C142	Other Accounts Recei
14611300	Misc A/R - Liability Insurance	C142	Other Accounts Recei
14611500	Misc A/R - Medicare Subsidy	C142	Other Accounts Recei
14612500	Misc A/R - OPEB Trust	C142	Other Accounts Recei
14613000	Misc A/R - Employees	C142	Other Accounts Recei
14613100	Misc A/R - Employees Payroll	C142	Other Accounts Recei
14619999	Misc A/R - Miscellaneous Invoice Lockbox Clearing	C142	Other Accounts Recei
14620000	Misc Rec - Allow for Uncollectible Accts	C142	Other Accounts Recei
14640000	Notes Receivable	C144	Notes Receivable
14670000	Accrued Interest & Dividend Receivable	C171	Accrued Int/Div Rece
14690000	Current Portion LT Receivable	C142	Other Accounts Recei
14810000	Income Tax Receivable - SIT	C142	Other Accounts Recei
14820000	Income Tax Receivable - FIT	C142	Other Accounts Recei
15110000	Inventory - Plant Material	C151	Plant Material & Sup
15120000	Inventory - Fuel	C151	Plant Material & Sup
15130000	Inventory - Chemicals	C151	Plant Material & Sup
15140000	Inventory - Other Materials & Supplies	C153	Other Material & Sup
15199997	Inventory - Price Difference	C153	Other Material & Sup
15199998	Inventory - Consignment Clearing	C153	Other Material & Sup
15199999	Inventory - Conversion	C153	Other Material & Sup
16410000	Other Special Deposits	C133	Other Special Deposi
16420000	Other Current Assets	C174	Misc Current & Accr
16421000	Current Portion Tax Credits Receivable	C174	Misc Current & Accr
16422000	Other Current Assets - OPEB Repurpose	C174	Misc Current & Accr
16430000	Assets Held For Sale	C174	Misc Current & Accr
16440000	Deferred Acquisition Costs	C133	Other Special Deposi
16510000	Prepaid Taxes	C162	Prepayments
16510001	Prepaid Taxes - CIS-San Diego License/Franch Tax	C162	Prepayments
16510002	Transaction Tax Refund Receivable	C162	Prepayments
16520000	Prepaid Insurance	C162	Prepayments
16525000	Prepaid Insurance - Intercompany	C162	Prepayments
16530000	Prepaid PUC/PSC Assessment	C162	Prepayments
16540000	Prepaid Audit Fees	C162	Prepayments
16550000	Prepaid Other	C162	Prepayments
16550010	Prepaid Other - Global	C162	Prepayments
16611000	Reg Asset-OCA tax	C174	Misc Current & Accr
16612000	Reg Asset-OCA non tax	C174	Misc Current & Accr
17420000	Income Tax Receivable - Federal - Current Portion	C174	Misc Current & Accr
17430000	Income Tax Receivable - State - Current Portion	C174	Misc Current & Accr
18503000	Reg Asset-Inc Tax Rec Thru Rates-AFUDC Equity CWIP	C1863	Regulatory Assets
18503500	Reg Asset-Inc Tax Rec Thru Rates-AFUDC Equity	C1863	Regulatory Assets
18504000	Reg Asset-Inc Tax Rec Thru Rates-Fed Flow thru	C1863	Regulatory Assets
18504500	Reg Asset-Inc Tax Rec Thru Rates-Other	C1863	Regulatory Assets
18505000	Reg Asset-Inc Tax Rec Thru Rates-St Flow Thru	C1863	Regulatory Assets
18505100	Reg Asset-Inc Tax Rec Thru Rates-St Tax Chg	C1863	Regulatory Assets
18505500	Reg Asset-Inc Tax Rec Thru Rates-Acc Amort	C1863	Regulatory Assets
18506000	Reg Asset-Inc Tax Rec Thru Rates-Reg Liab Reclass	C1863	Regulatory Assets
18610000	Reg Asset - Deferred Programmed Maint	C1862	Other Deferred Debit
18620000	Reg Asset - Deferred Rate Case	C1861	Deferred Rate Case
18631000	Reg Asset - Deferred OPEB	C1862	Other Deferred Debit
18632000	Reg Asset - Deferred OPEB Service Co	C1862	Other Deferred Debit
18641000	Reg Asset - Deferred Pension	C1862	Other Deferred Debit
18642000	Reg Asset - Deferred Pension Service Co	C1862	Other Deferred Debit
18650000	Reg Asset - Purchase Prem Rec Thru Rates	C1862	Other Deferred Debit
18661000	Reg Asset - Unamortized Debt Exp	C181	Unamort Debt Expense
18661500	Reg Asset - Unamortized Debt Exp Interco	C181	Unamort Debt Expense
18662000	Reg Asset - Unamortized Preferred Stock Exp	C181	Unamort Debt Expense
18680000	Reg Asset - Cost of Removal	C1081	Accu Depr-UP in Serv
18680100	Reg Asset - Cost of Removal - RWIP	C1862	Other Deferred Debit

18680101	Reg Asset - Deferred Vacation Pay	C174	Misc Current & Accr
18680102	Reg Asset - Deferred Cust Service Proj	C183	Prelim Survey & Inve
18680103	Reg Asset - Deferred Financial Services Proj	C183	Prelim Survey & Inve
18680111	Reg Asset - Sick Bank	C1862	Other Deferred Debit
18680113	Reg Asset - Deferred Purchased Water	C1862	Other Deferred Debit
18680126	Reg Asset - FAS112 Costs	C1862	Other Deferred Debit
18680127	Reg Asset - Treatment Plant	C1862	Other Deferred Debit
18680131	Reg Asset - Depreciation Study	C1862	Other Deferred Debit
18680132	Reg Asset - Cost of Service Study	C1862	Other Deferred Debit
18680134	Reg Asset - Post In-Service AFUDC	C1862	Other Deferred Debit
18680135	Reg Asset - Post In-Service Depreciation	C1862	Other Deferred Debit
18680136	Reg Asset - Environmental Remediation	C1862	Other Deferred Debit
18680137	Reg Asset - Rental Costs	C1862	Other Deferred Debit
18680140	Carmel River Mitigation Balancing Account	C1862	Other Deferred Debit
18680141	Reg Asset - Oper Energy Efficiency	C1862	Other Deferred Debit
18680142	Reg Asset - Cease & Desist Order	C1862	Other Deferred Debit
18680143	Reg Asset - Cease & Desist Penalty	C1862	Other Deferred Debit
18680144	Reg Asset - Waste Disposal	C1862	Other Deferred Debit
18680145	Reg Asset - Revenue Stabilization	C1862	Other Deferred Debit
18680146	Reg Asset - Public Safety Power Shut-Off Memo Acct	C1861	Deferred Rate Case
18680147	Reg Asset - Low Income Customer Data Sharing	C1862	Other Deferred Debit
18680150	Reg Asset- Low Income Balancing	C1862	Other Deferred Debit
18680151	Reg Asset - Phase 1 ASR	C1862	Other Deferred Debit
18680152	Reg Asset - Seaside ASR	C1862	Other Deferred Debit
18680153	Reg Asset - Patton Well	C1862	Other Deferred Debit
18680154	Reg Asset - Management Study	C1862	Other Deferred Debit
18680160	Reg Asset - Santa Rosa Groundwater Survey	C1862	Other Deferred Debit
18680162	Reg Asset- Closing Costs	C1862	Other Deferred Debit
18680163	Reg Asset - DSIC Surcharge	C1862	Other Deferred Debit
18680164	Reg Asset - Low Income Program Costs	C1862	Other Deferred Debit
18680165	Reg Asset - Interim Rates	C1862	Other Deferred Debit
18680166	Reg Asset - Water Revenue Adjustment Mechanism	C1862	Other Deferred Debit
18680167	Reg Asset - San Clemente Dam AFUDC	C1862	Other Deferred Debit
18680168	Reg Asset - Conservation Surcharge	C1862	Other Deferred Debit
18680169	Reg Asset - Engineering Study	C1862	Other Deferred Debit
18680170	Reg Asset - San Clemente Dam Removal Costs	C1862	Other Deferred Debit
18680171	Sand City Desal Plant Pur Wtr Bal Acct	C1862	Other Deferred Debit
18680172	Reg Asset -Leak Adjustments	C1862	Other Deferred Debit
18680191	Reg Asset - PSTAC Balancing Account	C1862	Other Deferred Debit
18680192	Reg Asset - Additional Security Costs	C1862	Other Deferred Debit
18680194	Reg Asset - Conservation Balancing Acct	C1862	Other Deferred Debit
18680195	Reg Asset - Purch Power & Water Balancing Acct	C1862	Other Deferred Debit
18680196	Reg Asset - Carmel River Dam	C1862	Other Deferred Debit
18680197	Reg Asset - Coastal Water Project Surcharge	C1862	Other Deferred Debit
18680198	Reg Asset - Seaside GW Basin	C1862	Other Deferred Debit
18680199	Reg Asset - Endangered Species Act	C1862	Other Deferred Debit
18680200	Reg Asset - Authorized Balancing Account	C1862	Other Deferred Debit
18680207	Reg Asset - EPA Risk and Resiliency Assessment	C1862	Other Deferred Debit
18680208	Reg Asset - Drought Memorandum	C1862	Other Deferred Debit
18680210	Reg Asset - Water Action Plan - Memo Acct	C1862	Other Deferred Debit
18680211	Reg Asset - Conservation/Rationing	C1862	Other Deferred Debit
18680216	Reg Asset - Comprehensive Tax Study	C1862	Other Deferred Debit
18680218	Regulatory Asset - "Make-Whole Premium"	C1862	Other Deferred Debit
18680223	Reg Asset - Credit Card Pilot Program Memo Account	C1862	Other Deferred Debit
18680224	Group Insurance Balancing Account	C1862	Other Deferred Debit
18680226	Regulatory Asset - Enterprise Solutions	C1862	Other Deferred Debit
18680228	Reg Asset - Pandemic Costs	C1861	Deferred Rate Case
18680229	SEI Deferred Costs	C1861	Deferred Rate Case
18680230	Tax Tracker	C1861	Deferred Rate Case
18680295	Reg Asset - EITF	C1862	Other Deferred Debit
18680333	Reg Asset - Cust Lead Svc Line Replacements	C1862	Other Deferred Debit
18680395	Reg Asset - Sacramento VCMRRAMA	C1862	Other Deferred Debit
18689900	Reg Asset - Other	C1862	Other Deferred Debit
18711000	LT Asset - Preliminary Financing Exp	C1862	Other Deferred Debit
18711500	LT Asset - Debt Issuance Cost	C1862	Other Deferred Debit

18712000	LT Asset - SERP Trust	C1862	Other Deferred Debit
18712500	LT Asset - Deferred Comp Trust	C1862	Other Deferred Debit
18713000	LT Asset - Prelim Survey & Investigation	C183	Prelim Survey & Inve
18714200	Income Tax Receivable - Federal - Long Term	C183	Prelim Survey & Inve
18714300	Income Tax Receivable - State - Long Term	C183	Prelim Survey & Inve
18715000	LT Asset - Unamortized Debt Exp Non-Reg	C181	Unamort Debt Expense
18715500	LT Asset - Unamort Debt Exp Non-Reg Interco	C181	Unamort Debt Expense
18715700	LT Asset - Unamort Debt In - Revolver	C181	Unamort Debt Expense
18717000	LT Asset - Deferred Transaction Costs	C1862	Other Deferred Debit
18720000	LT Asset - Swap Contract	C1862	Other Deferred Debit
18740000	LT Asset - Receivable	C1862	Other Deferred Debit
18741000	LT Asset - Intercompany Notes	C1862	Other Deferred Debit
18742000	LT Asset - Intercompany Capital Lease	C1862	Other Deferred Debit
18742100	LT Asset - Intercompany Capital Lease Income	C1862	Other Deferred Debit
18743000	LT Asset - Tax Credits Receivable	C1862	Other Deferred Debit
18750000	LT Asset - Operating Lease Right-Of-Use Assets	C1862	Other Deferred Debit
18790000	LT Asset - Other	C1862	Other Deferred Debit
18791000	LT Asset - OPEB	C1862	Other Deferred Debit
18792000	LT Asset - OPEB Repurpose	C1862	Other Deferred Debit
18800000	Funds Restricted for Construction - LT	C1862	Other Deferred Debit
18800100	LT Asset - Funds Restricted for Construction - SRF	C1862	Other Deferred Debit
20110000	Common Stock - Subs Minority Interest	C201	Common Stk Issued
20120000	Common Stock - Subs Intercompany	C201	Common Stk Issued
20130000	Common Stock - AWK	C201	Common Stk Issued
20510000	Paid-in Capital - Subs Minority Interest	C207	Premium on Capital S
20520000	Paid-in Capital - Subs Intercompany	C211	Other Paid In Capita
20530000	Paid-in Capital - AWK Misc	C207	Premium on Capital S
20530100	Paid-in Capital - AWK Restricted Stock	C211	Other Paid In Capita
20530200	Paid-in Capital - AWK Options	C211	Other Paid In Capita
20530300	Paid-in Capital - AWK RSU's	C211	Other Paid In Capita
20530400	Paid-in Capital - AWK Treasury Stock	C211	Other Paid In Capita
20530500	Paid-in Capital - AWK ESPP	C211	Other Paid In Capita
20530600	Paid-in Capital - AWK DRIP	C211	Other Paid In Capita
20530650	Paid-in Capital - DWAC Fees	C211	Other Paid In Capita
20530700	Paid-in Capital - Tax Windfall	C211	Other Paid In Capita
20540000	Paid-in Capital - AWK Capital Stock Expense	C211	Other Paid In Capita
21021000	Retained Earnings at Acquisition Intercompany	C215	Unappropriated R/E
21024000	Retained Earnings Since Acquisition	C215	Unappropriated R/E
21025000	Retained Earnings Retro Accounting Adjustments	C215	Unappropriated R/E
21026000	Retained Earnings Profit Sharing Intercompany	C215	Unappropriated R/E
21200000	Treasury stock	C216	Reacquired Capital S
21300000	Accumulated Comprehensive Income	C216	Reacquired Capital S
21300010	Accumulated Comprehensive Income - Tax	C216	Reacquired Capital S
21300200	Accumulated Comprehensive Income - Pension	C216	Reacquired Capital S
21300210	Accumulated Comprehensive Income - Pension - Tax	C216	Reacquired Capital S
21300300	Accumulated Comprehensive Income - Hedge	C216	Reacquired Capital S
21300305	Accumulated Comprehensive Income - Hedge - Interco	C216	Reacquired Capital S
21300310	Accumulated Comprehensive Income - Hedge - Tax	C216	Reacquired Capital S
21300315	Accumulated Comprehensive Income-Hedge Interco-Tax	C216	Reacquired Capital S
21410000	Preferred Stock - w/o Mandatory Redemptn Requirmts	C205	Preferred Stk Subscr
21420000	Preferred Stock - w/o Mand Redemptn Requirmts I/C	C205	Preferred Stk Subscr
21510000	Preferred Stock - Redeemable	C204	Preferred Stk Issued
21510100	Preferred Stock - Redeemable FV Uplift	C204	Preferred Stk Issued
21550000	Curr Portion - Redeemable Preferred Stock	C204	Preferred Stk Issued
22110000	Bonds	C221	Bonds
22110100	Bonds - FV Uplift	C221	Bonds
22110200	Bonds - FV Hedge	C221	Bonds
22110400	LT Debt - Discount Inside	C221	Bonds
22110500	AWTR-LT Debt Premium-Outside	C221	Bonds
22110600	Unamortized Debt Expense - Non-Reg	C221	Bonds
22115000	Bonds - Interco	C221	Bonds
22130000	Capital Lease	C224	Other LTD
22135000	Capital Lease - Interco	C224	Other LTD
22210000	Current Portion LTD	C221	Bonds
22215000	Current Portion LTD - Interco	C221	Bonds

22230000	Current Portion Capital Lease	C224	Other LTD
22235000	Current Portion Capital Lease Interco	C224	Other LTD
23110000	N/P Commercial Paper	C232	Notes Payable
23110500	N/P Commercial Paper Discount	C232	Notes Payable
23120000	N/P Assoc Cos	C234	N/P Assoc Co
23121000	In-House Cash Center Bank	C234	N/P Assoc Co
23121001	IHC Clearing - Outgoing Payment	C234	N/P Assoc Co
23121002	IHC Clearing - Incoming Payment	C234	N/P Assoc Co
23121003	In-House Cash Center - Payment Clearing	C234	N/P Assoc Co
23121004	In-House Cash Center - Clearing Account	C234	N/P Assoc Co
23121005	IHC Clearing - Intermediate	C234	N/P Assoc Co
23121006	IHC Clearing - Other	C234	N/P Assoc Co
23129000	N/P Assoc Cos - Loan Clearing	C234	N/P Assoc Co
23130000	N/P Revolving Credit Line	C232	Notes Payable
23140000	N/P Term Loans	C232	Notes Payable
23140005	N/P Term Loans - Intercompany	C232	Notes Payable
23410000	A/P - Reconciliation Account	C231	Accounts Payable
23410100	A/P Intercompany - Reconciliation Account	C233	A/P Assoc Co
23410999	A/P - Conversion	C231	Accounts Payable
23411000	A/P - Pcard	C231	Accounts Payable
23411001	PCard Distributed-Clearing for Mapped Transactions	C231	Accounts Payable
23411400	A/P - Gcard Clearing	C231	Accounts Payable
23411500	A/P - Pcard Clearing	C231	Accounts Payable
23412000	A/P Clearing	C231	Accounts Payable
23412200	A/P - Contracted Services	C231	Accounts Payable
23412500	A/P - Phone Bills	C231	Accounts Payable
23420000	A/P - Contract Retentions	C231	Accounts Payable
23430000	A/P - Miscellaneous	C231	Accounts Payable
23430600	A/P - Workbasket Accrual	C231	Accounts Payable
23430700	A/P - Pcard Accrual	C231	Accounts Payable
23430900	A/P - PNC Loan Clearing	C231	Accounts Payable
23431000	A/P - Misc Global	C231	Accounts Payable
23435000	A/P - Project Cost Accrual	C231	Accounts Payable
23436000	A/P-GRIR Capital Services	C231	Accounts Payable
23439000	A/P - Income Taxes Withheld	C231	Accounts Payable
23510000	A/P Associated Companies	C233	A/P Assoc Co
23510041	AP Associated Cos - AWI IOTG	C233	A/P Assoc Co
23510500	A/P Associated Companies - Dividend Equivalent	C233	A/P Assoc Co
23510600	Intercompany System Clearing -CIS Only	C233	A/P Assoc Co
23520000	A/P Associated Companies - Service Co Bill	C233	A/P Assoc Co
23520001	A/P Associated Companies - Service Co Bill	C233	A/P Assoc Co
23530000	CFO - WLPP Interco	C233	A/P Assoc Co
23530100	CFO - SLPP Interco	C233	A/P Assoc Co
23530200	CFO - InHome Interco	C233	A/P Assoc Co
23530300	CFO - WLPP/SLPP Interco	C233	A/P Assoc Co
23530400	CFO - WLPP/SLPP/InHome Interco	C233	A/P Assoc Co
23530500	CFO - Leak Detection Protection Plan Interco	C233	A/P Assoc Co
23530600	CFO - Water Heater Protection Plan Interco	C233	A/P Assoc Co
23540000	CFO - WLPP Receivable Interco	C233	A/P Assoc Co
23540001	CFO - WLPP Receivable Interco - CIS Reconciliation	C233	A/P Assoc Co
23540100	CFO - SLPP Receivable Interco	C233	A/P Assoc Co
23540101	CFO - SLPP Receivable Interco - CIS Reconciliation	C233	A/P Assoc Co
23540200	CFO - InHome Receivable Interco	C233	A/P Assoc Co
23540201	CFO - InHome Receivable I/C - CIS Reconciliation	C233	A/P Assoc Co
23540300	CFO - WLPP/SLPP Receivable Interco	C233	A/P Assoc Co
23540301	CFO - WLPP/SLPP Receivable I/C-CIS Reconciliation	C233	A/P Assoc Co
23540400	CFO - WLPP/SLPP/InHome Receivable Interco	C233	A/P Assoc Co
23540401	CFO - WLPP/SLPP/InHome Rec I/C-CIS Reconciliation	C233	A/P Assoc Co
23540501	CFO - Leak Detection PP Interco-CIS Reconciliation	C233	A/P Assoc Co
23540601	CFO - Water Heater PP Interco - CIS Reconciliation	C233	A/P Assoc Co
23599999	Intercompany System Clearing	C233	A/P Assoc Co
23621000	Accrued FIT - Current Year	C23612	Accr Taxes-Income Ta
23621500	Accrued FIT - Current Year Unitary Returns	C23612	Accr Taxes-Income Ta
23622000	Accrued FIT - Prior Years	C23612	Accr Taxes-Income Ta
23622500	Accrued FIT - Prior Years Unitary Returns	C23612	Accr Taxes-Income Ta

23631000	Accrued SIT - Current Year	C23612	Accr Taxes-Income Ta
23631500	Accrued SIT - Current Year Unitary Returns	C23612	Accr Taxes-Income Ta
23632000	Accrued SIT - Prior Years	C23612	Accr Taxes-Income Ta
23632500	Accrued SIT - Prior Years - Unitary Returns	C23612	Accr Taxes-Income Ta
23651000	Accrued Tax - Gross Income & Receipts	C23611	Accr Taxes-Other tha
23651100	Accrued Tax - Gross Income & Receipts-IncTax	C23611	Accr Taxes-Other tha
23652000	Accrued Tax - FUTA	C23611	Accr Taxes-Other tha
23652100	Accrued Tax - FICA	C23611	Accr Taxes-Other tha
23652200	Accrued Tax - SUTA	C23611	Accr Taxes-Other tha
23652300	Accrued Tax - Payroll Tax Clearing	C23611	Accr Taxes-Other tha
23652400	Accrued Tax - Local	C23611	Accr Taxes-Other tha
23653000	Accrued Tax - Property Tax	C23611	Accr Taxes-Other tha
23654000	Accrued Tax - Use Tax	C23611	Accr Taxes-Other tha
23654100	Accrued Tax - Franchise Tax	C23611	Accr Taxes-Other tha
23654110	Accrued Tax - Franchise Tax - Income Tax	C23611	Accr Taxes-Other tha
23654200	Accrued Tax - PURTA	C23611	Accr Taxes-Other tha
23654300	Accrued Tax - Capital Stock	C23611	Accr Taxes-Other tha
23654310	Accrued Tax - Capital Stock - Income Tax	C23611	Accr Taxes-Other tha
23659000	Accrued Tax - Other	C23611	Accr Taxes-Other tha
23720000	Interest Accrued - LTD	C2371	Accr Interest-LTD
23730000	Interest Accrued - LTD Interco	C2371	Accr Interest-LTD
23740000	Interest Accrued - Redeemable Preferred Dividends	C241	Misc Current & Accr
23750000	Interest Accrued - Other	C2372	Accr Interest-Other
24120000	Accrued Vacation Pay	C241	Misc Current & Accr
24120100	Accrued Water Purchases	C241	Misc Current & Accr
24120200	Accrued Power	C241	Misc Current & Accr
24120300	Accrued Legal	C241	Misc Current & Accr
24120600	Accrued Wages	C241	Misc Current & Accr
24120699	Accrued Wages - Net Adjustments Clearing	C241	Misc Current & Accr
24120700	Accrued Insurance	C241	Misc Current & Accr
24120710	Accrued Insurance Retro Adjustment	C241	Misc Current & Accr
24120720	Accrued Insurance Unfunded	C241	Misc Current & Accr
24120800	Accrued Rents	C241	Misc Current & Accr
24121000	Accrued Waste Disposal	C241	Misc Current & Accr
24121100	Accrued Retiree Medical	C241	Misc Current & Accr
24121200	Accrued DCP - Contribution	C241	Misc Current & Accr
24121300	Accrued Health Savings Account	C241	Misc Current & Accr
24121400	Accrued Bank Fees	C241	Misc Current & Accr
24121500	Accrued Credit Lines Fees	C241	Misc Current & Accr
24121800	Accrued Severance	C241	Misc Current & Accr
24121900	Accrued Healthy Solution	C241	Misc Current & Accr
24122500	Refund Rates Under Bond	C241	Misc Current & Accr
24122600	Accrued Safety Incentive	C241	Misc Current & Accr
24122700	Accrued Employer 401k Match	C241	Misc Current & Accr
24122800	Accr'd Pref'd Dividnds w/o Mand Redmptn Requiremts	C241	Misc Current & Accr
24122850	Pref'd Div Declared w/o Mand Redemtpn Requiremts	C238	Accrued Dividends
24122900	Common Dividends Declared	C238	Accrued Dividends
24123000	Accrued Incentive Plan Cash	C241	Misc Current & Accr
24123100	Accrued Construction Costs	C241	Misc Current & Accr
24126000	Miscellaneous Deposits Payable	C241	Misc Current & Accr
24126200	Accrued Paving	C241	Misc Current & Accr
24126300	Accrued Litigation	C241	Misc Current & Accr
24126400	Customer Deposits	C235	Customer Deposits
24126500	Accrued Audit Fees	C241	Misc Current & Accr
24129000	Accrued NOAA Settlement - Current Portion	C241	Misc Current & Accr
24133000	Unclaimed Customer Credits	C241	Misc Current & Accr
24133200	Unclaimed A/P Checks	C241	Misc Current & Accr
24133300	Unclaimed Wages	C241	Misc Current & Accr
24142001	WH PR - Union Dues	C241	Misc Current & Accr
24142002	WH PR - Charity Contributions	C241	Misc Current & Accr
24142003	WH PR - Federal Political Action Committee Contr	C241	Misc Current & Accr
24142005	WH PR - Flex Spending	C241	Misc Current & Accr
24142006	WH PR - 401k Contributions	C241	Misc Current & Accr
24142008	WH PR - Garnishments	C241	Misc Current & Accr
24142009	WH PR - Life Insurance	C241	Misc Current & Accr

24142010	WH PR - Tax Coll Pay FIT	C241	Misc Current & Accr
24142011	WH PR - Tax Coll Pay SUI	C241	Misc Current & Accr
24142012	WH PR - Tax Coll Pay LIT	C241	Misc Current & Accr
24142013	WH PR - Tax Coll Pay FICA	C241	Misc Current & Accr
24142014	WH PR - ESPP	C241	Misc Current & Accr
24142099	WH PR - Miscellaneous	C241	Misc Current & Accr
24142100	WH PR - Tax Coll SIT	C241	Misc Current & Accr
24150000	Operating Lease Current Liability	C241	Misc Current & Accr
24161000	GRIR - Stock E (Materials)	C241	Misc Current & Accr
24162000	GRIR - Stock D (Fuel)	C241	Misc Current & Accr
24163000	GRIR - Stock C (Chemicals)	C241	Misc Current & Accr
24164000	GRIR - Non-inventory	C241	Misc Current & Accr
24165000	GRIR - Freight	C241	Misc Current & Accr
24166000	GRIR-Capital Expenditure Accruals Reclass	C241	Misc Current & Accr
24169999	GRIR - Conversion	C241	Misc Current & Accr
24171000	CFO Miscellaneous	C241	Misc Current & Accr
24171001	CFO Customer Assistance	C241	Misc Current & Accr
24171005	CFO Customer Assistance Non Pledged	C241	Misc Current & Accr
24171006	CFO Customer Assistance Pledged	C241	Misc Current & Accr
24171009	CFO Primacy fees	C241	Misc Current & Accr
24171011	CFO MC/Sewer Revenue/Cash	C241	Misc Current & Accr
24171012	CFO MC/Sewer A/R	C241	Misc Current & Accr
24171013	CFO MC/Sewer Adjustment	C241	Misc Current & Accr
24171014	CFO MC/Sewer ChgOff	C241	Misc Current & Accr
24172000	CFO Sales Tax	C241	Misc Current & Accr
24172001	CFO Sales Tax AZ	C241	Misc Current & Accr
24172002	CFO Sales Tax CA Chula Vista	C241	Misc Current & Accr
24172003	CFO Sales Tax CA Sacramento	C241	Misc Current & Accr
24172004	CFO Sales Tax CA San Marino	C241	Misc Current & Accr
24172005	CFO Sales Tax FL	C241	Misc Current & Accr
24172006	CFO Sales Tax IL Belleville	C241	Misc Current & Accr
24172007	CFO Sales Tax IL Alton	C241	Misc Current & Accr
24172008	CFO Sales Tax IL Chicago	C241	Misc Current & Accr
24172009	CFO Sales Tax IN	C241	Misc Current & Accr
24172010	CFO Sales Tax KY	C241	Misc Current & Accr
24172011	CFO Sales Tax MO	C241	Misc Current & Accr
24172012	CFO Sales Tax NJ	C241	Misc Current & Accr
24172013	CFO Sales Tax PA	C241	Misc Current & Accr
24172014	CFO Sales Tax TN	C241	Misc Current & Accr
24172015	CFO Sales Tax WV	C241	Misc Current & Accr
24172016	CFO Sales Tax NY	C241	Misc Current & Accr
24172017	CFO Sales Tax Texas	C241	Misc Current & Accr
24172100	CFO Sales Tax - from CIS	C241	Misc Current & Accr
24173000	CFO Gross Receipts Tax	C241	Misc Current & Accr
24173100	CFO Gross Receipts Tax - from CIS	C241	Misc Current & Accr
24174000	CFO Municipal Tax	C241	Misc Current & Accr
24174100	CFO Municipal Tax - from CIS	C241	Misc Current & Accr
24175100	CFO PUC Surcharge - from CIS	C241	Misc Current & Accr
24175200	CFO Surcharge - State Revolving Fund - from CIS	C241	Misc Current & Accr
24176000	Transaction Tax Audit Reserve	C241	Misc Current & Accr
24199100	Reg Liab-OCL taxable	C241	Misc Current & Accr
24199200	Reg Liab-OCL non tax	C241	Misc Current & Accr
24199500	Reg Liab-Tax Cuts & Jobs Act Customer Refunds-Curr	C2531	Regulatory Liabiliti
24199600	Liabilities Held For Sale	C241	Misc Current & Accr
24199700	Deferred Revenue - Current Portion	C241	Misc Current & Accr
24199701	Deferred Revenue - Current Portion - Intercompany	C241	Misc Current & Accr
24199800	Other Current Liabilities - Tax Sensitive	C241	Misc Current & Accr
24199900	Other Current Liabilities - Non-Tax Sensitive	C241	Misc Current & Accr
25211000	Advances for Construction - NT Mains	C252	Advances for Constr
25212000	Advances for Construction - NT Extension Deposits	C252	Advances for Constr
25213000	Advances for Construction - NT Services	C252	Advances for Constr
25214000	Advances for Construction - NT Meters	C252	Advances for Constr
25215000	Advances for Construction - NT Hydrants	C252	Advances for Constr
25216000	Advances for Construction - NT Other	C252	Advances for Constr
25217000	Advances for Construction - NT WIP	C252	Advances for Constr

25221000	Advances for Construction - Tax Mains	C252	Advances for Constru
25222000	Advances for Construction - Tax Extension Deposits	C252	Advances for Constru
25223000	Advances for Construction - Tax Services	C252	Advances for Constru
25224000	Advances for Construction - Tax Meters	C252	Advances for Constru
25225000	Advances for Construction - Tax Hydrants	C252	Advances for Constru
25226000	Advances for Construction - Tax Other	C252	Advances for Constru
25227000	Advances for Construction - Tax WIP	C252	Advances for Constru
25230000	Advances for Construction - Tax SIT	C252	Advances for Constru
25241000	Advances for Construction - Tax Mains - FIT	C252	Advances for Constru
25242000	Advances for Construction - Tax Extension Dep -FIT	C252	Advances for Constru
25243000	Advances for Construction - Tax Services - FIT	C252	Advances for Constru
25244000	Advances for Construction - Tax Meters - FIT	C252	Advances for Constru
25245000	Advances for Construction - Tax Hydrants - FIT	C252	Advances for Constru
25246000	Advances for Construction - Tax Other - FIT	C252	Advances for Constru
25280000	Advances for Construction - Reclassed to Current	C252	Advances for Constru
25299900	Advances for Construction - Current	C252	Advances for Constru
25310000	Deferred FIT Liability – Property	C283	Accu Def Inc Tax-Oth
25310100	Deferred FIT Liability - FAS109 Increment	C283	Accu Def Inc Tax-Oth
25311000	Deferred FIT Liability – Non Property	C283	Accu Def Inc Tax-Oth
25311100	Deferred FIT Liability - FAS109 Gross Up	C283	Accu Def Inc Tax-Oth
25311500	Deferred FIT Liability - Unitary Returns	C283	Accu Def Inc Tax-Oth
25319000	Deferred FIT Asset - Long Term	C1901	Accu Def FIT
25320000	Deferred SIT Liability - Property	C283	Accu Def Inc Tax-Oth
25320100	Deferred SIT Liability - FAS109 Increment	C283	Accu Def Inc Tax-Oth
25321000	Deferred SIT Liability – Non Property	C283	Accu Def Inc Tax-Oth
25321100	Deferred SIT Liability - FAS109 Gross Up	C283	Accu Def Inc Tax-Oth
25321500	Deferred SIT Liability - Unitary Returns	C283	Accu Def Inc Tax-Oth
25329000	Deferred SIT Asset - Long Term	C1902	Accu Def SIT
25340000	Deferred FIT Liability - Current	C23612	Accr Taxes-Income Ta
25349000	Deferred FIT Asset - Current	C174	Misc Current & Accr
25350000	Deferred SIT Liability - Current	C23612	Accr Taxes-Income Ta
25359000	Deferred SIT Asset - Current	C174	Misc Current & Accr
25510100	Unamortized ITC - 3%	C2551	Accu Def ITC-Utility
25510200	Unamortized ITC - 4%	C2551	Accu Def ITC-Utility
25510300	Unamortized ITC - 10%	C2551	Accu Def ITC-Utility
25510400	Unamortized ITC - 6%	C2551	Accu Def ITC-Utility
25510500	Unamortized ITC - State	C2551	Accu Def ITC-Utility
25621000	Reg Liab-Inc Tax Rec Thru Rates-Exc Def FIT	C2531	Regulatory Liabiliti
25621100	Reg Liab-Inc Tax Rec Thru Rates-Exc Def AFUDC FIT	C2531	Regulatory Liabiliti
25621200	Reg Liab-Inc Tax Rec Thru Rates-Exc Def Depr FIT	C2531	Regulatory Liabiliti
25622000	Reg Liab-Inc Tax Rec Thru Rates-Deficit Def	C2531	Regulatory Liabiliti
25623000	Reg Liab-Inc Tax Rec Thru Rates-Exc Def SIT	C2531	Regulatory Liabiliti
25623100	Reg Liab-Inc Tax Rec Thru Rates-Exc Def AFUDC SIT	C2531	Regulatory Liabiliti
25623200	Reg Liab-Inc Tax Rec Thru Rates-Exc Def Dep SIT	C2531	Regulatory Liabiliti
25624000	Reg Liab-Inc Tax Rec Thru Rates-Other	C2531	Regulatory Liabiliti
25624100	Reg Liab-Inc Tax Rec Thru Rates-Other-CA Tax Bal	C2531	Regulatory Liabiliti
25626000	Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up 3%	C2531	Regulatory Liabiliti
25626100	Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up 4%	C2531	Regulatory Liabiliti
25626200	Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up 10%	C2531	Regulatory Liabiliti
25626300	Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up 6%	C2531	Regulatory Liabiliti
25626500	Reg Liab-Inc Tax Rec Thru Rates-ITC Gross-Up SIT	C2531	Regulatory Liabiliti
25629000	Reg Liab-Inc Tax Rec Thru Rates-Reg Asset Reclass	C2531	Regulatory Liabiliti
25632000	Reg Liab - Revenue Stabilization	C2531	Regulatory Liabiliti
25632100	Reg Liab - Property Tax Stabilization	C2531	Regulatory Liabiliti
25632300	Reg Liab-Tax Cuts & Jobs Act Customer Refunds - LT	C2531	Regulatory Liabiliti
25632400	Reg Liab - Refund to Customers	C2531	Regulatory Liabiliti
25632500	Reg Liab - Conservation Surcharge	C2531	Regulatory Liabiliti
25632600	Reg Liab - Purchased Sewer Stabilization	C2531	Regulatory Liabiliti
25632700	Reg Liab - Purchased Water Stabilization	C2531	Regulatory Liabiliti
25632800	Reg Liab - Property Tax Settlement	C2531	Regulatory Liabiliti
25632900	Reg Liab - PBOP Tracker	C2531	Regulatory Liabiliti
25633000	Reg Liab - Pension Tracker	C2531	Regulatory Liabiliti
25633100	Reg Liab - Tank Painting Tracker	C2531	Regulatory Liabiliti
25633200	Reg Liab - Service Company Pension	C2531	Regulatory Liabiliti
25633300	Reg Liab - PBOP	C2531	Regulatory Liabiliti

25633400	Reg Liab - Pension Internal Reserve	C2531	Regulatory Liabiliti
25633500	Reg Liab - Gain on Debt	C2531	Regulatory Liabiliti
25633700	Reg Liab - Gain on Acquisition	C2531	Regulatory Liabiliti
25633800	Reg Liab - Accrued Rate Case Expense	C2531	Regulatory Liabiliti
25634100	Reg Liab - Property Sales in Suspense	C2531	Regulatory Liabiliti
25634300	Reg Liab - Litigation Proceeds	C2531	Regulatory Liabiliti
25634400	Reg Liab - CA Aerojet Project	C2531	Regulatory Liabiliti
25634500	Reg Liab - MTBE Settlement	C2531	Regulatory Liabiliti
25634600	Reg Liab - Atrazine Settlement	C2531	Regulatory Liabiliti
25634700	Reg Liab - Interim Rates	C2531	Regulatory Liabiliti
25634800	Reg Liab - Def Revenue CIAC FIT	C2531	Regulatory Liabiliti
25634900	Reg Liab - Cost of Capital Reserve	C2531	Regulatory Liabiliti
25635000	RL- Aluminum Sulfate	C2531	Regulatory Liabiliti
25635500	Reg Liab - Refund of COR	C2531	Regulatory Liabiliti
25636000	Reg Liab - Pandemic Costs	C2531	Regulatory Liabiliti
25680163	DSIC Surcharge Overcollection	C2531	Regulatory Liabiliti
25689900	Reg Liab - Other	C2531	Regulatory Liabiliti
25700000	Reg Liab - Cost of Removal	C1081	Accu Depr-UP in Serv
25710000	Reg Liab - Cost of Removal RWIP	C1862	Other Deferred Debit
26212000	Accrued Pension Expense	C2532	Other Deferred Liabi
26214000	Accrued Pension Expense ERP (SERP)	C2532	Other Deferred Liabi
26215000	Accrued Pension Expense ERP (SRP)	C2532	Other Deferred Liabi
26216000	Accrued Pension Exp ERP (Special Contract)	C2532	Other Deferred Liabi
26221000	Accrued OPEB	C2532	Other Deferred Liabi
26221100	Accrued OPEB NEI	C2532	Other Deferred Liabi
26221500	Accrued OPEB Medicare Subsidy	C2532	Other Deferred Liabi
26233000	Deferred Revenue - CIAC	C2532	Other Deferred Liabi
26233100	Deferred Revenue - CIAC FIT	C2532	Other Deferred Liabi
26233200	Deferred Revenue - CIAC SIT	C2532	Other Deferred Liabi
26233300	Deferred Revenue - CAC	C2532	Other Deferred Liabi
26233800	Deferred Revenue - Tax Gross-Up AIC	C2532	Other Deferred Liabi
26233900	Deferred Revenue - Tax Gross-Up AIC FIT/SIT	C2532	Other Deferred Liabi
26234000	Deferred Revenue - Tax Gross-Up AIC SIT	C2532	Other Deferred Liabi
26237100	Deferred Revenue	C2532	Other Deferred Liabi
26237500	MPWMD Surcharge Collected for Others	C2532	Other Deferred Liabi
26281100	Accrued Defined Contribution SERP	C2532	Other Deferred Liabi
26281150	Accrued NOAA Settlement	C2532	Other Deferred Liabi
26281200	Accrued 401k Restoration	C2532	Other Deferred Liabi
26281250	Accrued Asset Retirement Obligation Liability	C2532	Other Deferred Liabi
26281300	Deferred FAS 112 Costs	C2532	Other Deferred Liabi
26281350	Swap Contract FV Liability	C2532	Other Deferred Liabi
26281400	Extension Deposits in Suspense	C2532	Other Deferred Liabi
26281450	Advance Pay & Deposits	C2532	Other Deferred Liabi
26281500	Accrued Dividend Equivalents	C2532	Other Deferred Liabi
26281600	Property Sales in Suspense	C2532	Other Deferred Liabi
26281700	Deferred Compensation (prior 1/1/08)	C2532	Other Deferred Liabi
26281800	Non-Qualified Savings & Def Compensation	C2532	Other Deferred Liabi
26281900	Accrued Sick Bank	C2532	Other Deferred Liabi
26281990	Long Term Liability Acquisition Offset	C2532	Other Deferred Liabi
26281997	Surcharge Clearing- WV B&O Tax (CIS)	C2532	Other Deferred Liabi
26281998	DCN-Deferred Credit Other - Not Tax Sensitive	C2532	Other Deferred Liabi
26281999	Accrued Long Term Liability - Other	C2532	Other Deferred Liabi
26282000	Accrued Long Term Liability - Other Interco	C2532	Other Deferred Liabi
26300000	Operating Lease Long-Term Liability	C224	Other LTD
26400000	Misc Operating Reserve	C2532	Other Deferred Liabi
26580000	FIN 48 Reserve - Federal	C265	Misc Operating Revenues
26580100	FIN 48 Reserve Penalty & Interest - Federal	C265	Misc Operating Revenues
26581000	FIN 48 Reserve - State	C265	Misc Operating Revenues
26581100	FIN 48 Reserve Penalty & Interest - State	C265	Misc Operating Revenues
27111000	CIAC-Non Taxable - Mains	C271	CIAC
27112000	CIAC-Non Taxable - Ext Dep	C271	CIAC
27113000	CIAC-Non Taxable - Services	C271	CIAC
27114000	CIAC-Non Taxable - Meters	C271	CIAC
27115000	CIAC-Non Taxable - Hydrants	C271	CIAC
27116000	CIAC-Non Taxable - Other	C271	CIAC

27116001	CIAC-Non Taxable - Other Spec Fac Fee	C271	CIAC
27116002	CIAC-Non Taxable - Other Terra Cotta	C271	CIAC
27116010	CIAC-Non Taxable - Other Gov Gmt Contamn Proceed	C271	CIAC
27116020	CIAC-Non Taxable - Other Gov Loan Contamn Proceed	C271	CIAC
27116030	CIAC-Non Taxable - Other Damg Awd Contamn Proceed	C271	CIAC
27116040	CIAC-Non Taxable - Other Settlmnt Contamn Proceed	C271	CIAC
27116051	CIAC-Non Taxable - Other Gvt Ord Contmn Pvt Funds	C271	CIAC
27116052	CIAC-Non Taxable - Other Gvt Ord Contmn Pub Funds	C271	CIAC
27116060	CIAC-Non Taxable - Other Insurance Contmn Proceed	C271	CIAC
27117000	CIAC-Non Taxable - WIP	C271	CIAC
27118000	CIAC-Non Taxable - Non-Utility Property Property	C271	CIAC
27121000	CIAC-Taxable - Mains	C271	CIAC
27122000	CIAC-Taxable - Extension Deposits	C271	CIAC
27123000	CIAC-Taxable - Services	C271	CIAC
27124000	CIAC-Taxable - Meters	C271	CIAC
27125000	CIAC-Taxable - Hydrants	C271	CIAC
27126000	CIAC-Taxable - Other	C271	CIAC
27126040	CIAC-Taxable - Other Settlmnt Contamn Proceed	C271	CIAC
27127000	CIAC-Taxable - WIP	C271	CIAC
27131000	CIAC-Taxable - Mains SIT	C271	CIAC
27133000	CIAC-Taxable - Services SIT	C271	CIAC
27135000	CIAC-Taxable - Hydrants SIT	C271	CIAC
27136000	CIAC-Taxable - Other SIT	C271	CIAC
27137000	CIAC-Taxable - WIP SIT	C271	CIAC
27141000	CIAC-Taxable - Mains FIT	C271	CIAC
27142000	CIAC-Taxable - Extension Deposits - FIT	C271	CIAC
27143000	CIAC-Taxable - Services FIT	C271	CIAC
27144000	CIAC-Taxable - Meters FIT	C271	CIAC
27145000	CIAC-Taxable - Hydrants FIT	C271	CIAC
27146000	CIAC-Taxable - Other FIT	C271	CIAC
27201000	Accum Amort CIAC - Mains	C272	Accu Amort-CIAC
27203000	Accum Amort CIAC - Services	C272	Accu Amort-CIAC
27204000	Accum Amort CIAC - Meters	C272	Accu Amort-CIAC
27205000	Accum Amort CIAC - Hydrants	C272	Accu Amort-CIAC
27206000	Accum Amort CIAC - Other	C272	Accu Amort-CIAC
27210000	Accum Amort CIAC - Tax	C272	Accu Amort-CIAC
29999999	999 Line JE Clearing	C241	Misc Current & Accr
40111000	Residential Sales Billed	C4611	Metered Sales-Res
40111001	Residential Sales Billed - Discount	C4611	Metered Sales-Res
40111100	Residential Sales Billed Surcharge	C4611	Metered Sales-Res
40111101	Residential Sales Billed Surcharge - SRF	C4611	Metered Sales-Res
40111102	Residential Sales Billed Surcharge - LOAN payments	C4611	Metered Sales-Res
40111199	Residential Sales Billed Surcharge - Clearing	C4611	Metered Sales-Res
40111200	Residential Sales Billed DSIC	C4611	Metered Sales-Res
40111201	Residential Sales Billed Other Investment Surch	C4611	Metered Sales-Res
40111300	Residential Sales Billed Unmetered	C460	Unmetered Water Sale
40111400	Residential Sales Billed Non-Rev Stabil Mechanism	C4611	Metered Sales-Res
40112000	Residential Sales Unbilled	C4611	Metered Sales-Res
40121000	Commercial Sales Billed	C4612	Metered Sales-Com
40121100	Commercial Sales Billed Surcharge	C4612	Metered Sales-Com
40121101	Commercial Sales Billed Surcharge - SRF	C4612	Metered Sales-Com
40121102	Commercial Sales Billed Surcharge - LOAN payments	C4612	Metered Sales-Com
40121200	Commercial Sales Billed DSIC	C4612	Metered Sales-Com
40121201	Commercial Sales Billed Other Investment Surch	C4612	Metered Sales-Com
40121300	Commercial Sales Billed Unmetered	C460	Unmetered Water Sale
40121400	Commercial Sales Billed Non-Rev Stabil Mechanism	C4612	Metered Sales-Com
40122000	Commercial Sales Unbilled	C4612	Metered Sales-Com
40131000	Industrial Sales Billed	C4613	Metered Sales-Ind
40131100	Industrial Sales Billed Surcharge	C4613	Metered Sales-Ind
40131101	Industrial Sales Billed Surcharge - SRF	C4613	Metered Sales-Ind
40131102	Industrial Sales Billed Surcharge - LOAN payments	C4613	Metered Sales-Ind
40131200	Industrial Sales Billed DSIC	C4613	Metered Sales-Ind
40131201	Industrial Sales Billed Other Investment Surch	C4613	Metered Sales-Ind
40131400	Industrial Sales Billed Non-Rev Stabil Mechanism	C4613	Metered Sales-Ind
40132000	Industrial Sales Unbilled	C4613	Metered Sales-Ind

40138000	Accrued Revenue Stabilization	C4611	Metered Sales-Res
40138200	Accrued Property Tax Rev Stblztn	C4611	Metered Sales-Res
40141000	Public Fire Billed	C4621	Public Fire Revenues
40141100	Public Fire Billed Surcharge	C4621	Public Fire Revenues
40141101	Public Fire Billed Surcharge - SRF	C4621	Public Fire Revenues
40141102	Public Fire Billed Surcharge - LOAN payments	C4621	Public Fire Revenues
40141200	Public Fire Billed DSIC	C4621	Public Fire Revenues
40141201	Public Fire Billed Other Investment Surch	C4621	Public Fire Revenues
40141400	Public Fire Billed Non-Rev Stabil Mechanism	C4621	Public Fire Revenues
40142000	Public Fire Unbilled	C4621	Public Fire Revenues
40145000	Private Fire Billed	C4622	Private Fire Revenue
40145100	Private Fire Billed Surcharge	C4622	Private Fire Revenue
40145101	Private Fire Billed Surcharge - SRF	C4622	Private Fire Revenue
40145102	Private Fire Billed Surcharge - LOAN payments	C4622	Private Fire Revenue
40145200	Private Fire Billed DSIC	C4622	Private Fire Revenue
40145201	Private Fire Billed Other Investment Such	C4622	Private Fire Revenue
40145400	Private Fire Billed Non-Rev Stabil Mechanism	C4622	Private Fire Revenue
40146000	Private Fire Unbilled	C4622	Private Fire Revenue
40151000	Public Authority Billed	C4614	Metered Sales-OPA
40151100	Public Authority Billed Surcharge	C4614	Metered Sales-OPA
40151101	Public Authority Billed Surcharge - SRF	C4614	Metered Sales-OPA
40151102	Public Authority Billed Surcharge - LOAN payments	C4614	Metered Sales-OPA
40151200	Public Authority Billed DSIC	C4614	Metered Sales-OPA
40151201	Public Authority Billed Other Investment Such	C4621	Public Fire Revenues
40151400	Public Authority Billed Non-Rev Stabil Mechanism	C4614	Metered Sales-OPA
40152000	Public Authority Unbilled	C4614	Metered Sales-OPA
40161000	Sales for Resale Billed	C466	Sales for Resale
40161050	Sales for Resale Billed Interco	C467	Interdept Sales
40161100	Sales for Resale Billed Surcharge	C466	Sales for Resale
40161200	Sales for Resale Billed DSIC	C466	Sales for Resale
40161201	Sales for Resale Billed Other Investment Surch	C466	Sales for Resale
40161250	Sales for Resale Billed DSIC Interco	C466	Sales for Resale
40161251	Sales for Resale Billed Other Investment Surch I/C	C466	Sales for Resale
40161400	Sales for Resale Billed Non-Rev Stabil Mechanism	C466	Sales for Resale
40162000	Sales for Resale Unbilled	C466	Sales for Resale
40171000	Misc Sales Billed	C474	Other Water Revenues
40171100	Misc Sales Billed Surcharge	C474	Other Water Revenues
40171101	Miscellaneous Sales Billed Surcharge - SRF	C474	Other Water Revenues
40171102	Miscellaneous Sales Billed Surcharge - LOAN pymnts	C474	Other Water Revenues
40171200	Misc Sales Billed DSIC	C5221	WW Residential Reven
40171201	Misc Sales Billed Other Investment Surch	C5221	WW Residential Reven
40171300	Misc Sales Billed Unmetered	C474	Other Water Revenues
40171400	Misc Sales Billed Non-Rev Stabil Mechanism	C474	Other Water Revenues
40172000	Misc Sales Unbilled	C474	Other Water Revenues
40175100	Misc Sales ORCOM Errors	C474	Other Water Revenues
40180100	Other Water Revenue - Temp Service	C471	Misc Service Revenue
40180200	Other Water Revenue - Conservation	C472	Rents from Water Pro
40180300	Other Water Revenue - Amort Def CIAC	C474	Other Water Revenues
40189900	Other Water Revenue	C474	Other Water Revenues
40189999	Other Water Revenue - Leak Adjustment	C474	Other Water Revenues
40211000	Domestic WW Service Billed	C5221	WW Residential Reven
40211001	Domestic WW Service Billed Bimonthly	C5221	WW Residential Reven
40211100	Domestic WW Service Billed Surcharge	C5221	WW Residential Reven
40211200	Domestic WW Service Billed DSIC	C5221	WW Residential Reven
40211201	Domestic WW Service Billed Other Investment Surch	C5221	WW Residential Reven
40211300	Domestic WW Service Billed CGCR	C5221	WW Residential Reven
40211400	Domestic WW Service Billed Non-RevStabil Mechanism	C5221	WW Residential Reven
40212000	Domestic WW Service Unbilled	C5221	WW Residential Reven
40221000	Commerical WW Service Billed	C5222	WW Commercial Revenu
40221100	Commerical WW Service Billed Surcharge	C5222	WW Commercial Revenu
40221200	Commercial WW Service Billed DSIC	C5221	WW Residential Reven
40221201	Commercial WW Service Billed Other Investment Sur	C5221	WW Residential Reven
40221300	Commerical WW Service Billed CGCR	C5222	WW Commercial Revenu
40221400	Commercial WW ServiceBilled Non-RevStabilMechanism	C5221	WW Residential Reven
40222000	Commercial WW Service Unbilled	C5222	WW Commercial Revenu

40231000	Industrial WW Service Billed	C5223	WW Industrial Revenu
40231100	Industrial WW Service Billed Surcharge	C5223	WW Industrial Revenu
40231200	Industrial WW Service Billed DSIC	C5221	WW Residential Reven
40231201	Industrial WW Service Billed Other Investment Sur	C5221	WW Residential Reven
40231300	Industrial WW Service Billed CGCR	C5223	WW Industrial Revenu
40231400	Industrial WW ServiceBilled Non-RevStabilMechanism	C5221	WW Residential Reven
40232000	Industrial WW Service Unbilled	C5223	WW Industrial Revenu
40238000	Accrued Revenue Stabilization WW	C4611	Metered Sales-Res
40251000	Public Authority WW Service Billed	C5224	WW Pub Auth Revenues
40251100	Public Authority WW Service Billed Surcharge	C5224	WW Pub Auth Revenues
40251200	Public Authority WW Service Billed DSIC	C5221	WW Residential Reven
40251201	Public Authority WW Serv Billed Other Invest Surch	C5221	WW Residential Reven
40251300	Public Authority WW Service Billed CGCR	C5224	WW Pub Auth Revenues
40251400	Public AuthorityWW ServiceBilled Non-RevStabilMech	C5221	WW Residential Reven
40252000	Public Authority WW Service Unbilled	C5224	WW Pub Auth Revenues
40261200	Sale for Resale WW Service Billed DSIC	C5221	WW Residential Reven
40261400	Sales for Resale WW Billed Non-Rev StabilMechanism	C5221	WW Residential Reven
40271000	Misc WW Service Billed	C5224	WW Pub Auth Revenues
40271100	Misc WW Service Billed Surcharge	C5224	WW Pub Auth Revenues
40271200	Misc Sales WW Service Billed DSIC	C5221	WW Residential Reven
40271201	Misc Sales WW Service Billed Other Investment Sur	C5221	WW Residential Reven
40271300	Misc WW Service Billed CGCR	C5224	WW Pub Auth Revenues
40271400	Misc WW Service Billed Non-RevStabil Mechanism	C5221	WW Residential Reven
40272000	Misc WW Service Unbilled	C5224	WW Pub Auth Revenues
40280000	Other Revenue WW - Guaranteed	C536	WW Other Revenues
40289900	Other WW Revenue	C536	WW Other Revenues
40290000	Other Revenue WW - Intercompany	C536	WW Other Revenues
40300100	Other Revenue - Interco	C469	Guaranteed Revenues
40310000	Other Revenue - Guaranteed	C469	Guaranteed Revenues
40310100	Other Revenue - Late Payment Charge	C470	Forfeited Discounts
40310200	Other Revenue - Rent	C472	Rents from Water Pro
40310250	Other Revenue - Rent Interco	C473	Interdept Rents
40310300	Other Revenue - Collection for Others	C471	Misc Service Revenue
40310400	Other Revenue - NSF Check Charge	C471	Misc Service Revenue
40310500	Other Revenue - Application/Initiation Fee	C471	Misc Service Revenue
40310600	Other Revenue - Usage Data	C471	Misc Service Revenue
40310700	Other Revenue - Reconnection Fee	C471	Misc Service Revenue
40310800	Other Revenue - Frozen Meter	C471	Misc Service Revenue
40310900	Other Revenue - CFO - CA PUC Surcharge	C471	Misc Service Revenue
40311600	Other Revenue - Storage Fees	C472	Rents from Water Pro
40313000	Other Revenue - After Hrs Charge	C471	Misc Service Revenue
40319900	Other Revenue - Misc Service	C471	Misc Service Revenue
40351100	Other Revenue WW - Late Payment Charge	C532	WW Forfeited Discoun
40359900	Other Revenue WW - Misc Service	C536	WW Other Revenues
40399999	Leak Adjustment Revenue	C469	Guaranteed Revenues
40999999	Revenue Conversion - CIS	C536	WW Other Revenues
45000000	Service Company Revenue OPEX Interco	C471	Misc Service Revenue
45000001	Service Company Revenue CAPEX Interco	C471	Misc Service Revenue
45000002	Servco Company Revenue Market Based COs Interco	C471	Misc Service Revenue
50100000	Labor Natural Account	C6018	Salaries-Empl AG
50100001	Labor Expense Accrual	C6018	Salaries-Empl AG
50100002	Labor Expense - Intercompany	C6018	Salaries-Empl AG
50101100	Labor Oper Source of Supply	C6011	Salaries-Empl Oper S
50101105	Labor Oper Source of Supply - Super & Eng	C6011	Salaries-Empl Oper S
50101200	Labor Oper Pumping	C6011	Salaries-Empl Oper S
50101205	Labor Oper Pumping - Super & Eng	C6011	Salaries-Empl Oper S
50101210	Labor Oper Pumping - Power Prod	C6011	Salaries-Empl Oper S
50101215	Labor Oper Pumping - Pump	C6011	Salaries-Empl Oper S
50101300	Labor Oper Water Treatment	C6013	Salaries-Empl Oper W
50101305	Labor Oper Water Treatment - Super & Eng	C6013	Salaries-Empl Oper W
50101400	Labor Oper Transmission & Distribution	C6015	Salaries-Empl Oper T
50101405	Labor Oper Trans & Distr - Super & Eng	C6015	Salaries-Empl Oper T
50101410	Labor Oper Trans & Distr - Storage Facility	C6015	Salaries-Empl Oper T
50101415	Labor Oper Trans & Distr - Lines	C6015	Salaries-Empl Oper T
50101420	Labor Oper Trans & Distr - Meter	C6015	Salaries-Empl Oper T

50101425	Labor Oper Trans & Distr - Meter Install	C6015	Salaries-Empl Oper T
50101500	Labor Oper Customer Accounting	C6017	Salaries-Empl CA
50101505	Labor Oper Customer Acctg - Super & Eng	C6017	Salaries-Empl CA
50101510	Labor Oper Customer Acctg - Meter Read	C6017	Salaries-Empl CA
50101515	Labor Oper Customer Acctg - Cust Rec & Coll	C6017	Salaries-Empl CA
50101520	Labor Oper Customer Acctg - Cust Serv & Info	C6017	Salaries-Empl CA
50101600	Labor Oper Admin & General	C6018	Salaries-Empl AG
50101601	Labor Oper Adm & Gen - Director & Officer	C6038	Salaries-Off/Dir AG
50102100	Labor Maint Source of Supply	C6012	Salaries-Empl Maint
50102105	Labor Maint Source of Supply - Super & Eng	C6012	Salaries-Empl Maint
50102110	Labor Maint Source of Supply - Struct & Imp	C6012	Salaries-Empl Maint
50102115	Labor Maint Source of Supply - Coll & Imp	C6012	Salaries-Empl Maint
50102120	Labor Maint Source of Supply - Lake	C6012	Salaries-Empl Maint
50102125	Labor Maint Source of Supply - Wells	C6012	Salaries-Empl Maint
50102130	Labor Maint Src of Supply-Infilt Galleries	C6012	Salaries-Empl Maint
50102135	Labor Maint Src of Supply-Supply Mains	C6012	Salaries-Empl Maint
50102200	Labor Maint Pumping	C6012	Salaries-Empl Maint
50102205	Labor Maint Pumping - Super & Eng	C6012	Salaries-Empl Maint
50102210	Labor Maint Pumping - Struct & Imp	C6012	Salaries-Empl Maint
50102215	Labor Maint Pumping - Power Prod	C6012	Salaries-Empl Maint
50102300	Labor Maint Water Treatment	C6014	Salaries-Empl Maint
50102305	Labor Maint Water Treatment - Super & Eng	C6014	Salaries-Empl Maint
50102310	Labor Maint Water Treatment - Struct & Imp	C6014	Salaries-Empl Maint
50102315	Labor Maint Water Treatment - Equipment	C6014	Salaries-Empl Maint
50102400	Labor Maint Transmission & Distribution	C6016	Salaries-Empl Maint
50102405	Labor Maint Transmssn & Distr - Super & Eng	C6016	Salaries-Empl Maint
50102410	Labor Maint Transmssn & Distr - Struct & Imp	C6016	Salaries-Empl Maint
50102415	Labor Maint Transmssn & Distr - Dist Res	C6016	Salaries-Empl Maint
50102420	Labor Maint Transmssn & Distr - Mains	C6016	Salaries-Empl Maint
50102425	Labor Maint Transmssn & Distr - Fire Mains	C6016	Salaries-Empl Maint
50102430	Labor Maint Transmssn & Distr - Service	C6016	Salaries-Empl Maint
50102435	Labor Maint Transmssn & Distr - Meter	C6016	Salaries-Empl Maint
50102440	Labor Maint Transmssn & Distr - Hydrants	C6016	Salaries-Empl Maint
50102600	Labor Maint Admin & General	C6018	Salaries-Empl AG
50109900	Labor Capitalized Credits	C6018	Salaries-Empl AG
50110000	Labor Non-scheduled Overtime - Natural Account	C6018	Salaries-Empl AG
50111100	Labor Oper Non-scheduled Overtime- SS	C6011	Salaries-Empl Oper S
50111105	Labor Oper Non-scheduled Overtime- SS Super & Eng	C6011	Salaries-Empl Oper S
50111200	Labor Oper Non-scheduled Overtime- P	C6011	Salaries-Empl Oper S
50111205	Labor Oper Non-scheduled Overtime- P Super & Eng	C6011	Salaries-Empl Oper S
50111210	Labor Oper Non-scheduled Overtime- P Power Prod	C6011	Salaries-Empl Oper S
50111215	Labor Oper Non-scheduled Overtime- P Pump	C6011	Salaries-Empl Oper S
50111300	Labor Oper Non-scheduled Overtime- WT	C6013	Salaries-Empl Oper W
50111305	Labor Oper Non-scheduled Overtime- WT Super & Eng	C6013	Salaries-Empl Oper W
50111400	Labor Oper Non-scheduled Overtime- TD	C6015	Salaries-Empl Oper T
50111405	Labor Oper Non-scheduled Overtime- TD Super & Eng	C6015	Salaries-Empl Oper T
50111410	Labor Oper Non-scheduled OT-TD Storage Facility	C6015	Salaries-Empl Oper T
50111415	Labor Oper Non-scheduled Overtime- TD Lines	C6015	Salaries-Empl Oper T
50111420	Labor Oper Non-scheduled Overtime- TD Meter	C6015	Salaries-Empl Oper T
50111425	Labor Oper Non-scheduled OT-TD Meter Install	C6015	Salaries-Empl Oper T
50111500	Labor Oper Non-scheduled Overtime- CA	C6017	Salaries-Empl CA
50111505	Labor Oper Non-scheduled Overtime- CA Super & Eng	C6017	Salaries-Empl CA
50111510	Labor Oper Non-scheduled Overtime- CA Meter Read	C6017	Salaries-Empl CA
50111515	Labor Oper Non-scheduled OT - CA Cust Rec & Coll	C6017	Salaries-Empl CA
50111520	Labor Oper Non-scheduled OT - CA Cust Serv & Info	C6017	Salaries-Empl CA
50111600	Labor Oper Non-scheduled Overtime- AG	C6018	Salaries-Empl AG
50112100	Labor Maint Non-scheduled Overtime- SS	C6012	Salaries-Empl Maint
50112105	Labor Maint Non-scheduled Overtime- SS Super & Eng	C6012	Salaries-Empl Maint
50112110	Labor Maint Non-scheduled OT - SS Struct & Imp	C6012	Salaries-Empl Maint
50112115	Labor Maint Non-scheduled Overtime- SS Coll & Imp	C6012	Salaries-Empl Maint
50112120	Labor Maint Non-scheduled Overtime- SS Lake	C6012	Salaries-Empl Maint
50112125	Labor Maint Non-scheduled Overtime- SS Wells	C6012	Salaries-Empl Maint
50112130	Labor Maint Non-scheduled OT - SS Infilt Gallery	C6012	Salaries-Empl Maint
50112135	Labor Maint Non-scheduled OT - SS Supply Mains	C6012	Salaries-Empl Maint
50112200	Labor Maint Non-scheduled Overtime- P	C6012	Salaries-Empl Maint

50112205	Labor Maint Non-scheduled Overtime- P Super & Eng	C6012	Salaries-Empl Maint
50112210	Labor Maint Non-scheduled Overtime- P Struct & Imp	C6012	Salaries-Empl Maint
50112215	Labor Maint Non-scheduled Overtime- P Power Prod	C6012	Salaries-Empl Maint
50112300	Labor Maint Non-scheduled Overtime- WT	C6014	Salaries-Empl Maint
50112305	Labor Maint Non-scheduled Overtime- WT Super & Eng	C6014	Salaries-Empl Maint
50112310	Labor Maint Non-scheduled OT - WT Struct & Imp	C6014	Salaries-Empl Maint
50112315	Labor Maint Non-scheduled Overtime- WT Equipment	C6014	Salaries-Empl Maint
50112400	Labor Maint Non-scheduled Overtime- TD	C6016	Salaries-Empl Maint
50112405	Labor Maint Non-scheduled Overtime- TD Super & Eng	C6016	Salaries-Empl Maint
50112410	Labor Maint Non-scheduled OT - TD Struct & Imp	C6016	Salaries-Empl Maint
50112415	Labor Maint Non-scheduled Overtime- TD Dist Res	C6016	Salaries-Empl Maint
50112420	Labor Maint Non-scheduled Overtime- TD Mains	C6016	Salaries-Empl Maint
50112425	Labor Maint Non-scheduled Overtime- TD Fire Main	C6016	Salaries-Empl Maint
50112430	Labor Maint Non-scheduled Overtime- TD Service	C6016	Salaries-Empl Maint
50112435	Labor Maint Non-scheduled Overtime- TD Meter	C6016	Salaries-Empl Maint
50112440	Labor Maint Non-scheduled Overtime- TD Hydrant	C6016	Salaries-Empl Maint
50112600	Labor Maint Non-scheduled Overtime- AG	C6018	Salaries-Empl AG
50119900	Labor Non-scheduled Overtime- Capitalized Credits	C6018	Salaries-Empl AG
50120000	Labor Overtime - Natural Account	C6018	Salaries-Empl AG
50121100	Labor Oper Scheduled Overtime-SS	C6011	Salaries-Empl Oper S
50121105	Labor Oper Scheduled Overtime-SS Super & Eng	C6011	Salaries-Empl Oper S
50121200	Labor Oper Scheduled Overtime-P	C6011	Salaries-Empl Oper S
50121205	Labor Oper Scheduled Overtime-P Super & Eng	C6011	Salaries-Empl Oper S
50121210	Labor Oper Scheduled Overtime-P Power Prod	C6011	Salaries-Empl Oper S
50121215	Labor Oper Scheduled Overtime-P Pump	C6011	Salaries-Empl Oper S
50121300	Labor Oper Scheduled Overtime-WT	C6013	Salaries-Empl Oper W
50121305	Labor Oper Scheduled Overtime-WT Super & Eng	C6013	Salaries-Empl Oper W
50121400	Labor Oper Scheduled Overtime-TD	C6015	Salaries-Empl Oper T
50121405	Labor Oper Scheduled Overtime-TD Super & Eng	C6015	Salaries-Empl Oper T
50121410	Labor Oper Scheduled Overtime-TD Storage Facility	C6015	Salaries-Empl Oper T
50121415	Labor Oper Scheduled Overtime-TD Lines	C6015	Salaries-Empl Oper T
50121420	Labor Oper Scheduled Overtime-TD Meter	C6015	Salaries-Empl Oper T
50121425	Labor Oper Scheduled Overtime-TD Meter Install	C6015	Salaries-Empl Oper T
50121500	Labor Oper Scheduled Overtime-CA	C6017	Salaries-Empl CA
50121505	Labor Oper Scheduled Overtime-CA Super & Eng	C6017	Salaries-Empl CA
50121510	Labor Oper Scheduled Overtime-CA Merer Read	C6017	Salaries-Empl CA
50121515	Labor Oper Scheduled Overtime-CA Cust Rec & Coll	C6017	Salaries-Empl CA
50121520	Labor Oper Scheduled Overtime-CA Cust Serv & Info	C6017	Salaries-Empl CA
50121600	Labor Oper Scheduled Overtime-AG	C6018	Salaries-Empl AG
50122100	Labor Maint Scheduled Overtime-SS	C6012	Salaries-Empl Maint
50122105	Labor Maint Scheduled Overtime-SS Super & Eng	C6012	Salaries-Empl Maint
50122110	Labor Maint Scheduled Overtime-SS Struct & Imp	C6012	Salaries-Empl Maint
50122115	Labor Maint Scheduled Overtime-SS Coll & Imp	C6012	Salaries-Empl Maint
50122120	Labor Maint Scheduled Overtime-SS Lake	C6012	Salaries-Empl Maint
50122125	Labor Maint Scheduled Overtime-SS Wells	C6012	Salaries-Empl Maint
50122130	Labor Maint Scheduled Overtime-SS Infiltr Gallery	C6012	Salaries-Empl Maint
50122135	Labor Maint Scheduled Overtime-SS Supply Main	C6012	Salaries-Empl Maint
50122200	Labor Maint Scheduled Overtime-P	C6012	Salaries-Empl Maint
50122205	Labor Maint Scheduled Overtime-P Super & Eng	C6012	Salaries-Empl Maint
50122210	Labor Maint Scheduled Overtime-P Struct & Imp	C6012	Salaries-Empl Maint
50122215	Labor Maint Scheduled Overtime-P Power Prod	C6012	Salaries-Empl Maint
50122300	Labor Maint Scheduled Overtime-WT	C6014	Salaries-Empl Maint
50122305	Labor Maint Scheduled Overtime-WT Super & Eng	C6014	Salaries-Empl Maint
50122310	Labor Maint Scheduled Overtime-WT Struct & Imp	C6014	Salaries-Empl Maint
50122315	Labor Maint Scheduled Overtime-WT Equipment	C6014	Salaries-Empl Maint
50122400	Labor Maint Scheduled Overtime-TD	C6016	Salaries-Empl Maint
50122405	Labor Maint Scheduled Overtime-TD Super & Eng	C6016	Salaries-Empl Maint
50122410	Labor Maint Scheduled Overtime-TD Struct & Imp	C6016	Salaries-Empl Maint
50122415	Labor Maint Scheduled Overtime-TD Dist Res	C6016	Salaries-Empl Maint
50122420	Labor Maint Scheduled Overtime-TD Mains	C6016	Salaries-Empl Maint
50122425	Labor Maint Scheduled Overtime-TD Fire Main	C6016	Salaries-Empl Maint
50122430	Labor Maint Scheduled Overtime-TD Service	C6016	Salaries-Empl Maint
50122435	Labor Maint Scheduled Overtime-TD Meter	C6016	Salaries-Empl Maint
50122440	Labor Maint Scheduled Overtime-TD Hydrant	C6016	Salaries-Empl Maint
50122600	Labor Maint Scheduled Overtime-AG	C6018	Salaries-Empl AG

50129900	Labor Scheduled Overtime- Capitalized Credits	C6018	Salaries-Empl AG
50171000	Annual Performance Plan	C6018	Salaries-Empl AG
50171100	Annual Performance Plan Cap Credits	C6018	Salaries-Empl AG
50171600	Compensation Exp - Options	C6018	Salaries-Empl AG
50171800	Compensation Expense - RSU/PSU	C6018	Salaries-Empl AG
50185000	Severance	C6018	Salaries-Empl AG
50421000	401k Expense	C6048	Empl Pens & Ben AG
50421100	401k Expense Cap Credits	C6048	Empl Pens & Ben AG
50422000	Defined Compensation Plan Expense	C6048	Empl Pens & Ben AG
50422100	Defined Comp Plan Exp Cap Credits	C6048	Empl Pens & Ben AG
50423000	Employee Stock Purchase Plan Expense	C6048	Empl Pens & Ben AG
50424000	DC Restoration Expense	C6048	Empl Pens & Ben AG
50425000	401k Restoration Expense	C6048	Empl Pens & Ben AG
50426000	Retiree Medical Expense	C6048	Empl Pens & Ben AG
50426100	Retiree Medical Expense Cap Credits	C6048	Empl Pens & Ben AG
50427000	FAS 112 Amortization	C6048	Empl Pens & Ben AG
50450000	Other Welfare - Natural Account	C6048	Empl Pens & Ben AG
50450011	Other Welfare - Source of Supply	C6041	Empl Pens & Ben Oper
50450012	Other Welfare - Pumping	C6041	Empl Pens & Ben Oper
50450013	Other Welfare - Water Treatment	C6043	Empl Pens & Ben Oper
50450014	Other Welfare - Transm & Distrib	C6045	Empl Pens & Ben Oper
50450015	Other Welfare - Customer Accounting	C6047	Empl Pens & Ben CA
50450016	Other Welfare - Admin & General	C6048	Empl Pens & Ben AG
50451000	Employee Awards	C6048	Empl Pens & Ben AG
50452000	Employee Physical Exams	C6048	Empl Pens & Ben AG
50454000	Safety Incentive Awards	C6048	Empl Pens & Ben AG
50456000	Tuition Aid	C6048	Empl Pens & Ben AG
50457000	Training	C6048	Empl Pens & Ben AG
50458000	Referral Bonus	C6048	Empl Pens & Ben AG
50510000	PBOP Expense	C6048	Empl Pens & Ben AG
50510100	PBOP Capitalized Credits	C6048	Empl Pens & Ben AG
50550000	Group Insurance Expense	C6048	Empl Pens & Ben AG
50550100	Group Insurance Capitalized Credits	C6048	Empl Pens & Ben AG
50560000	Health Savings Account Expense	C6048	Empl Pens & Ben AG
50610000	Pension Expense	C6048	Empl Pens & Ben AG
50610100	Pension Capitalized Credits	C6048	Empl Pens & Ben AG
50620000	Pension Expense - SRP	C6048	Empl Pens & Ben AG
50630000	Pension Expense - SERP	C6048	Empl Pens & Ben AG
51010000	Purchased Water	C6101	Purchased Water Oper
51010500	PWAC Differential	C6758	Misc Exp AG
51015000	Purchased Water Interco	C6101	Purchased Water Oper
51020000	Diversion Rights	C6101	Purchased Water Oper
51110000	Waste Disposal	C6753	Misc Exp Oper WT
51110500	PSTAC Differential	C6758	Misc Exp AG
51110600	PSTAC Amortization	C6758	Misc Exp AG
51115000	Waste Disposal Interco	C6753	Misc Exp Oper WT
51120000	Amort Waste Disposal	C6753	Misc Exp Oper WT
51510000	Purchased Power - Natural Account	C6158	Purch Power Oper AG
51510011	Purchased Power - Source of Supply	C6151	Purch Power Oper SS
51510012	Purchased Power - Pumping	C6151	Purch Power Oper SS
51510013	Purchased Power - Water Treatment	C6153	Purch Power Oper WT
51510014	Purchased Power - Transmission & Distribution	C6155	Purch Power Oper TD
51510015	Purchased Power - Customer Accounting	C6157	Purch Power Oper CA
51510016	Purchased Power - Admin & General	C6158	Purch Power Oper AG
51510500	Purchased Power Balancing Account	C6151	Purch Power Oper SS
51520000	Fuel for Power Production	C6161	Purch Fuel Oper SS
51800000	Chemicals	C6183	Chemicals Oper WT
51850000	Chemicals Carbon Interco	C6183	Chemicals Oper WT
52000000	M & S (O&M) - Natural Account	C6205	M&S Oper TD
52001100	M & S Oper - Source of Supply	C6201	M&S Oper SS
52001200	M & S Oper - Pumping	C6201	M&S Oper SS
52001300	M & S Oper - Water Treatment	C6203	M&S Oper WT
52001400	M & S Oper - Transmission & Distribution	C6205	M&S Oper TD
52001500	M & S Oper - Customer Accounting	C6207	M&S CA
52001600	M & S Oper - Admin & General	C6208	M&S AG

52500000	Misc Exp (O&M) - Natural Acct	C6758	Misc Exp AG
52501100	Misc Oper - Source of Supply	C6751	Misc Exp Oper SS
52501200	Misc Oper - Pumping	C6751	Misc Exp Oper SS
52501300	Misc Oper - Water Treatment	C6753	Misc Exp Oper WT
52501400	Misc Oper - Transmission & Distribution	C6755	Misc Exp Oper TD
52501410	Misc Oper - Transmission & Distribution Storage	C6755	Misc Exp Oper TD
52501415	Misc Oper - Transmission & Distribution Mains	C6755	Misc Exp Oper TD
52501420	Misc Oper - Transmission & Distribution Meters	C6755	Misc Exp Oper TD
52501425	Misc Oper - Transmssn & Distr Meter Install	C6755	Misc Exp Oper TD
52501500	Misc Oper - Customer Accounting	C6757	Misc Exp CA
52501510	Misc Oper - Customer Accounting Mtr Read	C6757	Misc Exp CA
52501515	Misc Oper - Customer Accounting Cust Rec	C6757	Misc Exp CA
52501520	Misc Oper - Customer Accounting Cust Serv	C6757	Misc Exp CA
52501600	Misc Oper - Admin & General	C6758	Misc Exp AG
52503000	Advertising	C6608	Advertising AG
52510000	Bank Service Charges - Natural Account	C6758	Misc Exp AG
52510015	Bank Service Charges - Customer Accounting	C6757	Misc Exp CA
52510016	Bank Service Charges - Admin & General	C6758	Misc Exp AG
52512500	Books & Publications	C6758	Misc Exp AG
52513200	Business Development	C6758	Misc Exp AG
52514000	Charitable Contribution Deductible	C6758	Misc Exp AG
52514100	Charitable Contribution Nondeductible	C6758	Misc Exp AG
52514500	Charitable Donations - Health/Education/Environmnt	C6758	Misc Exp AG
52514600	Charitable Donations - Community	C6758	Misc Exp AG
52514700	Community Partnerships	C6758	Misc Exp AG
52514800	Community Commercial Initiatives	C6758	Misc Exp AG
52514900	Customer Education	C6758	Misc Exp AG
52514901	Customer Education Communication - Reg	C6758	Misc Exp AG
52514902	Customer Education Communication - Third Party	C6758	Misc Exp AG
52514903	Customer Education Communication - Issues	C6758	Misc Exp AG
52514904	Customer Education Communication - Conservation	C6758	Misc Exp AG
52514905	Customer Education Communication - Printed	C6758	Misc Exp AG
52514906	Customer Education - Bill Inserts	C6758	Misc Exp AG
52514907	Customer Education - Press Releases	C6758	Misc Exp AG
52514908	Customer Education - Media Editorial	C6758	Misc Exp AG
52514909	Customer Education - Video & Photo	C6758	Misc Exp AG
52514910	Customer Education - Online Development/Production	C6758	Misc Exp AG
52515000	Community Relations - Events	C6758	Misc Exp AG
52515001	Community Relations - Specialty	C6758	Misc Exp AG
52520000	Collection Agencies	C6757	Misc Exp CA
52522000	Community Relations	C6758	Misc Exp AG
52524000	Co Dues/Membership Deductible	C6758	Misc Exp AG
52524100	Co Dues/Membership Nondeductible	C6758	Misc Exp AG
52525000	Condemnation Costs	C6758	Misc Exp AG
52525500	Conservation Expense	C6758	Misc Exp AG
52526000	Credit Line Fees	C6758	Misc Exp AG
52526100	Credit Line Fees Interco	C6758	Misc Exp AG
52527000	Directors Fees	C6758	Misc Exp AG
52527100	Directors Expenses	C6758	Misc Exp AG
52532000	Electricity - Natural Account	C6758	Misc Exp AG
52532011	Electricity - Source of Supply	C6751	Misc Exp Oper SS
52532013	Electricity - Water Treatment	C6753	Misc Exp Oper WT
52532014	Electricity - Transmission & Distribution	C6755	Misc Exp Oper TD
52532015	Electricity - Customer Accounting	C6757	Misc Exp CA
52532016	Electricity - Admin & General	C6758	Misc Exp AG
52534000	Employee Expenses	C6758	Misc Exp AG
52534200	Conferences & Registration	C6758	Misc Exp AG
52535000	Meals Deductible	C6758	Misc Exp AG
52535100	Meals Non-Deductible	C6758	Misc Exp AG
52540000	Amort Bus Services Proj Exp	C6758	Misc Exp AG
52542000	Forms - Natural Account	C6758	Misc Exp AG
52542015	Forms - Customer Accounting	C6757	Misc Exp CA
52542016	Forms - Admin & General	C6758	Misc Exp AG
52546000	Grounds Keeping - Natural Account	C6758	Misc Exp AG
52546011	Grounds Keeping - Source of Supply	C6751	Misc Exp Oper SS

52546013	Grounds Keeping - Water Treatment	C6753	Misc Exp Oper WT
52546014	Grounds Keeping - Transmission & Distribution	C6755	Misc Exp Oper TD
52546016	Grounds Keeping - Admin & General	C6758	Misc Exp AG
52548000	Heating Oil/Gas - Natural Account	C6758	Misc Exp AG
52548011	Heating Oil/Gas - Source of Supply	C6751	Misc Exp Oper SS
52548013	Heating Oil/Gas - Water Treatment	C6753	Misc Exp Oper WT
52548014	Heating Oil/Gas - Transmission & Distribution	C6755	Misc Exp Oper TD
52548015	Heating Oil/Gas - Customer Accounting	C6757	Misc Exp CA
52548016	Heating Oil/Gas - Admin & General	C6758	Misc Exp AG
52548100	Hiring Costs	C6758	Misc Exp AG
52549000	Injuries and Damages	C6758	Misc Exp AG
52549500	Inventory Physical Write-off Scrap	C6758	Misc Exp AG
52550000	Janitorial - Natural Account	C6758	Misc Exp AG
52550012	Janitorial - Pumping	C6751	Misc Exp Oper SS
52550013	Janitorial - Water Treatment	C6753	Misc Exp Oper WT
52550014	Janitorial - Transmission & Distribution	C6755	Misc Exp Oper TD
52550015	Janitorial - Customer Accounting	C6757	Misc Exp CA
52550016	Janitorial - Admin & General	C6758	Misc Exp AG
52554500	Lab Supplies	C6753	Misc Exp Oper WT
52556000	Lobbying Expenses	C6758	Misc Exp AG
52556500	Low Income Pay Program	C6758	Misc Exp AG
52562000	Office & Admin Supplies - Natural Account	C6758	Misc Exp AG
52562011	Office & Admin Supplies - Source of Supply	C6751	Misc Exp Oper SS
52562013	Office & Admin Supplies - Water Treatment	C6753	Misc Exp Oper WT
52562014	Office & Admin Supplies - Transmssn & Distr	C6755	Misc Exp Oper TD
52562015	Office & Admin Supplies - Customer Accounting	C6757	Misc Exp CA
52562016	Office & Admin Supplies - Admin & General	C6758	Misc Exp AG
52562500	Overnight Shipping - Natural Account	C6758	Misc Exp AG
52562511	Overnight Shipping - Source of Supply	C6751	Misc Exp Oper SS
52562513	Overnight Shipping - Water Treatment	C6753	Misc Exp Oper WT
52562514	Overnight Shipping - Transmission & Distribution	C6755	Misc Exp Oper TD
52562515	Overnight Shipping - Customer Accounting	C6757	Misc Exp CA
52562516	Overnight Shipping - Admin & General	C6758	Misc Exp AG
52564000	Penalties Nondeductible	C6758	Misc Exp AG
52566000	Postage - Natural Account	C6758	Misc Exp AG
52566015	Postage - Customer Accounting	C6757	Misc Exp CA
52566016	Postage - Admin & General	C6758	Misc Exp AG
52566700	Printing	C6758	Misc Exp AG
52567000	Relocation Expenses	C6758	Misc Exp AG
52568000	Research & Development	C6758	Misc Exp AG
52571000	Security Service - Natural Account	C6758	Misc Exp AG
52571011	Security Service - Source of Supply	C6751	Misc Exp Oper SS
52571013	Security Service - Water Treatment	C6753	Misc Exp Oper WT
52571014	Security Service - Transmission & Distribution	C6755	Misc Exp Oper TD
52571015	Security Service - Customer Accounting	C6757	Misc Exp CA
52571016	Security Service - Admin & General	C6758	Misc Exp AG
52571100	Add'l Security Costs	C6758	Misc Exp AG
52571500	Software Licenses	C6758	Misc Exp AG
52572000	Telemetering - Source of Supply	C6751	Misc Exp Oper SS
52574000	Telephone - Natural Account	C6758	Misc Exp AG
52574011	Telephone - Source of Supply	C6751	Misc Exp Oper SS
52574013	Telephone - Water Treatment	C6753	Misc Exp Oper WT
52574014	Telephone - Transmission & Distribution	C6755	Misc Exp Oper TD
52574015	Telephone - Customer Accounting	C6757	Misc Exp CA
52574016	Telephone - Admin & General	C6758	Misc Exp AG
52574100	Cell Phone - Natural Account	C6758	Misc Exp AG
52574111	Cell Phone - Source of Supply	C6751	Misc Exp Oper SS
52574113	Cell Phone - Water Treatment	C6753	Misc Exp Oper WT
52574114	Cell Phone - Transmission & Distribution	C6755	Misc Exp Oper TD
52574115	Cell Phone - Customer Accounting	C6757	Misc Exp CA
52574116	Cell Phone - Admin & General	C6758	Misc Exp AG
52574200	Data Lines - Admin & General	C6758	Misc Exp AG
52574300	Wireless - Service First - Natural Account	C6758	Misc Exp AG
52574314	Wireless - Service First-Transmission&Distribution	C6755	Misc Exp Oper TD
52574315	Wireless - Service First - Customer Accounting	C6757	Misc Exp CA

52574316	Wireless - Service First - Admin & General	C6758	Misc Exp AG
52577500	Trade Shows	C6758	Misc Exp AG
52578000	Trash Removal - Natural Account	C6758	Misc Exp AG
52578011	Trash Removal - Source of Supply	C6751	Misc Exp Oper SS
52578013	Trash Removal - Water Treatment	C6753	Misc Exp Oper WT
52578014	Trash Removal - Transmission & Distribution	C6755	Misc Exp Oper TD
52578015	Trash Removal - Customer Accounting	C6757	Misc Exp CA
52578016	Trash Removal - Admin & General	C6758	Misc Exp AG
52579000	Trustee Fees	C6758	Misc Exp AG
52582000	Uniforms - Natural Account	C6757	Misc Exp CA
52582011	Uniforms - Source of Supply	C6751	Misc Exp Oper SS
52582012	Uniforms - Pumping	C6753	Misc Exp Oper WT
52582013	Uniforms - Water Treatment	C6753	Misc Exp Oper WT
52582014	Uniforms - Transmission & Distribution	C6755	Misc Exp Oper TD
52582015	Uniforms - Customer Accounting	C6757	Misc Exp CA
52582016	Uniforms - Admin & General	C6757	Misc Exp CA
52583000	Water & WW - Natural Account	C6758	Misc Exp AG
52583011	Water & WW - Source of Supply	C6751	Misc Exp Oper SS
52583013	Water & WW - Water Treatment	C6753	Misc Exp Oper WT
52583014	Water & WW - Transmission & Distribution	C6755	Misc Exp Oper TD
52583016	Water & WW - Admin & General	C6758	Misc Exp AG
52585000	Discounts Available	C6758	Misc Exp AG
52585100	Discounts Lost	C6758	Misc Exp AG
52586000	PO Small Price Differences - within tolerance	C6758	Misc Exp AG
52599800	PCard Undistributed	C6758	Misc Exp AG
52801000	Capital Purchases Clearing	C6758	Misc Exp AG
52801100	Indirect Overhead Clearing	C6758	Misc Exp AG
52801200	Capital Accrual Clearing	C6758	Misc Exp AG
52801500	Dev Funded Const Clearing	C6758	Misc Exp AG
52801700	T&I Indirect OH Clearing	C6758	Misc Exp AG
52805000	Budget COR Clearing	C6758	Misc Exp AG
52805100	Indirect Overhead RWIP Clearing	C6758	Misc Exp AG
53110000	Contract Svc-Eng - Natural Account	C6318	Cont Serv Eng AG
53110011	Contract Svc-Eng - Source of Supply	C6311	Cont Serv Eng Oper S
53110013	Contract Svc-Eng - Water Treatment	C6313	Cont Serv Eng Oper W
53110014	Contract Svc-Eng - Transmission & Distribution	C6315	Cont Serv Eng Oper T
53110015	Contract Svc-Eng - Customer Accounting	C6317	Cont Serv Eng CA
53110016	Contract Svc-Eng - Admin & General	C6318	Cont Serv Eng AG
53150000	Contract Svc-Other - Natural Account	C6368	Cont Serv Other AG
53150011	Contract Svc-Other - Source of Supply	C6361	Cont Serv Other Oper
53150013	Contract Svc-Other - Water Treatment	C6363	Cont Serv Other Oper
53150014	Contract Svc-Other - Transmission & Distribution	C6365	Cont Serv Other Oper
53150015	Contract Svc-Other - Customer Accounting	C6367	Cont Serv Other CA
53150016	Contract Svc-Other - Admin & General	C6368	Cont Serv Other AG
53151000	Contract Svc-Temp Empl - Natural Account	C6368	Cont Serv Other AG
53151011	Contract Svc-Temp Empl - Source of Supply	C6361	Cont Serv Other Oper
53151013	Contract Svc-Temp Empl - Water Treatment	C6363	Cont Serv Other Oper
53151014	Contract Svc-Temp Empl - Transmssn & Distr	C6365	Cont Serv Other Oper
53151015	Contract Svc-Temp Empl - Customer Accounting	C6367	Cont Serv Other CA
53151016	Contract Svc-Temp Empl - Admin & General	C6368	Cont Serv Other AG
53152000	Contract Svc-Lab Testing - Water Treatment	C6353	Cont Serv Testing Op
53153000	Contract Services - Accounting	C6328	Cont Serv Acct AG
53154000	Contract Services - Audit Fees	C6328	Cont Serv Acct AG
53155000	Contract Services - Legal	C6338	Cont Serv Legal AG
53156000	Contract Services - Litigation	C6338	Cont Serv Legal AG
53157000	Contract Services - Outplacement	C6758	Misc Exp AG
53158000	Contract Services - BT Related Incr Ext Costs	C6368	Cont Serv Other AG
53159000	Contract Services - Centrally Sponsored Projects	C6338	Cont Serv Legal AG
53159100	Contract Services - Hardware Services	C6338	Cont Serv Legal AG
53185000	Contract Services - Interco	C6368	Cont Serv Other AG
53401000	AWWSC Services - Labor OPEX	C6348	Cont Serv Mgmt Fee A
53401100	AWWSC Services - Pension OPEX	C6348	Cont Serv Mgmt Fee A
53401200	AWWSC Services - Group Insurance OPEX	C6348	Cont Serv Mgmt Fee A
53401300	AWWSC Services - Other Benefits OPEX	C6348	Cont Serv Mgmt Fee A
53401400	AWWSC Services - Contracted Services OPEX	C6348	Cont Serv Mgmt Fee A

53401500	AWWSC Services - Office Supplies OPEX	C6348	Cont Serv Mgmt Fee A
53401700	AWWSC Services - Rents OPEX	C6348	Cont Serv Mgmt Fee A
53401800	AWWSC Services Customer Accounting OPEX	C6348	Cont Serv Mgmt Fee A
53401900	AWWSC Services - Maint Supplies & Svcs OPEX	C6348	Cont Serv Mgmt Fee A
53402100	AWWSC Services - Other O&M Expense OPEX	C6348	Cont Serv Mgmt Fee A
53402200	AWWSC Services - Depr & Amort OPEX	C6348	Cont Serv Mgmt Fee A
53402300	AWWSC Services - General Taxes OPEX	C6348	Cont Serv Mgmt Fee A
53402400	AWWSC Services - Net Interest OPEX	C6348	Cont Serv Mgmt Fee A
53402500	AWWSC Services - Other Inc & Ded OPEX	C6348	Cont Serv Mgmt Fee A
53402600	AWWSC Services - Income Taxes OPEX	C6348	Cont Serv Mgmt Fee A
53409999	AWWSC Services - Conversion	C6348	Cont Serv Mgmt Fee A
53481000	AWWSC Services - Labor CAPX	C6348	Cont Serv Mgmt Fee A
53481100	AWWSC Services - Pension CAPX	C6348	Cont Serv Mgmt Fee A
53481200	AWWSC Services - Group Insurance CAPX	C6348	Cont Serv Mgmt Fee A
53481300	AWWSC Services - Other Benefits CAPX	C6348	Cont Serv Mgmt Fee A
53481400	AWWSC Services - Contracted Services CAPX	C6348	Cont Serv Mgmt Fee A
53481500	AWWSC Services - Office Supplies CAPX	C6348	Cont Serv Mgmt Fee A
53481700	AWWSC Services - Rents CAPX	C6348	Cont Serv Mgmt Fee A
53481800	AWWSC Services Customer Accounting CAPX	C6348	Cont Serv Mgmt Fee A
53481900	AWWSC Services - Maint Supplies & Svcs CAPX	C6348	Cont Serv Mgmt Fee A
53482100	AWWSC Services - Other O&M Expense CAPX	C6348	Cont Serv Mgmt Fee A
53482200	AWWSC Services - Depr & Amort CAPX	C6348	Cont Serv Mgmt Fee A
53482300	AWWSC Services - General Taxes CAPX	C6348	Cont Serv Mgmt Fee A
53482400	AWWSC Services - Net Interest CAPX	C6348	Cont Serv Mgmt Fee A
53482500	AWWSC Services - Other Inc & Ded CAPX	C6348	Cont Serv Mgmt Fee A
53482600	AWWSC Services - Income Taxes CAPX	C6348	Cont Serv Mgmt Fee A
54110000	Rents-Real Property - Natural Account	C6418	Rents-Real Prop AG
54110011	Rents-Real Property - Source of Supply	C6411	Rents-Real Prop Oper
54110012	Rents-Real Property - Pumping	C6411	Rents-Real Prop Oper
54110013	Rents-Real Property - Water Treatment	C6413	Rents-Real Prop Oper
54110014	Rents-Real Property - Transmission & Distribution	C6415	Rents-Real Prop Oper
54110015	Rents-Real Property - Customer Accounting	C6417	Rents-Real Prop CA
54110016	Rents-Real Property - Admin & General	C6418	Rents-Real Prop AG
54115000	Rents-Real Property Interco	C6418	Rents-Real Prop AG
54140000	Rents-Equipment - Natural Account	C6428	Rents-Equipment AG
54140011	Rents-Equipment - Source of Supply	C6421	Rents-Equipment Oper
54140012	Rents-Equipment - Pumping	C6421	Rents-Equipment Oper
54140013	Rents-Equipment - Water Treatment	C6423	Rents-Equipment Oper
54140014	Rents-Equipment - Transmission & Distribution	C6425	Rents-Equipment Oper
54140015	Rents-Equipment - Customer Accounting	C6427	Rents-Equipment CA
54140016	Rents-Equipment - Admin & General	C6428	Rents-Equipment AG
54145000	Rents-Equipment Intercompany	C6418	Rents-Real Prop AG
55000000	Transportation (O&M) - Natural Account	C6508	Transportation AG
55000011	Transportation Oper - Source of Supply	C6501	Transportation Oper
55000012	Transportation Oper - Pumping	C6501	Transportation Oper
55000013	Transportation Oper - Water Treatment	C6503	Transportation Oper
55000014	Transportation Oper - Transmission & Distribution	C6505	Transportation Oper
55000015	Transportation Oper - Customer Accounting	C6507	Transportation CA
55000016	Transportation Oper - Admin & General	C6508	Transportation AG
55000021	Transportation Maint - Source of Supply	C6502	Transportation Maint
55000022	Transportation Maint - Pumping	C6502	Transportation Maint
55000023	Transportation Maint - Water Treatment	C6504	Transportation Maint
55000024	Transportation Maint - Transmission & Distribution	C6506	Transportation Maint
55000026	Transportation Maint - Admin & General	C6508	Transportation AG
55000100	Transportation Capitalized Credits	C6508	Transportation AG
55010100	Transportation Lease Costs	C6508	Transportation AG
55010200	Transportation Lease Fuel	C6508	Transportation AG
55010300	Transportation Lease Maint	C6508	Transportation AG
55010400	Transportation - Employee Reimbursement to Company	C6508	Transportation AG
55010500	Transportation - Reimburse Employee Personal Use	C6508	Transportation AG
55020000	Fuel - Physical Inventory Write-off Scrap	C6508	Transportation AG
55110000	Insurance Vehicle	C6568	Ins Vehicle AG
55115000	Insurance Vehicle - Intercompany	C6568	Ins Vehicle AG
55710000	Insurance General Liability	C6578	Ins Gen Liab AG
55711000	Insurance Casualty Reserve	C6578	Ins Gen Liab AG

55715000	Insurance General Liability - Intercompany	C6578	Ins Gen Liab AG
55720000	Insurance Workers Compensation	C6588	Ins Work Comp AG
55720100	Insurance WC Capitalized Credits	C6588	Ins Work Comp AG
55725000	Insurance Workers Compensation - Intercompany	C6588	Ins Work Comp AG
55730000	Insurance Other	C6598	Ins Other AG
55735000	Insurance Other - Intercompany	C6598	Ins Other AG
55740000	Insurance Property	C6598	Ins Other AG
55745000	Insurance Property - Intercompany	C6598	Ins Other AG
56610000	Regulatory Exp - Amortization	C6668	Reg Exp-Rate Case
56611000	Regulatory Exp - Not Authorized	C6668	Reg Exp-Rate Case
56620000	Regulatory Exp - Amort Depreciation Study	C6678	Reg Exp-Other AG
56630000	Regulatory Exp - Amort Management Study	C6678	Reg Exp-Other AG
56670000	Regulatory Exp - Other	C6678	Reg Exp-Other AG
57010000	Uncollectible Accounts Exp - Natural Account	C6707	Bad Debt Expense
57010015	Uncollectible Accounts Exp - Customer Accounting	C6707	Bad Debt Expense
57010016	Uncollectible Accounts Exp - Admin & General	C6707	Bad Debt Expense
57010100	Uncollectible Accounts Exp - Individual Value Adj	C6707	Bad Debt Expense
57010199	Uncollectible Expense - Leak Adjustments	C6707	Bad Debt Expense
58001000	Impairment - Goodwill	C6758	Misc Exp AG
58001500	Impairment - Intangibles	C6758	Misc Exp AG
58002000	Impairment - Plant Property & Equipment	C6758	Misc Exp AG
59011000	Gains/Losses Non-Utility Property Disposals	C426	Misc Nonutility Expe
59011500	Gains/Losses Non-Utility Property Sales	C426	Misc Nonutility Expe
59021000	Gains/Losses Utility Property Sales	C426	Misc Nonutility Expe
59022000	Gains/Losses Acquisition of Asset	C426	Misc Nonutility Expe
62002100	M&S Maint - Source of Supply	C6202	M&S Maint SS
62002200	M&S Maint - Pumping	C6202	M&S Maint SS
62002300	M&S Maint - Water Treatment	C6204	M&S Maint WT
62002400	M&S Maint - Transmission & Distribution	C6206	M&S Maint TD
62002600	M&S Maint - Admin & General	C6208	M&S AG
62502100	Misc Maint - Source of Supply	C6752	Misc Exp Maint SS
62502110	Misc Maint - Source of Supply Struct & Imp	C6752	Misc Exp Maint SS
62502115	Misc Maint - Source of Supply Coll & Imp	C6752	Misc Exp Maint SS
62502120	Misc Maint - Source of Supply Lake	C6752	Misc Exp Maint SS
62502125	Misc Maint - Source of Supply Wells	C6752	Misc Exp Maint SS
62502130	Misc Maint - Source of Supply Infil Gallery	C6752	Misc Exp Maint SS
62502135	Misc Maint - Source of Supply Supply Mains	C6752	Misc Exp Maint SS
62502200	Misc Maint - Pumping	C6752	Misc Exp Maint SS
62502210	Misc Maint - Pumping - Struct & Imp	C6752	Misc Exp Maint SS
62502215	Misc Maint - Pumping - Power Production	C6752	Misc Exp Maint SS
62502300	Misc Maint - Water Treatment	C6754	Misc Exp Maint WT
62502310	Misc Maint - Water Treatment - Struct & Imp	C6754	Misc Exp Maint WT
62502315	Misc Maint - Water Treatment - Equipment	C6754	Misc Exp Maint WT
62502400	Misc Maint - Transmission & Distribution	C6756	Misc Exp Maint TD
62502410	Misc Maint - Transmission & Distr - Struct & Imp	C6756	Misc Exp Maint TD
62502415	Misc Maint - Transmission & Distrib - Dist Res	C6756	Misc Exp Maint TD
62502420	Misc Maint - Transmission & Distribution - Mains	C6756	Misc Exp Maint TD
62502425	Misc Maint - Transmission & Distrib - Fire Main	C6756	Misc Exp Maint TD
62502430	Misc Maint - Transmission & Distribution - Service	C6756	Misc Exp Maint TD
62502435	Misc Maint - Transmission & Distribution - Meters	C6756	Misc Exp Maint TD
62502440	Misc Maint - Transmission & Distribution - Hydrant	C6756	Misc Exp Maint TD
62502600	Misc Maint - Admin & General	C6758	Misc Exp AG
62510000	Amort Def Maint - Natural Account	C6756	Misc Exp Maint TD
62512100	Amort Def Maint - Source of Supply	C6752	Misc Exp Maint SS
62512200	Amort Def Maint - Pumping	C6752	Misc Exp Maint SS
62512300	Amort Def Maint - Water Treatment	C6754	Misc Exp Maint WT
62512400	Amort Def Maint - Transmission & Distribution	C6756	Misc Exp Maint TD
62520700	Misc Maint Paving/Backfill	C6756	Misc Exp Maint TD
62520800	Misc Maint Permits - Natural Account	C6756	Misc Exp Maint TD
62520821	Misc Maint Permits - Source of Supply	C6756	Misc Exp Maint TD
62520824	Misc Maint Permits - Transmission & Distribution	C6756	Misc Exp Maint TD
63110021	Contract Svc-Eng Maint - Source of Supply	C6312	Cont Serv Eng Maint
63110022	Contract Svc-Eng Maint - Pumping	C6312	Cont Serv Eng Maint
63110023	Contract Svc-Eng Maint - Water Treatment	C6314	Cont Serv Eng Maint
63110024	Contract Svc-Eng Maint - Transmission & Distr	C6316	Cont Serv Eng Maint

63110026	Contract Svc-Eng Maint - Admin & General	C6318	Cont Serv Eng AG
63150021	Contract Svc-Other Maint - Source of Supply	C6362	Cont Serv Other Main
63150022	Contract Svc-Other Maint - Pumping	C6363	Cont Serv Other Oper
63150023	Contract Svc-Other Maint - Water Treatment	C6364	Cont Serv Other Main
63150024	Contract Svc-Other Maint - Transmission & Distr	C6366	Cont Serv Other Main
63150026	Contract Svc-Other Maint - Admin & General	C6368	Cont Serv Other AG
68011000	Depreciation Exp - UPIS General	C403	Depreciation Exp
68011100	Depreciation Expense - Vehicles	C403	Depreciation Exp
68011110	Depreciation Expense -Capitalized Credits	C403	Depreciation Exp
68011200	Depreciation Exp - Non-Utility Property	C403	Depreciation Exp
68011500	Depreciation Exp - Amort Def Depreciation	C403	Depreciation Exp
68012000	Depreciation Exp - Amort CIAC Tax	C403	Depreciation Exp
68012500	Depreciation Exp - Amort CIAC Nontax	C403	Depreciation Exp
68013000	Depreciation Exp - UPAA FAS141	C403	Depreciation Exp
68013500	Depreciation Exp - Neg UPAA	C403	Depreciation Exp
68014000	Depreciation Exp - Regulatory Acq Adj	C403	Depreciation Exp
68251000	Amortization - Ltd Term Plant	C4071	Amort-Ltd Term UP
68252000	Amortization - Capital Leases	C4071	Amort-Ltd Term UP
68253000	Amortization - Post In-Service AFUDC	C4071	Amort-Ltd Term UP
68254000	Amortization - Reg Asset AFUDC	C4071	Amort-Ltd Term UP
68255000	Amortization - UPAA	C406	Amort UPAA
68256000	Amortization - Intangible Finite Life	C406	Amort UPAA
68257000	Amortization - Property Losses	C4072	Amort-Prop Losses
68258000	Amortization - Reg Asset	C4074	Amort-Reg Asset
68259000	Amortization - Other UP	C4073	Amort-Other UP
68311000	Removal Costs - ARO/Net Neg Salvage	C403	Depreciation Exp
68312000	Removal Costs - Net Negative Salvage CIAC Tax	C403	Depreciation Exp
68312500	Removal Costs - Net Negative Salvage CIAC Non-Tax	C403	Depreciation Exp
68520000	Property Taxes	C40811	Taxes Oth than Inc-P
68520100	Tax Discounts	C40811	Taxes Oth than Inc-P
68529000	Property Tax Non-Utility Property	C40820	Taxes Oth than Inc-O
68532000	FUTA	C40812	Taxes Oth than Inc-P
68532100	FUTA Cap Credits	C40812	Taxes Oth than Inc-P
68533000	FICA	C40812	Taxes Oth than Inc-P
68533100	FICA Cap Credits	C40812	Taxes Oth than Inc-P
68535000	SUTA	C40812	Taxes Oth than Inc-P
68535100	SUTA Cap Credits	C40812	Taxes Oth than Inc-P
68536000	ER Local Tax	C40812	Taxes Oth than Inc-P
68536100	Local Cap Credit	C40812	Taxes Oth than Inc-P
68541000	Capital Stock Tax	C40813	Taxes Oth than Inc-O
68542000	Enviromental Tax	C40813	Taxes Oth than Inc-O
68543000	Other Taxes and Licenses	C40813	Taxes Oth than Inc-O
68544000	Gross Receipts Tax	C40813	Taxes Oth than Inc-O
68545000	Utility Reg Assessment	C40810	Taxes Oth than Inc-R
69011000	FIT - Current	C40910	Income Taxes-FIT Ope
69011400	FIT - Current - Unitary Returns	C40910	Income Taxes-FIT Ope
69012000	FIT - Prior Year Adjustment	C40910	Income Taxes-FIT Ope
69012400	FIT - Prior Year - Unitary Returns	C40910	Income Taxes-FIT Ope
69012500	FIT - Acquisition Adjustment	C40910	Income Taxes-FIT Ope
69013100	FIT - Income Tax Interest	C40910	Income Taxes-FIT Ope
69013200	FIT - Income Tax Penalty	C40910	Income Taxes-FIT Ope
69021000	SIT - Current	C40911	Income Taxes-SIT Ope
69021400	SIT - Current - Unitary Returns	C40911	Income Taxes-SIT Ope
69022000	SIT - Prior Year Adjustment	C40911	Income Taxes-SIT Ope
69022400	SIT - Prior Year - Unitary Returns	C40911	Income Taxes-SIT Ope
69022500	SIT - Acquisition Adjustment	C40911	Income Taxes-SIT Ope
69023100	SIT - Income Tax Interest	C40910	Income Taxes-FIT Ope
69023200	SIT - Income Tax Penalty	C40910	Income Taxes-FIT Ope
69031000	FIT - Other Income & Deductions Current Year	C40920	Income Taxes-Oth Inc
69031500	FIT - Reduction Acquisition Adjustment	C40920	Income Taxes-Oth Inc
69041000	SIT - Other Income & Deductions Current Year	C40920	Income Taxes-Oth Inc
69041500	SIT - Reduction Acquisition Adjustment	C40920	Income Taxes-Oth Inc
69061000	Deferred FIT - Current Year	C41010	Def Inc Tax-FIT
69061400	Deferred FIT - Current Year - Unitary Returns	C41010	Def Inc Tax-FIT
69062000	Deferred FIT - Prior Year Adjustment	C41010	Def Inc Tax-FIT

69062400	Deferred FIT - Prior Year - Unitary Returns	C41010	Def Inc Tax-FIT
69063000	Deferred FIT - Reg Asset/Liability	C41010	Def Inc Tax-FIT
69065000	Deferred FIT - Other	C41010	Def Inc Tax-FIT
69071000	Deferred SIT - Current Year	C41011	Def Inc Tax-SIT
69071400	Deferred SIT - Current Year - Unitary Returns	C41011	Def Inc Tax-SIT
69072000	Deferred SIT - Prior Year Adjustment	C41011	Def Inc Tax-SIT
69072400	Deferred SIT - Prior Year - Unitary Returns	C41011	Def Inc Tax-SIT
69073000	Deferred SIT - Reg Asset/Liability	C41011	Def Inc Tax-SIT
69073500	Deferred SIT - Other	C41011	Def Inc Tax-SIT
69522000	Investment Tax Credits Restored - 3%	C41211	ITC-Restored
69523000	Investment Tax Credits Restored - 4%	C41211	ITC-Restored
69524000	Investment Tax Credits Restored - 10%	C41211	ITC-Restored
69525000	Investment Tax Credits Restored - 6%	C41211	ITC-Restored
69550000	Investment Tax Credits Restored SIT	C41211	ITC-Restored
70510000	AFUDC - Equity	C420	AFUDC
71010000	Dividend Income	C419	Interest & Dividend
71015000	Dividend Income C/S Interco	C419	Interest & Dividend
71030000	Dividend Income P/S Interco	C419	Interest & Dividend
71511000	M&J Revenues	C415	M&J Revenues
71511500	M&J Revenues Intercompany	C415	M&J Revenues
71511510	M&J Rev WLPP Billing Intercompany	C415	M&J Revenues
71521000	M&J Expenses	C416	M&J Expenses
71521500	M&J Expenses Intercompany	C416	M&J Expenses
71611000	Misc Nonutility Revenue	C421	Nonutility Income
71611100	Misc Nonutility Rev Rents	C421	Nonutility Income
71611510	Misc Nonutility Revenue Intercompany	C421	Nonutility Income
71611520	Misc Nonutility Rev Debt Exp Intercompany	C421	Nonutility Income
71611530	Misc Nonutility Rev Credit Line Intercompany	C421	Nonutility Income
71611540	Misc Nonutility Rev Rent Intercompany	C421	Nonutility Income
71621000	Misc Nonutility Expense	C426	Misc Nonutility Expe
71630000	Misc Nonutility JV Profit/Loss	C426	Misc Nonutility Expe
71711000	Gains/Losses SERP Inv (Suppl Exec Retirement Plan)	C426	Misc Nonutility Expe
71712000	Gains/Losses Other Non-Operating	C426	Misc Nonutility Expe
71713000	Gains/Losses Deferred Comp Trust	C426	Misc Nonutility Expe
71810000	Other Non-service Pension Benefit Cost	C6048	Empl Pens & Ben AG
71820000	Other Non-service PBOP Benefit Cost	C6048	Empl Pens & Ben AG
72801000	Adv Receipt Services Clearing	C421	Nonutility Income
72801100	Adv Receipt Non-Services Clearing	C421	Nonutility Income
72801200	Adv Refund Services Clearing	C421	Nonutility Income
72801300	Adv Refund Non-Services Clearing	C421	Nonutility Income
72802000	CIAC Receipt Services Clearing	C421	Nonutility Income
72802100	CIAC Receipt Non-Services Clearing	C421	Nonutility Income
72803000	Salvage/Scrap Receipt Clearing	C421	Nonutility Income
72803100	Property Sale Receipt Clearing	C421	Nonutility Income
75510000	Amortize UPAA	C426	Misc Nonutility Expe
75520000	Amortize Preferred Stock Expense	C426	Misc Nonutility Expe
75810000	Donations Deductible	C426	Misc Nonutility Expe
75811000	Donations Deduct Customer Assist	C426	Misc Nonutility Expe
75815000	Donations Non-deductible	C426	Misc Nonutility Expe
75820000	Other Income Deductions	C426	Misc Nonutility Expe
75840000	Lobbying Expenses	C426	Misc Nonutility Expe
75841000	Political Contributions	C426	Misc Nonutility Expe
81010000	Interest Long Term Debt	C4273	Int Exp-LTD
81015000	Interest Long Term Debt Intercompany	C4273	Int Exp-LTD
81016000	Interest expense-LTD debt discount amort inside	C4273	Int Exp-LTD
81017000	Early Debt Retirement Loss - External	C4273	Int Exp-LTD
81017100	Early Debt Retirement Gain - Intercompany	C4273	Int Exp-LTD
81017200	Early Debt Retirement Loss - Intercompany	C4273	Int Exp-LTD
81020000	Dividends Declared P/S w/ Mand Redemptn Requiremts	C437	Dividends Declared -
81030000	Interest Capital Lease	C4273	Int Exp-LTD
81035000	Interest Capital Lease Intercompany	C4273	Int Exp-LTD
81050000	Interest LTD Gain/Loss Hedge SWAP	C4273	Int Exp-LTD
81050100	Interest LTD Gain/Loss Hedge Debt	C4273	Int Exp-LTD
81050300	Gain on Hedge	C4273	Int Exp-LTD
81050305	Gain on Hedge Intercompany	C4273	Int Exp-LTD

81050400	Loss on Hedge	C4273	Int Exp-LTD
81050405	Loss on Hedge Intercompany	C4273	Int Exp-LTD
81055200	Interest LTD Gain/Loss Hedge Intercompany	C4273	Int Exp-LTD
81310000	Interest Short Term Debt	C4272	Int Exp-Short Term D
81315000	Interest Short Term Debt Intercompany	C4272	Int Exp-Short Term D
81315100	In-House Cash Center Interest Inc/Exp Clearing	C4272	Int Exp-Short Term D
81500000	Interest Other	C4275	Int Exp-Other
81810000	Interest Income	C419	Interest & Dividend
81815000	Interest income-LTD intercompany	C419	Interest & Dividend
81815100	Interest Income - STD Intercompany	C4273	Int Exp-LTD
81816000	Interest Income - LTD debt discount amort	C4273	Int Exp-LTD
81817000	AWTR Interest Income - LTD debt premium amort	C4273	Int Exp-LTD
82010000	Amortize Debt Disc & Exp	C428	Amort Debt Expense
82015000	Amortize Debt Disc & Exp Intercompany	C428	Amort Debt Expense
82016000	Amortize Debt Exp Inside-Revolving Credit Line	C428	Amort Debt Expense
82020000	Amort P/S Exp w/ Mandatory Redemptn Requiremts	C428	Amort Debt Expense
85000000	AFUDC Debt	C420	AFUDC
86021000	Dividend Declared Common Stock	C438	Dividends Declared -
86021500	Dividend Declared Common Stock Intercompany	C438	Dividends Declared -
86031000	Dividend Declared Preferred Stock	C437	Dividends Declared -
86031500	Dividend Declared Preferred Stock Intercompany	C437	Dividends Declared -
88101000	Capital Movements - UP	C6758	Misc Exp AG
88106000	Capital Movements - CCNC	C6758	Misc Exp AG
88107000	Capital Movements - CWIP	C6758	Misc Exp AG
88108020	Capital Movements - UP - A/D - Salvage	C6758	Misc Exp AG
88121000	Capital Movements - Non-Utility Property	C6758	Misc Exp AG
88121800	Capital Movements - Non-Utility Property - CWIP	C6758	Misc Exp AG
88186800	Capital Movements - Reg Asset Cost of Removal	C6758	Misc Exp AG
88186801	Capital Movements - Reg Asset Cost of Removal RWIP	C6758	Misc Exp AG
88252100	Capital Movements - ADV NT	C6758	Misc Exp AG
88252170	Capital Movements - ADV NT WIP	C6758	Misc Exp AG
88252200	Capital Movements - ADV Tax	C6758	Misc Exp AG
88252270	Capital Movements - ADV Tax WIP	C6758	Misc Exp AG
88257000	Capital Movements - Cost of Removal	C6758	Misc Exp AG
88257100	Capital Movements - RWIP	C6758	Misc Exp AG
88271100	Capital Movements - CIAC NT	C6758	Misc Exp AG
88271170	Capital Movements - CIAC NT WIP	C6758	Misc Exp AG
88271200	Capital Movements - CIAC Tax	C6758	Misc Exp AG
88271270	Capital Movements - CIAC Tax WIP	C6758	Misc Exp AG
88900000	Capital Movements - Settlement	C6758	Misc Exp AG

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2023-00191
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 30**

Description of Filing Requirement:

The latest twelve (12) months of the monthly managerial reports providing financial results of operations in comparison to the forecast.

Response:

Please see attached documents which include the twelve monthly financial results of operations in comparison to forecast/budget reports for the twelve months ended May 2023.

For electronic version, refer to KAW_APP_EX30_063023.pdf.



Statement of Income - June 2022

<i>\$ in '000s</i>	MTD Actuals	MTD Budget	Fav / (Unfav)
OPERATING REVENUES			
Water revenues	9,303	8,975	328
Sewer revenues	64	72	(8)
Other operating revenues	181	230	(48)
Operating revenues	9,549	9,277	272
OPERATIONS & MAINTENANCE EXPENSE			
Purchased water	31	34	2
Fuel and Power	511	388	(123)
Chemicals	284	269	(16)
Waste disposal	44	37	(8)
Total production costs	872	727	(144)
Salaries & Wages	789	674	(115)
Pensions	17	20	4
Group insurances	124	131	6
Other benefits	100	50	(50)
Total employee related	1,030	874	(156)
Service Company costs	1,189	1,289	100
Contracted services	108	58	(50)
Building maintenance and services	59	59	1
Telecommunication expenses	18	22	4
Postage printing and stationery	1	2	1
Office supplies & expenses	10	8	(2)
Advertising & marketing expenses	-	-	-
Employee related expense travel & entertainment	15	7	(7)
Miscellaneous expenses	84	23	(61)
Rents	4	1	(2)
Transportation	23	31	9
Operating supplies & services	321	211	(109)
Uncollectible Accounts Exp	33	54	21
Customer accounting other	9	11	2
Regulatory expense	36	36	-
Insurance other than group	103	104	1
Maintenance service & supplies	168	60	(107)
Total operation and maintenance	3,760	3,367	(393)
Depreciation	1,227	1,525	297
Amortization	8	23	15
Removal costs	226	215	(11)
Depreciation and Amortization	1,461	1,763	302
General taxes	726	710	(16)
Loss (gain) on sale of assets	-	-	-
Impairment charges	-	-	-
Total operating expenses net	5,948	5,840	(108)
Operating income (loss)	3,601	3,437	164
OTHER INCOME (EXPENSES)			
Interest Income	-	0	(0)
Interest on long-term debt	(844)	(842)	(3)
Interest on Short-Term Bank Debt	(15)	-	(15)
Other Interest Expense	-	-	-
Interest net	(859)	(841)	(18)
Nonoperating benefit costs, net	172	137	(35)
Allowance for other funds used during construction	31	36	(4)
Allowance for borrowed funds used during construction	19	28	(9)
Amortization of debt expense	(30)	(31)	(1)
Other Net	(2)	(7)	6
Total other income (expenses)	(668)	(679)	10
Income (loss) before income taxes	2,933	2,758	174
Provision for income taxes	619	628	9
Net income (loss)	2,313	2,130	184



Statement of Income - July 2022

<i>\$ in '000s</i>	MTD Actuals	MTD Budget	Fav / (Unfav)
<u>OPERATING REVENUES</u>			
Water revenues	10,319	9,436	883
Sewer revenues	53	74	(21)
Other operating revenues	202	234	(32)
Operating revenues	10,574	9,743	831
<u>OPERATIONS & MAINTENANCE EXPENSE</u>			
Purchased water	24	34	10
Fuel and Power	433	368	(66)
Chemicals	345	266	(80)
Waste disposal	44	36	(7)
Total production costs	846	704	(142)
Salaries & Wages	713	638	(75)
Pensions	17	20	3
Group insurances	125	131	5
Other benefits	61	48	(13)
Total employee related	917	837	(80)
Service Company costs	900	1,021	121
Contracted services	88	58	(30)
Building maintenance and services	69	59	(10)
Telecommunication expenses	23	22	(2)
Postage printing and stationery	1	2	0
Office supplies & expenses	27	8	(19)
Advertising & marketing expenses	-	-	-
Employee related expense travel & entertainment	12	7	(5)
Miscellaneous expenses	75	23	(52)
Rents	2	1	(1)
Transportation	41	31	(10)
Operating supplies & services	339	211	(127)
Uncollectible Accounts Exp	57	57	(0)
Customer accounting other	10	11	1
Regulatory expense	-	36	36
Insurance other than group	103	104	1
Maintenance service & supplies	193	64	(130)
Total operation and maintenance	3,365	3,044	(321)
Depreciation	1,801	1,532	(269)
Amortization	8	23	15
Removal costs	224	216	(8)
Depreciation and Amortization	2,033	1,771	(262)
General taxes	711	708	(3)
Loss (gain) on sale of assets	-	-	-
Impairment charges	-	-	-
Total operating expenses net	6,109	5,523	(586)
Operating income (loss)	4,465	4,220	245
<u>OTHER INCOME (EXPENSES)</u>			
Interest Income	-	0	(0)
Interest on long-term debt	(844)	(842)	(2)
Interest on Short-Term Bank Debt	(32)	-	(32)
Other Interest Expense	-	-	-
Interest net	(876)	(841)	(35)
Nonoperating benefit costs, net	172	137	(35)
Allowance for other funds used during construction	28	37	(9)
Allowance for borrowed funds used during construction	17	29	(13)
Amortization of debt expense	(30)	(31)	(1)
Other Net	(13)	(7)	(6)
Total other income (expenses)	(702)	(676)	(26)
Income (loss) before income taxes	3,763	3,544	219
Provision for income taxes	868	808	(60)
Net income (loss)	2,895	2,737	158



Statement of Income - August 2022

\$ in '000s	MTD Actuals	MTD Budget	Fav / (Unfav)
OPERATING REVENUES			
Water revenues	10,151	9,444	707
Sewer revenues	61	73	(11)
Other operating revenues	237	251	(14)
Operating revenues	10,450	9,768	681
OPERATIONS & MAINTENANCE EXPENSE			
Purchased water	35	34	(2)
Fuel and Power	513	379	(134)
Chemicals	364	302	(62)
Waste disposal	41	35	(5)
Total production costs	954	751	(203)
Salaries & Wages	751	693	(58)
Pensions	16	20	4
Group insurances	127	131	4
Other benefits	61	51	(9)
Total employee related	956	896	(60)
Service Company costs	883	1,054	172
Contracted services	62	44	(18)
Building maintenance and services	80	59	(20)
Telecommunication expenses	23	22	(1)
Postage printing and stationery	1	2	1
Office supplies & expenses	29	8	(21)
Advertising & marketing expenses	-	-	-
Employee related expense travel & entertainment	12	7	(5)
Miscellaneous expenses	200	28	(173)
Rents	3	1	(1)
Transportation	27	48	21
Operating supplies & services	436	219	(217)
Uncollectible Accounts Exp	68	57	(11)
Customer accounting other	8	11	3
Regulatory expense	-	36	36
Insurance other than group	103	104	1
Maintenance service & supplies	268	106	(161)
Total operation and maintenance	3,675	3,234	(442)
Depreciation	1,376	1,539	162
Amortization	8	23	15
Removal costs	225	216	(9)
Depreciation and Amortization	1,609	1,778	169
General taxes	(1,631)	712	2,342
Loss (gain) on sale of assets	-	-	-
Impairment charges	-	-	-
Total operating expenses net	3,654	5,723	2,069
Operating income (loss)	6,796	4,045	2,751
OTHER INCOME (EXPENSES)			
Interest Income	-	1	(1)
Interest on long-term debt	(844)	(842)	(2)
Interest on Short-Term Bank Debt	(42)	-	(42)
Other Interest Expense	-	-	-
Interest net	(885)	(840)	(45)
Nonoperating benefit costs, net	172	137	(35)
Allowance for other funds used during construction	30	38	(8)
Allowance for borrowed funds used during construction	18	31	(13)
Amortization of debt expense	(30)	(31)	(1)
Other Net	(19)	(7)	(12)
Total other income (expenses)	(715)	(672)	(43)
Income (loss) before income taxes	6,081	3,373	2,708
Provision for income taxes	1,407	769	(639)
Net income (loss)	4,673	2,604	2,069



Statement of Income - September 2022

<i>\$ in '000s</i>	MTD Actuals	MTD Budget	Fav / (Unfav)
OPERATING REVENUES			
Water revenues	9,304	9,224	80
Sewer revenues	84	72	12
Other operating revenues	207	236	(29)
Operating revenues	9,595	9,532	63
OPERATIONS & MAINTENANCE EXPENSE			
Purchased water	28	34	5
Fuel and Power	485	415	(70)
Chemicals	361	253	(108)
Waste disposal	41	36	(4)
Total production costs	915	738	(177)
Salaries & Wages	736	674	(63)
Pensions	18	20	2
Group insurances	130	131	1
Other benefits	64	50	(14)
Total employee related	948	874	(74)
Service Company costs	985	1,198	213
Contracted services	121	69	(52)
Building maintenance and services	76	59	(17)
Telecommunication expenses	21	22	0
Postage printing and stationery	1	2	1
Office supplies & expenses	12	8	(4)
Advertising & marketing expenses	-	-	-
Employee related expense travel & entertainment	11	7	(4)
Miscellaneous expenses	(43)	28	70
Rents	6	3	(3)
Transportation	58	48	(10)
Operating supplies & services	263	245	(18)
Uncollectible Accounts Exp	45	55	11
Customer accounting other	11	11	0
Regulatory expense	1	36	35
Insurance other than group	104	104	0
Maintenance service & supplies	396	115	(281)
Total operation and maintenance	3,668	3,377	(291)
Depreciation	1,557	1,545	(12)
Amortization	8	23	15
Removal costs	225	217	(8)
Depreciation and Amortization	1,790	1,785	(5)
General taxes	732	709	(23)
Loss (gain) on sale of assets	-	-	-
Impairment charges	-	-	-
Total operating expenses net	6,190	5,871	(319)
Operating income (loss)	3,405	3,661	(256)
OTHER INCOME (EXPENSES)			
Interest Income	-	1	(1)
Interest on long-term debt	(844)	(842)	(2)
Interest on Short-Term Bank Debt	(39)	-	(39)
Other Interest Expense	-	-	-
Interest net	(883)	(841)	(42)
Nonoperating benefit costs, net	172	137	(35)
Allowance for other funds used during construction	37	39	(2)
Allowance for borrowed funds used during construction	22	33	(11)
Amortization of debt expense	(30)	(31)	(1)
Other Net	(25)	(7)	(18)
Total other income (expenses)	(706)	(669)	(37)
Income (loss) before income taxes	2,699	2,992	(293)
Provision for income taxes	641	682	41
Net income (loss)	2,058	2,310	(252)



Statement of Income - October 2022

<i>\$ in '000s</i>	MTD Actuals	MTD Budget	Fav / (Unfav)
<u>OPERATING REVENUES</u>			
Water revenues	9,237	8,763	475
Sewer revenues	89	73	15
Other operating revenues	183	213	(29)
Operating revenues	9,509	9,049	461
<u>OPERATIONS & MAINTENANCE EXPENSE</u>			
Purchased water	29	36	7
Fuel and Power	523	397	(126)
Chemicals	306	232	(74)
Waste disposal	49	39	(9)
Total production costs	906	703	(202)
Salaries & Wages	670	638	(32)
Pensions	18	20	2
Group insurances	123	131	8
Other benefits	56	48	(8)
Total employee related	866	837	(29)
Service Company costs	925	1,009	85
Contracted services	56	75	18
Building maintenance and services	60	59	(0)
Telecommunication expenses	22	22	(0)
Postage printing and stationery	1	2	0
Office supplies & expenses	40	8	(32)
Advertising & marketing expenses	-	-	-
Employee related expense travel & entertainment	8	7	(0)
Miscellaneous expenses	35	30	(5)
Rents	4	1	(3)
Transportation	63	56	(6)
Operating supplies & services	288	260	(28)
Uncollectible Accounts Exp	52	53	0
Customer accounting other	15	11	(4)
Regulatory expense	1	36	35
Insurance other than group	108	104	(5)
Maintenance service & supplies	197	131	(66)
Total operation and maintenance	3,359	3,145	(214)
Depreciation	1,525	1,556	31
Amortization	8	23	15
Removal costs	228	218	(10)
Depreciation and Amortization	1,762	1,798	36
General taxes	734	707	(27)
Loss (gain) on sale of assets	-	-	-
Impairment charges	-	-	-
Total operating expenses net	5,854	5,649	(205)
Operating income (loss)	3,655	3,399	256
<u>OTHER INCOME (EXPENSES)</u>			
Interest Income	-	0	(0)
Interest on long-term debt	(844)	(842)	(2)
Interest on Short-Term Bank Debt	(65)	-	(65)
Other Interest Expense	-	-	-
Interest net	(909)	(841)	(67)
Nonoperating benefit costs, net	172	137	(35)
Allowance for other funds used during construction	41	37	5
Allowance for borrowed funds used during construction	25	30	(5)
Amortization of debt expense	(34)	(31)	3
Other Net	(13)	(7)	(6)
Total other income (expenses)	(717)	(676)	(41)
Income (loss) before income taxes	2,939	2,723	215
Provision for income taxes	679	621	(59)
Net income (loss)	2,259	2,103	157



Statement of Income - November 2022

<i>\$ in '000s</i>	MTD Actuals	MTD Budget	Fav / (Unfav)
<u>OPERATING REVENUES</u>			
Water revenues	8,741	7,940	800
Sewer revenues	69	75	(6)
Other operating revenues	188	194	(6)
Operating revenues	8,997	8,210	788
<u>OPERATIONS & MAINTENANCE EXPENSE</u>			
Purchased water	25	35	10
Fuel and Power	466	295	(171)
Chemicals	242	182	(61)
Waste disposal	17	37	19
Total production costs	751	548	(203)
Salaries & Wages	783	673	(109)
Pensions	19	20	1
Group insurances	140	131	(9)
Other benefits	71	50	(21)
Total employee related	1,013	875	(138)
Service Company costs	955	1,048	93
Contracted services	124	75	(49)
Building maintenance and services	91	59	(32)
Telecommunication expenses	23	22	(1)
Postage printing and stationery	1	2	1
Office supplies & expenses	25	8	(17)
Advertising & marketing expenses	-	-	-
Employee related expense travel & entertainment	127	7	(120)
Miscellaneous expenses	(69)	30	99
Rents	2	1	(1)
Transportation	75	56	(19)
Operating supplies & services	398	260	(138)
Uncollectible Accounts Exp	15	48	33
Customer accounting other	8	11	3
Regulatory expense	1	36	35
Insurance other than group	102	104	2
Maintenance service & supplies	238	131	(107)
Total operation and maintenance	3,481	3,061	(419)
Depreciation	1,532	1,562	30
Amortization	8	23	15
Removal costs	229	219	(11)
Depreciation and Amortization	1,770	1,804	35
General taxes	750	709	(40)
Loss (gain) on sale of assets	-	-	-
Impairment charges	-	-	-
Total operating expenses net	6,000	5,575	(425)
Operating income (loss)	2,998	2,635	363
<u>OTHER INCOME (EXPENSES)</u>			
Interest Income	-	0	(0)
Interest on long-term debt	(844)	(842)	(2)
Interest on Short-Term Bank Debt	(29)	-	(29)
Other Interest Expense	(0)	-	(0)
Interest net	(873)	(841)	(32)
Nonoperating benefit costs, net	172	137	(35)
Allowance for other funds used during construction	43	38	5
Allowance for borrowed funds used during construction	26	31	(5)
Amortization of debt expense	(31)	(31)	(0)
Other Net	(7)	(7)	0
Total other income (expenses)	(669)	(673)	4
Income (loss) before income taxes	2,328	1,961	367
Provision for income taxes	544	447	(97)
Net income (loss)	1,784	1,514	270



Statement of Income - December 2022

<i>\$ in '000s</i>	MTD Actuals	MTD Budget	Fav / (Unfav)
<u>OPERATING REVENUES</u>			
Water revenues	8,407	7,919	488
Sewer revenues	73	73	1
Other operating revenues	196	187	8
Operating revenues	8,676	8,179	497
<u>OPERATIONS & MAINTENANCE EXPENSE</u>			
Purchased water	40	34	(6)
Fuel and Power	401	332	(69)
Chemicals	280	152	(128)
Waste disposal	34	36	1
Total production costs	756	554	(202)
Salaries & Wages	864	682	(182)
Pensions	18	20	3
Group insurances	(15)	131	146
Other benefits	77	50	(26)
Total employee related	943	883	(61)
Service Company costs	1,090	1,215	125
Contracted services	35	55	20
Building maintenance and services	82	59	(23)
Telecommunication expenses	27	22	(5)
Postage printing and stationery	1	2	1
Office supplies & expenses	60	8	(52)
Advertising & marketing expenses	-	-	-
Employee related expense travel & entertainment	26	7	(18)
Miscellaneous expenses	135	33	(103)
Rents	3	1	(2)
Transportation	22	(101)	(123)
Operating supplies & services	391	86	(305)
Uncollectible Accounts Exp	46	48	2
Customer accounting other	9	11	3
Regulatory expense	1	36	35
Insurance other than group	112	104	(9)
Maintenance service & supplies	292	155	(137)
Total operation and maintenance	3,639	3,091	(548)
Depreciation	1,542	1,568	26
Amortization	8	23	15
Removal costs	230	219	(11)
Depreciation and Amortization	1,780	1,811	30
General taxes	744	709	(35)
Loss (gain) on sale of assets	-	-	-
Impairment charges	-	-	-
Total operating expenses net	6,164	5,611	(553)
Operating income (loss)	2,513	2,568	(56)
<u>OTHER INCOME (EXPENSES)</u>			
Interest Income	-	-	-
Interest on long-term debt	(844)	(842)	(2)
Interest on Short-Term Bank Debt	(44)	(0)	(44)
Other Interest Expense	-	-	-
Interest net	(888)	(842)	(46)
Nonoperating benefit costs, net	172	137	(35)
Allowance for other funds used during construction	44	39	5
Allowance for borrowed funds used during construction	26	33	(6)
Amortization of debt expense	(31)	(31)	(0)
Other Net	(13)	(7)	(6)
Total other income (expenses)	(689)	(671)	(18)
Income (loss) before income taxes	1,823	1,897	(74)
Provision for income taxes	681	432	(248)
Net income (loss)	1,142	1,465	(323)



Statement of Income - January 2023

<i>\$ in '000s</i>	MTD Actuals	MTD Budget	Fav / (Unfav)
<u>OPERATING REVENUES</u>			
Water revenues	8,756	8,181	575
Sewer revenues	92	70	22
Other operating revenues	189	192	(3)
Operating revenues	9,037	8,443	594
<u>OPERATIONS & MAINTENANCE EXPENSE</u>			
Purchased water	35	32	(3)
Fuel and Power	584	397	(188)
Chemicals	309	275	(33)
Waste disposal	48	51	4
Total production costs	975	755	(220)
Salaries & Wages	812	685	(127)
Pensions	7	10	3
Group insurances	147	146	(1)
Other benefits	50	48	(2)
Total employee related	1,016	889	(127)
Service Company costs	888	1,007	119
Contracted services	92	83	(9)
Building maintenance and services	72	64	(7)
Telecommunication expenses	(4)	15	19
Postage printing and stationery	2	2	(0)
Office supplies & expenses	24	11	(13)
Advertising & marketing expenses	-	-	-
Employee related expense travel & entertainment	(105)	8	114
Miscellaneous expenses	75	34	(40)
Rents	2	3	1
Transportation	58	56	(2)
Operating supplies & services	215	276	61
Uncollectible Accounts Exp	(26)	42	68
Customer accounting other	11	11	(0)
Regulatory expense	1	1	(0)
Insurance other than group	123	110	(13)
Maintenance service & supplies	152	157	5
Total operation and maintenance	3,355	3,249	(106)
Depreciation	1,579	1,539	(40)
Amortization	8	7	(1)
Removal costs	231	228	(2)
Depreciation and Amortization	1,818	1,774	(44)
General taxes	819	667	(152)
Loss (gain) on sale of assets	-	-	-
Impairment charges	-	-	-
Total operating expenses net	5,993	5,691	(302)
Operating income (loss)	3,044	2,752	292
<u>OTHER INCOME (EXPENSES)</u>			
Interest Income	-	-	-
Interest on long-term debt	(844)	(844)	0
Interest on Short-Term Bank Debt	(58)	(61)	3
Other Interest Expense	-	-	-
Interest net	(902)	(905)	3
Nonoperating benefit costs, net	56	93	37
Allowance for other funds used during construction	36	5	31
Allowance for borrowed funds used during construction	22	3	19
Amortization of debt expense	(31)	(30)	0
Other Net	(16)	(12)	(4)
Total other income (expenses)	(834)	(847)	13
Income (loss) before income taxes	2,210	1,905	305
Provision for income taxes	492	423	(69)
Net income (loss)	1,718	1,482	236



Statement of Income - February 2023

<i>\$ in '000s</i>	MTD Actuals	MTD Budget	Fav / (Unfav)
<u>OPERATING REVENUES</u>			
Water revenues	8,232	7,723	509
Sewer revenues	67	69	(2)
Other operating revenues	177	167	10
Operating revenues	8,477	7,960	517
<u>OPERATIONS & MAINTENANCE EXPENSE</u>			
Purchased water	41	32	(9)
Fuel and Power	320	424	104
Chemicals	298	249	(49)
Waste disposal	39	51	12
Total production costs	698	756	58
Salaries & Wages	716	628	(88)
Pensions	11	10	(1)
Group insurances	129	132	3
Other benefits	58	49	(10)
Total employee related	914	819	(95)
Service Company costs	954	951	(3)
Contracted services	109	82	(26)
Building maintenance and services	49	122	73
Telecommunication expenses	33	13	(20)
Postage printing and stationery	1	1	(0)
Office supplies & expenses	8	10	2
Advertising & marketing expenses	-	-	-
Employee related expense travel & entertainment	10	14	3
Miscellaneous expenses	73	43	(30)
Rents	3	2	(0)
Transportation	69	39	(30)
Operating supplies & services	355	326	(29)
Uncollectible Accounts Exp	36	40	4
Customer accounting other	8	8	(1)
Regulatory expense	1	1	-
Insurance other than group	122	110	(12)
Maintenance service & supplies	222	125	(98)
Total operation and maintenance	3,311	3,136	(175)
Depreciation	1,579	1,540	(39)
Amortization	8	9	0
Removal costs	231	229	(2)
Depreciation and Amortization	1,817	1,777	(40)
General taxes	676	656	(20)
Loss (gain) on sale of assets	-	-	-
Impairment charges	-	-	-
Total operating expenses net	5,804	5,569	(235)
Operating income (loss)	2,673	2,391	282
<u>OTHER INCOME (EXPENSES)</u>			
Interest Income	-	-	-
Interest on long-term debt	(844)	(844)	0
Interest on Short-Term Bank Debt	(69)	(57)	(13)
Other Interest Expense	(0)	-	(0)
Interest net	(913)	(900)	(13)
Nonoperating benefit costs, net	56	93	37
Allowance for other funds used during construction	30	11	19
Allowance for borrowed funds used during construction	18	7	11
Amortization of debt expense	(29)	(30)	(1)
Other Net	(28)	(15)	(13)
Total other income (expenses)	(866)	(835)	(31)
Income (loss) before income taxes	1,806	1,556	251
Provision for income taxes	401	346	(56)
Net income (loss)	1,405	1,210	195



Statement of Income - March 2023

<i>\$ in '000s</i>	MTD Actuals	MTD Budget	Fav / (Unfav)
<u>OPERATING REVENUES</u>			
Water revenues	8,617	8,070	547
Sewer revenues	73	68	6
Other operating revenues	207	179	28
Operating revenues	8,898	8,317	581
<u>OPERATIONS & MAINTENANCE EXPENSE</u>			
Purchased water	32	32	(0)
Fuel and Power	450	405	(45)
Chemicals	303	398	95
Waste disposal	39	51	12
Total production costs	824	886	61
Salaries & Wages	846	749	(96)
Pensions	9	10	2
Group insurances	140	132	(8)
Other benefits	51	54	2
Total employee related	1,046	945	(101)
Service Company costs	1,093	1,163	70
Contracted services	72	96	24
Building maintenance and services	52	58	6
Telecommunication expenses	(12)	15	26
Postage printing and stationery	2	2	0
Office supplies & expenses	15	11	(4)
Advertising & marketing expenses	-	-	-
Employee related expense travel & entertainment	11	7	(4)
Miscellaneous expenses	102	31	(72)
Rents	2	2	0
Transportation	26	46	20
Operating supplies & services	270	267	(3)
Uncollectible Accounts Exp	33	39	6
Customer accounting other	9	10	1
Regulatory expense	1	1	-
Insurance other than group	121	110	(11)
Maintenance service & supplies	226	153	(73)
Total operation and maintenance	3,624	3,575	(50)
Depreciation	1,573	1,542	(31)
Amortization	8	8	0
Removal costs	232	229	(3)
Depreciation and Amortization	1,813	1,779	(34)
General taxes	721	648	(73)
Loss (gain) on sale of assets	-	-	-
Impairment charges	-	-	-
Total operating expenses net	6,158	6,001	(157)
Operating income (loss)	2,740	2,316	425
<u>OTHER INCOME (EXPENSES)</u>			
Interest Income	-	-	-
Interest on long-term debt	(844)	(844)	0
Interest on Short-Term Bank Debt	(49)	(58)	8
Other Interest Expense	-	-	-
Interest net	(893)	(901)	8
Nonoperating benefit costs, net	61	93	31
Allowance for other funds used during construction	33	21	12
Allowance for borrowed funds used during construction	20	13	7
Amortization of debt expense	(33)	(30)	3
Other Net	(9)	(17)	8
Total other income (expenses)	(821)	(822)	1
Income (loss) before income taxes	1,919	1,493	426
Provision for income taxes	449	332	(117)
Net income (loss)	1,470	1,161	309



Statement of Income - April 2023

<i>\$ in '000s</i>	MTD Actuals	MTD Budget	Fav / (Unfav)
<u>OPERATING REVENUES</u>			
Water revenues	8,553	8,199	354
Sewer revenues	75	70	5
Other operating revenues	180	180	0
Operating revenues	8,808	8,449	359
<u>OPERATIONS & MAINTENANCE EXPENSE</u>			
Purchased water	17	32	16
Fuel and Power	428	344	(84)
Chemicals	365	337	(27)
Waste disposal	41	51	10
Total production costs	850	765	(85)
Salaries & Wages	771	640	(132)
Pensions	11	10	(0)
Group insurances	129	132	3
Other benefits	63	44	(18)
Total employee related	974	827	(147)
Service Company costs	900	945	45
Contracted services	67	60	(6)
Building maintenance and services	71	55	(16)
Telecommunication expenses	15	13	(2)
Postage printing and stationery	1	2	2
Office supplies & expenses	39	9	(30)
Advertising & marketing expenses	-	-	-
Employee related expense travel & entertainment	5	7	2
Miscellaneous expenses	92	(8)	(101)
Rents	12	6	(5)
Transportation	58	47	(11)
Operating supplies & services	359	191	(168)
Uncollectible Accounts Exp	32	40	8
Customer accounting other	9	12	4
Regulatory expense	1	1	-
Insurance other than group	122	110	(12)
Maintenance service & supplies	244	159	(85)
Total operation and maintenance	3,491	3,050	(441)
Depreciation	1,564	1,544	(20)
Amortization	8	8	0
Removal costs	234	230	(4)
Depreciation and Amortization	1,806	1,782	(24)
General taxes	720	642	(78)
Loss (gain) on sale of assets	-	-	-
Impairment charges	-	-	-
Total operating expenses net	6,017	5,474	(543)
Operating income (loss)	2,791	2,975	(184)
<u>OTHER INCOME (EXPENSES)</u>			
Interest Income	-	-	-
Interest on long-term debt	(844)	(844)	0
Interest on Short-Term Bank Debt	(55)	(65)	10
Other Interest Expense	-	-	-
Interest net	(898)	(908)	10
Nonoperating benefit costs, net	58	93	35
Allowance for other funds used during construction	33	28	5
Allowance for borrowed funds used during construction	20	17	3
Amortization of debt expense	(31)	(31)	(0)
Other Net	(14)	(11)	(3)
Total other income (expenses)	(832)	(813)	(19)
Income (loss) before income taxes	1,959	2,162	(203)
Provision for income taxes	446	480	34
Net income (loss)	1,513	1,682	(169)



Statement of Income - May 2023

<i>\$ in '000s</i>	MTD Actuals	MTD Budget	Fav / (Unfav)
<u>OPERATING REVENUES</u>			
Water revenues	9,386	8,826	560
Sewer revenues	76	67	9
Other operating revenues	213	183	30
Operating revenues	9,675	9,075	599
<u>OPERATIONS & MAINTENANCE EXPENSE</u>			
Purchased water	18	32	14
Fuel and Power	562	493	(70)
Chemicals	445	345	(100)
Waste disposal	44	51	7
Total production costs	1,069	921	(149)
Salaries & Wages	767	727	(39)
Pensions	9	10	1
Group insurances	139	133	(6)
Other benefits	65	57	(7)
Total employee related	980	928	(52)
Service Company costs	956	1,034	78
Contracted services	112	90	(22)
Building maintenance and services	91	53	(38)
Telecommunication expenses	29	16	(13)
Postage printing and stationery	2	1	(1)
Office supplies & expenses	21	10	(11)
Advertising & marketing expenses	-	-	-
Employee related expense travel & entertainment	35	6	(28)
Miscellaneous expenses	236	38	(198)
Rents	5	1	(4)
Transportation	32	44	12
Operating supplies & services	564	260	(304)
Uncollectible Accounts Exp	63	43	(20)
Customer accounting other	8	10	2
Regulatory expense	1	1	-
Insurance other than group	121	110	(11)
Maintenance service & supplies	246	71	(174)
Total operation and maintenance	4,008	3,378	(630)
Depreciation	1,583	1,547	(36)
Amortization	12	8	(3)
Removal costs	237	231	(6)
Depreciation and Amortization	1,832	1,786	(45)
General taxes	731	648	(83)
Loss (gain) on sale of assets	-	-	-
Impairment charges	-	-	-
Total operating expenses net	6,571	5,812	(758)
Operating income (loss)	3,104	3,263	(159)
<u>OTHER INCOME (EXPENSES)</u>			
Interest Income	6	-	6
Interest on long-term debt	(844)	(883)	39
Interest on Short-Term Bank Debt	(71)	(6)	(66)
Other Interest Expense	-	-	-
Interest net	(909)	(889)	(20)
Nonoperating benefit costs, net	58	93	35
Allowance for other funds used during construction	32	37	(5)
Allowance for borrowed funds used during construction	7	23	(15)
Amortization of debt expense	(31)	(32)	(1)
Other Net	(14)	(13)	(1)
Total other income (expenses)	(856)	(780)	(76)
Income (loss) before income taxes	2,248	2,483	(235)
Provision for income taxes	505	551	46
Net income (loss)	1,742	1,931	(189)

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2023-00191
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 31**

Description of Filing Requirement:

Monthly Budget Variance Reports for 12 Months Pre-Base Period, with narrative, and as available, for Base Period and Subsequent Months

Response:

Please see attached documents monthly budget variance reports for period October 2021 through May 2023.

For the electronic version, see KAW_APP_EX31_063023.pdf.



Statement of Income - October 2021

\$ in '000s	MTD Actuals	MTD Budget	Fav / (Unfav)	Budget Variance Explanation
OPERATING REVENUES				
Water revenues	8,750	8,758	(8)	
Sewer revenues	54	62	(7)	
Other operating revenues	193	213	(20)	
Operating revenues	8,997	9,032	(35)	
OPERATIONS & MAINTENANCE EXPENSE				
Purchased water	26	35	9	
Fuel and Power	364	355	(9)	
Chemicals	352	218	(134)	Reclass chemical invoices (Jan-Aug) from Miscellaneous Expense to Chemicals
Waste disposal	102	45	(57)	
Total production costs	845	653	(192)	
Salaries & Wages	624	625	0	
Pensions	23	23	1	
Group insurances	119	127	8	
Other benefits	43	47	3	
Total employee related	809	822	13	
Service Company costs	936	1,002	66	
Contracted services	48	81	33	
Building maintenance and services	85	60	(25)	
Telecommunication expenses	20	22	2	
Postage printing and stationery	1	3	1	
Office supplies & expenses	28	9	(19)	
Advertising & marketing expenses	-	-	-	
Employee related expense travel & entertainment	4	4	(0)	
Miscellaneous expenses	(126)	146	272	Reclass to chemicals/Expense timing (offsets in Nov)
Rents	0	1	1	
Transportation	30	38	8	
Operating supplies & services	90	363	274	
Uncollectible Accounts Exp	52	52	0	
Customer accounting other	14	11	(3)	
Regulatory expense	36	36	-	
Insurance other than group	93	89	(4)	
Maintenance service & supplies	157	159	1	
Total operation and maintenance	3,033	3,188	155	
Depreciation	1,495	1,453	(42)	
Amortization	24	26	2	
Removal costs	215	222	7	
Depreciation and Amortization	1,734	1,701	(33)	
General taxes	773	693	(80)	Property tax accrual adjustment related to protest for 2020/2021 assessments
Loss (gain) on sale of assets	-	-	-	
Impairment charges	-	-	-	
Total operating expenses net	5,540	5,582	42	
Operating income (loss)	3,457	3,450	7	
OTHER INCOME (EXPENSES)				
Interest Income	-	-	-	
Interest on long-term debt	(806)	(806)	(1)	
Interest on Short-Term Bank Debt	(2)	(3)	1	
Other Interest Expense	-	-	-	
Interest net	(808)	(809)	1	
Nonoperating benefit costs, net	167	96	(72)	Market driven pension/OPEB
Allowance for other funds used during construction	24	34	(10)	
Allowance for borrowed funds used during construction	15	33	(18)	
Amortization of debt expense	(29)	(17)	12	
Other Net	9	-	9	
Total other income (expenses)	(622)	(663)	42	
Income (loss) before income taxes	2,835	2,787	49	
Provision for income taxes	640	621	(20)	
Net income (loss)	2,195	2,166	29	



Statement of Income - November 2021

\$ in '000s	MTD Actuals	MTD Budget	Fav / (Unfav)	Budget Variance Explanation
OPERATING REVENUES				
Water revenues	7,899	7,910	(11)	
Sewer revenues	58	59	(1)	
Other operating revenues	182	194	(12)	
Operating revenues	8,139	8,163	(24)	
OPERATIONS & MAINTENANCE EXPENSE				
Purchased water	25	32	7	
Fuel and Power	350	384	34	
Chemicals	160	137	(23)	
Waste disposal	44	45	1	
Total production costs	580	598	18	
Salaries & Wages	623	660	36	
Pensions	22	23	1	
Group insurances	132	127	(5)	
Other benefits	50	49	(2)	
Total employee related	828	859	31	
Service Company costs	911	1,009	98	
Contracted services	70	81	11	
Building maintenance and services	60	60	(0)	
Telecommunication expenses	22	22	1	
Postage printing and stationery	1	3	1	
Office supplies & expenses	30	9	(21)	
Advertising & marketing expenses	-	-	-	
Employee related expense travel & entertainment	15	4	(11)	
Miscellaneous expenses	204	67	(137)	Centrally sponsored project write off/KY Underground invoices (Jul-Nov)
Rents	4	1	(2)	
Transportation	44	38	(6)	
Operating supplies & services	450	285	(165)	
Uncollectible Accounts Exp	46	47	1	
Customer accounting other	11	11	(0)	
Regulatory expense	36	36	-	
Insurance other than group	93	89	(4)	
Maintenance service & supplies	184	159	(26)	
Total operation and maintenance	3,139	3,093	(46)	
Depreciation	1,499	1,457	(42)	
Amortization	24	26	2	
Removal costs	216	223	7	
Depreciation and Amortization	1,739	1,706	(33)	
General taxes	776	670	(106)	Property tax accrual adjustment related to protest for 2020/2021 assessments
Loss (gain) on sale of assets	-	-	-	
Impairment charges	-	-	-	
Total operating expenses net	5,654	5,469	(185)	
Operating income (loss)	2,485	2,694	(209)	
OTHER INCOME (EXPENSES)				
Interest Income	-	-	-	
Interest on long-term debt	(806)	(806)	(1)	
Interest on Short-Term Bank Debt	(2)	(2)	1	
Other Interest Expense	(1)	-	(1)	
Interest net	(809)	(808)	(1)	
Nonoperating benefit costs, net	167	96	(72)	Market driven pension/OPEB
Allowance for other funds used during construction	26	27	(1)	
Allowance for borrowed funds used during construction	16	30	(14)	
Amortization of debt expense	(29)	(17)	12	
Other Net	(26)	-	(26)	
Total other income (expenses)	(655)	(672)	17	
Income (loss) before income taxes	1,830	2,022	(192)	
Provision for income taxes	394	430	36	
Net income (loss)	1,437	1,592	(156)	



Statement of Income - December 2021

\$ in '000s	MTD Actuals	MTD Budget	Fav / (Unfav)	Budget Variance Explanation
OPERATING REVENUES				
Water revenues	7,187	7,886	(699)	QIP1 recon contingency for potential terminal treatment after receiving QIP2 order (reverses in Jan 2022)
Sewer revenues	58	60	(3)	
Other operating revenues	189	192	(2)	
Operating revenues	7,434	8,138	(704)	
OPERATIONS & MAINTENANCE EXPENSE				
Purchased water	26	31	5	
Fuel and Power	392	306	(86)	Increased demand/pricing
Chemicals	165	130	(35)	
Waste disposal	40	45	5	
Total production costs	622	511	(111)	
Salaries & Wages	747	687	(59)	
Pensions	23	23	(0)	
Group insurances	52	127	75	
Other benefits	58	50	(8)	
Total employee related	880	888	8	
Service Company costs	1,221	1,029	(192)	
Contracted services	153	57	(96)	Arch Flash studies/Write off consultant work
Building maintenance and services	113	60	(53)	
Telecommunication expenses	19	22	4	
Postage printing and stationery	1	3	2	
Office supplies & expenses	19	9	(10)	
Advertising & marketing expenses	-	-	-	
Employee related expense travel & entertainment	7	4	(3)	
Miscellaneous expenses	114	72	(42)	
Rents	1	1	0	
Transportation	2	38	36	
Operating supplies & services	427	266	(161)	
Uncollectible Accounts Exp	16	47	31	
Customer accounting other	12	11	(0)	
Regulatory expense	36	36	-	
Insurance other than group	(19)	89	108	Insurance true up
Maintenance service & supplies	226	159	(67)	
Total operation and maintenance	3,421	3,036	(385)	
Depreciation	1,507	1,460	(47)	
Amortization	24	26	2	
Removal costs	218	223	5	
Depreciation and Amortization	1,750	1,710	(40)	
General taxes	768	672	(96)	Property tax accrual adjustment related to protest for 2020/2021 assessments
Loss (gain) on sale of assets	-	-	-	
Impairment charges	-	-	-	
Total operating expenses net	5,938	5,417	(521)	
Operating income (loss)	1,495	2,721	(1,225)	
OTHER INCOME (EXPENSES)				
Interest Income	-	-	-	
Interest on long-term debt	(806)	(806)	(1)	
Interest on Short-Term Bank Debt	(2)	(3)	1	
Other Interest Expense	-	-	-	
Interest net	(809)	(809)	(0)	
Nonoperating benefit costs, net	167	96	(72)	Market driven pension/OPEB
Allowance for other funds used during construction	21	27	(6)	
Allowance for borrowed funds used during construction	(3)	30	(34)	
Amortization of debt expense	(29)	(17)	12	
Other Net	(1)	-	(1)	
Total other income (expenses)	(654)	(672)	18	
Income (loss) before income taxes	841	2,049	(1,208)	
Provision for income taxes	(31)	438	469	
Net income (loss)	872	1,611	(739)	



Statement of Income - January 2022

\$ in '000s	MTD Actuals	MTD Budget	Fav / (Unfav)	Budget Variance Explanation
OPERATING REVENUES				
Water revenues	8,740	8,074	666	Reversal of QIP1 recon contingency for potential terminal treatment after receiving QIP1 recon order
Sewer revenues	52	70	(19)	
Other operating revenues	183	203	(20)	
Operating revenues	8,975	8,347	627	
OPERATIONS & MAINTENANCE EXPENSE				
Purchased water	27	33	6	
Fuel and Power	430	324	(106)	Increased demand/pricing
Chemicals	174	158	(16)	
Waste disposal	41	37	(4)	
Total production costs	672	553	(119)	
Salaries & Wages	670	627	(43)	
Pensions	18	20	2	
Group insurances	141	131	(10)	
Other benefits	53	47	(5)	
Total employee related	882	825	(57)	
Service Company costs	969	1,059	90	
Contracted services	46	80	34	
Building maintenance and services	51	59	9	
Telecommunication expenses	18	22	4	
Postage printing and stationery	1	2	1	
Office supplies & expenses	17	8	(9)	
Advertising & marketing expenses	-	-	-	
Employee related expense travel & entertainment	0	7	7	
Miscellaneous expenses	81	33	(48)	
Rents	1	2	1	
Transportation	68	64	(4)	
Operating supplies & services	283	277	(6)	
Uncollectible Accounts Exp	(72)	48	120	Annual true up for uncollectible reserve
Customer accounting other	12	11	(1)	
Regulatory expense	36	36	-	
Insurance other than group	94	104	10	
Maintenance service & supplies	101	269	168	Budget profiling
Total operation and maintenance	2,977	3,182	205	
Depreciation	1,525	1,494	(31)	
Amortization	24	23	(1)	
Removal costs	220	212	(8)	
Depreciation and Amortization	1,769	1,730	(40)	
General taxes	775	722	(54)	
Loss (gain) on sale of assets	-	-	-	
Impairment charges	-	-	-	
Total operating expenses net	5,522	5,634	112	
Operating income (loss)	3,453	2,714	739	
OTHER INCOME (EXPENSES)				
Interest Income	-	-	-	
Interest on long-term debt	(806)	(806)	0	
Interest on Short-Term Bank Debt	(18)	(1)	(16)	
Other Interest Expense	-	-	-	
Interest net	(824)	(808)	(16)	
Nonoperating benefit costs, net	171	137	(34)	
Allowance for other funds used during construction	6	32	(25)	
Allowance for borrowed funds used during construction	4	22	(18)	
Amortization of debt expense	(29)	(30)	(0)	
Other Net	(26)	(7)	(19)	
Total other income (expenses)	(697)	(654)	(44)	
Income (loss) before income taxes	2,756	2,060	696	
Provision for income taxes	625	469	(156)	
Net income (loss)	2,131	1,591	540	



Statement of Income - February 2022

\$ in '000s	MTD Actuals	MTD Budget	Fav / (Unfav)	Budget Variance Explanation
OPERATING REVENUES				
Water revenues	7,711	7,578	133	Increased demand
Sewer revenues	52	66	(14)	
Other operating revenues	169	192	(23)	
Operating revenues	7,932	7,836	96	
OPERATIONS & MAINTENANCE EXPENSE				
Purchased water	37	33	(4)	
Fuel and Power	385	336	(48)	Increased demand/pricing
Chemicals	183	138	(45)	
Waste disposal	45	35	(10)	
Total production costs	649	542	(107)	
Salaries & Wages	581	600	19	
Pensions	19	20	1	
Group insurances	120	131	10	
Other benefits	49	46	(3)	
Total employee related	770	797	27	
Service Company costs	1,135	985	(150)	Overall allocation of customer accounting charges (reverses in March)
Contracted services	102	75	(28)	
Building maintenance and services	112	59	(53)	
Telecommunication expenses	20	22	2	
Postage printing and stationery	1	2	1	
Office supplies & expenses	15	8	(7)	
Advertising & marketing expenses	-	-	-	
Employee related expense travel & entertainment	8	7	(1)	
Miscellaneous expenses	164	30	(134)	Depreciation reallocation expense (reclassified in March)
Rents	1	1	0	
Transportation	50	56	6	
Operating supplies & services	473	260	(213)	
Uncollectible Accounts Exp	23	45	22	
Customer accounting other	10	11	1	
Regulatory expense	36	36	-	
Insurance other than group	112	104	(8)	
Maintenance service & supplies	148	223	75	Budget profiling
Total operation and maintenance	3,355	3,002	(352)	
Depreciation	1,468	1,497	29	
Amortization	24	23	(1)	
Removal costs	220	213	(8)	
Depreciation and Amortization	1,712	1,733	21	
General taxes	656	712	56	
Loss (gain) on sale of assets	-	-	-	
Impairment charges	-	-	-	
Total operating expenses net	5,723	5,447	(276)	
Operating income (loss)	2,209	2,389	(180)	
OTHER INCOME (EXPENSES)				
Interest Income	-	-	-	
Interest on long-term debt	(806)	(806)	0	
Interest on Short-Term Bank Debt	14	(1)	15	
Other Interest Expense	-	-	-	
Interest net	(792)	(807)	15	
Nonoperating benefit costs, net	172	137	(35)	
Allowance for other funds used during construction	22	32	(10)	
Allowance for borrowed funds used during construction	13	22	(9)	
Amortization of debt expense	(29)	(30)	(0)	
Other Net	17	(7)	24	
Total other income (expenses)	(597)	(653)	56	
Income (loss) before income taxes	1,612	1,736	(124)	
Provision for income taxes	366	396	30	
Net income (loss)	1,247	1,341	(94)	



Statement of Income - March 2022

\$ in '000s	MTD Actuals	MTD Budget	Fav / (Unfav)	Budget Variance Explanation
OPERATING REVENUES				
Water revenues	8,353	8,057	296	Overaccrual (reverses in April)
Sewer revenues	65	67	(2)	
Other operating revenues	178	193	(14)	
Operating revenues	8,597	8,317	280	
OPERATIONS & MAINTENANCE EXPENSE				
Purchased water	43	35	(9)	
Fuel and Power	399	354	(45)	Increased demand/pricing
Chemicals	202	225	22	
Waste disposal	41	35	(6)	
Total production costs	686	648	(38)	
Salaries & Wages	420	689	269	LTPP adjustment (reverses in April)/Union contract changes
Pensions	17	20	3	
Group insurances	141	131	(11)	
Other benefits	46	51	5	
Total employee related	624	891	267	
Service Company costs	1,310	1,323	13	
Contracted services	112	75	(37)	
Building maintenance and services	69	59	(10)	
Telecommunication expenses	22	22	(0)	
Postage printing and stationery	1	2	1	
Office supplies & expenses	23	8	(15)	
Advertising & marketing expenses	-	-	-	
Employee related expense travel & entertainment	11	7	(4)	
Miscellaneous expenses	(11)	30	41	
Rents	12	1	(11)	
Transportation	42	56	14	
Operating supplies & services	282	260	(22)	
Uncollectible Accounts Exp	23	48	25	
Customer accounting other	8	11	3	
Regulatory expense	36	36	-	
Insurance other than group	102	104	1	
Maintenance service & supplies	181	197	16	
Total operation and maintenance	3,253	3,519	265	
Depreciation	1,496	1,500	4	
Amortization	(25)	23	48	
Removal costs	219	213	(6)	
Depreciation and Amortization	1,690	1,736	46	
General taxes	707	712	5	
Loss (gain) on sale of assets	-	-	-	
Impairment charges	-	-	-	
Total operating expenses net	5,651	5,967	316	
Operating income (loss)	2,946	2,350	596	
OTHER INCOME (EXPENSES)				
Interest Income	-	-	-	
Interest on long-term debt	(806)	(806)	0	
Interest on Short-Term Bank Debt	(6)	(1)	(5)	
Other Interest Expense	-	-	-	
Interest net	(813)	(808)	(5)	
Nonoperating benefit costs, net	171	137	(34)	
Allowance for other funds used during construction	22	33	(10)	
Allowance for borrowed funds used during construction	13	23	(10)	
Amortization of debt expense	(29)	(30)	(0)	
Other Net	(1)	(7)	6	
Total other income (expenses)	(636)	(651)	16	
Income (loss) before income taxes	2,311	1,699	612	
Provision for income taxes	474	387	(87)	
Net income (loss)	1,837	1,312	525	



Statement of Income - April 2022

\$ in '000s	MTD Actuals	MTD Budget	Fav / (Unfav)	Budget Variance Explanation
<u>OPERATING REVENUES</u>				
Water revenues	7,851	8,100	(249)	Reversal of prior month accrual (overaccrual)
Sewer revenues	60	69	(9)	
Other operating revenues	176	190	(14)	
Operating revenues	8,087	8,359	(272)	
<u>OPERATIONS & MAINTENANCE EXPENSE</u>				
Purchased water	25	33	8	
Fuel and Power	344	349	5	Budget profiling
Chemicals	302	228	(75)	Reservoir treatment
Waste disposal	42	35	(7)	
Total production costs	713	645	(68)	
Salaries & Wages	951	638	(313)	LTPP adjustment reversal/Union contract changes
Pensions	19	20	2	
Group insurances	127	131	4	
Other benefits	50	48	(2)	
Total employee related	1,147	837	(310)	
Service Company costs	684	1,038	354	
Contracted services	53	44	(9)	
Building maintenance and services	80	59	(20)	
Telecommunication expenses	27	22	(5)	
Postage printing and stationery	1	2	0	
Office supplies & expenses	18	8	(10)	
Advertising & marketing expenses	-	-	-	
Employee related expense travel & entertainment	5	7	2	
Miscellaneous expenses	28	28	0	
Rents	0	6	5	
Transportation	37	48	10	
Operating supplies & services	250	223	(26)	
Uncollectible Accounts Exp	36	48	12	
Customer accounting other	11	11	0	
Regulatory expense	36	36	-	
Insurance other than group	103	104	1	
Maintenance service & supplies	12	103	91	Inventory return booked in error (adjusted in Sep)
Total operation and maintenance	2,991	3,045	54	
Depreciation	1,509	1,512	4	
Amortization	8	23	15	
Removal costs	220	214	(6)	
Depreciation and Amortization	1,736	1,750	13	
General taxes	711	708	(3)	
Loss (gain) on sale of assets	-	-	-	
Impairment charges	-	-	-	
Total operating expenses net	5,439	5,503	64	
Operating income (loss)	2,649	2,856	(207)	
<u>OTHER INCOME (EXPENSES)</u>				
Interest Income	-	-	-	
Interest on long-term debt	(806)	(806)	0	
Interest on Short-Term Bank Debt	(10)	(2)	(8)	
Other Interest Expense	-	-	-	
Interest net	(817)	(808)	(8)	
Nonoperating benefit costs, net	174	137	(37)	
Allowance for other funds used during construction	23	33	(11)	
Allowance for borrowed funds used during construction	14	25	(11)	
Amortization of debt expense	(29)	(30)	(0)	
Other Net	(51)	(7)	(44)	
Total other income (expenses)	(686)	(650)	(37)	
Income (loss) before income taxes	1,962	2,206	(244)	
Provision for income taxes	517	503	(15)	
Net income (loss)	1,445	1,703	(259)	



Statement of Income - May 2022

\$ in '000s	MTD Actuals	MTD Budget	Fav / (Unfav)	Budget Variance Explanation
OPERATING REVENUES				
Water revenues	8,924	8,797	128	Increased demand
Sewer revenues	56	72	(15)	
Other operating revenues	187	216	(29)	
Operating revenues	9,168	9,084	84	
OPERATIONS & MAINTENANCE EXPENSE				
Purchased water	33	33	(0)	
Fuel and Power	434	368	(66)	Increased demand/pricing
Chemicals	209	221	12	
Waste disposal	45	35	(10)	
Total production costs	721	657	(65)	
Salaries & Wages	735	666	(70)	Lower cap rate vs budget/Headcount transfer from Service Company
Pensions	19	20	1	
Group insurances	143	131	(12)	
Other benefits	69	50	(19)	
Total employee related	966	866	(100)	
Service Company costs	996	1,066	70	
Contracted services	65	69	4	
Building maintenance and services	60	59	(0)	
Telecommunication expenses	15	22	6	
Postage printing and stationery	1	2	1	
Office supplies & expenses	21	8	(13)	
Advertising & marketing expenses	-	-	-	
Employee related expense travel & entertainment	111	7	(104)	Relocation fees
Miscellaneous expenses	73	28	(46)	
Rents	6	2	(4)	
Transportation	41	48	7	
Operating supplies & services	394	244	(149)	
Uncollectible Accounts Exp	43	53	10	
Customer accounting other	10	11	2	
Regulatory expense	36	36	-	
Insurance other than group	103	104	0	
Maintenance service & supplies	68	103	35	Budget profiling
Total operation and maintenance	3,338	3,141	(197)	
Depreciation	1,516	1,519	3	
Amortization	8	23	15	
Removal costs	221	215	(6)	
Depreciation and Amortization	1,744	1,757	13	
General taxes	716	710	(6)	
Loss (gain) on sale of assets	-	-	-	
Impairment charges	-	-	-	
Total operating expenses net	5,798	5,608	(190)	
Operating income (loss)	3,370	3,476	(106)	
OTHER INCOME (EXPENSES)				
Interest Income	-	-	-	
Interest on long-term debt	(823)	(824)	1	
Interest on Short-Term Bank Debt	(20)	(1)	(19)	
Other Interest Expense	-	-	-	
Interest net	(842)	(825)	(17)	
Nonoperating benefit costs, net	172	137	(35)	
Allowance for other funds used during construction	28	35	(7)	
Allowance for borrowed funds used during construction	17	26	(9)	
Amortization of debt expense	(29)	(30)	(1)	
Other Net	(18)	(7)	(11)	
Total other income (expenses)	(673)	(664)	(8)	
Income (loss) before income taxes	2,697	2,812	(115)	
Provision for income taxes	619	641	22	
Net income (loss)	2,078	2,171	(93)	



Statement of Income - June 2022

\$ in '000s	MTD Actuals	MTD Budget	Fav / (Unfav)	Budget Variance Explanation
OPERATING REVENUES				
Water revenues	9,303	8,975	328	Increased demand/Weather
Sewer revenues	64	72	(8)	
Other operating revenues	181	230	(48)	
Operating revenues	9,549	9,277	272	
OPERATIONS & MAINTENANCE EXPENSE				
Purchased water	31	34	2	
Fuel and Power	511	388	(123)	Increased demand/pricing
Chemicals	284	269	(16)	
Waste disposal	44	37	(8)	
Total production costs	872	727	(144)	
Salaries & Wages	789	674	(115)	Lower cap rate vs budget/Headcount transfer from Service Company
Pensions	17	20	4	
Group insurances	124	131	6	
Other benefits	100	50	(50)	
Total employee related	1,030	874	(156)	
Service Company costs	1,189	1,289	100	
Contracted services	108	58	(50)	
Building maintenance and services	59	59	1	
Telecommunication expenses	18	22	4	
Postage printing and stationery	1	2	1	
Office supplies & expenses	10	8	(2)	
Advertising & marketing expenses	-	-	-	
Employee related expense travel & entertainment	15	7	(7)	
Miscellaneous expenses	84	23	(61)	
Rents	4	1	(2)	
Transportation	23	31	9	
Operating supplies & services	321	211	(109)	
Uncollectible Accounts Exp	33	54	21	
Customer accounting other	9	11	2	
Regulatory expense	36	36	-	
Insurance other than group	103	104	1	
Maintenance service & supplies	168	60	(107)	Budget profiling
Total operation and maintenance	3,760	3,367	(393)	
Depreciation	1,227	1,525	297	Removals true up
Amortization	8	23	15	
Removal costs	226	215	(11)	
Depreciation and Amortization	1,461	1,763	302	
General taxes	726	710	(16)	
Loss (gain) on sale of assets	-	-	-	
Impairment charges	-	-	-	
Total operating expenses net	5,948	5,840	(108)	
Operating income (loss)	3,601	3,437	164	
OTHER INCOME (EXPENSES)				
Interest Income	-	0	(0)	
Interest on long-term debt	(844)	(842)	(3)	
Interest on Short-Term Bank Debt	(15)	-	(15)	
Other Interest Expense	-	-	-	
Interest net	(859)	(841)	(18)	
Nonoperating benefit costs, net	172	137	(35)	
Allowance for other funds used during construction	31	36	(4)	
Allowance for borrowed funds used during construction	19	28	(9)	
Amortization of debt expense	(30)	(31)	(1)	
Other Net	(2)	(7)	6	
Total other income (expenses)	(668)	(679)	10	
Income (loss) before income taxes	2,933	2,758	174	
Provision for income taxes	619	628	9	
Net income (loss)	2,313	2,130	184	



Statement of Income - July 2022

\$ in '000s	MTD Actuals	MTD Budget	Fav / (Unfav)	Budget Variance Explanation
OPERATING REVENUES				
Water revenues	10,319	9,436	883	Increased demand/Weather/June underaccrual
Sewer revenues	53	74	(21)	
Other operating revenues	202	234	(32)	
Operating revenues	10,574	9,743	831	
OPERATIONS & MAINTENANCE EXPENSE				
Purchased water	24	34	10	
Fuel and Power	433	368	(66)	Increased demand/pricing
Chemicals	345	266	(80)	Increased demand/pricing
Waste disposal	44	36	(7)	
Total production costs	846	704	(142)	
Salaries & Wages	713	638	(75)	Lower cap rate vs budget/Headcount transfer from Service Company
Pensions	17	20	3	
Group insurances	125	131	5	
Other benefits	61	48	(13)	
Total employee related	917	837	(80)	
Service Company costs	900	1,021	121	
Contracted services	88	58	(30)	
Building maintenance and services	69	59	(10)	
Telecommunication expenses	23	22	(2)	
Postage printing and stationery	1	2	0	
Office supplies & expenses	27	8	(19)	
Advertising & marketing expenses	-	-	-	
Employee related expense travel & entertainment	12	7	(5)	
Miscellaneous expenses	75	23	(52)	
Rents	2	1	(1)	
Transportation	41	31	(10)	
Operating supplies & services	339	211	(127)	
Uncollectible Accounts Exp	57	57	(0)	
Customer accounting other	10	11	1	
Regulatory expense	-	36	36	
Insurance other than group	103	104	1	
Maintenance service & supplies	193	64	(130)	Budget profiling
Total operation and maintenance	3,365	3,044	(321)	
Depreciation	1,801	1,532	(269)	Removals true up
Amortization	8	23	15	
Removal costs	224	216	(8)	
Depreciation and Amortization	2,033	1,771	(262)	
General taxes	711	708	(3)	
Loss (gain) on sale of assets	-	-	-	
Impairment charges	-	-	-	
Total operating expenses net	6,109	5,523	(586)	
Operating income (loss)	4,465	4,220	245	
OTHER INCOME (EXPENSES)				
Interest Income	-	0	(0)	
Interest on long-term debt	(844)	(842)	(2)	
Interest on Short-Term Bank Debt	(32)	-	(32)	
Other Interest Expense	-	-	-	
Interest net	(876)	(841)	(35)	
Nonoperating benefit costs, net	172	137	(35)	
Allowance for other funds used during construction	28	37	(9)	
Allowance for borrowed funds used during construction	17	29	(13)	
Amortization of debt expense	(30)	(31)	(1)	
Other Net	(13)	(7)	(6)	
Total other income (expenses)	(702)	(676)	(26)	
Income (loss) before income taxes	3,763	3,544	219	
Provision for income taxes	868	808	(60)	
Net income (loss)	2,895	2,737	158	



Statement of Income - August 2022

\$ in '000s	MTD Actuals	MTD Budget	Fav / (Unfav)	Budget Variance Explanation
OPERATING REVENUES				
Water revenues	10,151	9,444	707	Increased demand/Balance Sheet true up to Unbilled account
Sewer revenues	61	73	(11)	
Other operating revenues	237	251	(14)	
Operating revenues	10,450	9,768	681	
OPERATIONS & MAINTENANCE EXPENSE				
Purchased water	35	34	(2)	
Fuel and Power	513	379	(134)	Increased demand/pricing
Chemicals	364	302	(62)	Increased demand/pricing
Waste disposal	41	35	(5)	
Total production costs	954	751	(203)	
Salaries & Wages	751	693	(58)	Lower cap rate vs budget/Headcount transfer from Service Company
Pensions	16	20	4	
Group insurances	127	131	4	
Other benefits	61	51	(9)	
Total employee related	956	896	(60)	
Service Company costs	883	1,054	172	
Contracted services	62	44	(18)	
Building maintenance and services	80	59	(20)	
Telecommunication expenses	23	22	(1)	
Postage printing and stationery	1	2	1	
Office supplies & expenses	29	8	(21)	
Advertising & marketing expenses	-	-	-	
Employee related expense travel & entertainment	12	7	(5)	
Miscellaneous expenses	200	28	(173)	Timing
Rents	3	1	(1)	
Transportation	27	48	21	
Operating supplies & services	436	219	(217)	
Uncollectible Accounts Exp	68	57	(11)	
Customer accounting other	8	11	3	
Regulatory expense	-	36	36	
Insurance other than group	103	104	1	
Maintenance service & supplies	268	106	(161)	Budget profiling
Total operation and maintenance	3,675	3,234	(442)	
Depreciation	1,376	1,539	162	Plant intangible asset true up entry
Amortization	8	23	15	
Removal costs	225	216	(9)	
Depreciation and Amortization	1,609	1,778	169	
General taxes	(1,631)	712	2,342	Property Tax true-up 2020/2021 based on Department of Revenue counteroffer
Loss (gain) on sale of assets	-	-	-	
Impairment charges	-	-	-	
Total operating expenses net	3,654	5,723	2,069	
Operating income (loss)	6,796	4,045	2,751	
OTHER INCOME (EXPENSES)				
Interest Income	-	1	(1)	
Interest on long-term debt	(844)	(842)	(2)	
Interest on Short-Term Bank Debt	(42)	-	(42)	
Other Interest Expense	-	-	-	
Interest net	(885)	(840)	(45)	
Nonoperating benefit costs, net	172	137	(35)	
Allowance for other funds used during construction	30	38	(8)	
Allowance for borrowed funds used during construction	18	31	(13)	
Amortization of debt expense	(30)	(31)	(1)	
Other Net	(19)	(7)	(12)	
Total other income (expenses)	(715)	(672)	(43)	
Income (loss) before income taxes	6,081	3,373	2,708	
Provision for income taxes	1,407	769	(639)	
Net income (loss)	4,673	2,604	2,069	



Statement of Income - September 2022

\$ in '000s	MTD Actuals	MTD Budget	Fav / (Unfav)	Budget Variance Explanation
OPERATING REVENUES				
Water revenues	9,304	9,224	80	
Sewer revenues	84	72	12	
Other operating revenues	207	236	(29)	
Operating revenues	9,595	9,532	63	
OPERATIONS & MAINTENANCE EXPENSE				
Purchased water	28	34	5	
Fuel and Power	485	415	(70)	Increased demand/pricing
Chemicals	361	253	(108)	Increased demand/pricing/Reservoir treatment
Waste disposal	41	36	(4)	
Total production costs	915	738	(177)	
Salaries & Wages	736	674	(63)	Lower cap rate vs budget/Headcount transfer from Service Company
Pensions	18	20	2	
Group insurances	130	131	1	
Other benefits	64	50	(14)	
Total employee related	948	874	(74)	
Service Company costs	985	1,198	213	
Contracted services	121	69	(52)	
Building maintenance and services	76	59	(17)	
Telecommunication expenses	21	22	0	
Postage printing and stationery	1	2	1	
Office supplies & expenses	12	8	(4)	
Advertising & marketing expenses	-	-	-	
Employee related expense travel & entertainment	11	7	(4)	
Miscellaneous expenses	(43)	28	70	Timing
Rents	6	3	(3)	
Transportation	58	48	(10)	
Operating supplies & services	263	245	(18)	
Uncollectible Accounts Exp	45	55	11	
Customer accounting other	11	11	0	
Regulatory expense	1	36	35	
Insurance other than group	104	104	0	
Maintenance service & supplies	396	115	(281)	Adjustment to fix inventory from Apr
Total operation and maintenance	3,668	3,377	(291)	
Depreciation	1,557	1,545	(12)	
Amortization	8	23	15	
Removal costs	225	217	(8)	
Depreciation and Amortization	1,790	1,785	(5)	
General taxes	732	709	(23)	
Loss (gain) on sale of assets	-	-	-	
Impairment charges	-	-	-	
Total operating expenses net	6,190	5,871	(319)	
Operating income (loss)	3,405	3,661	(256)	
OTHER INCOME (EXPENSES)				
Interest Income	-	1	(1)	
Interest on long-term debt	(844)	(842)	(2)	
Interest on Short-Term Bank Debt	(39)	-	(39)	
Other Interest Expense	-	-	-	
Interest net	(883)	(841)	(42)	
Nonoperating benefit costs, net	172	137	(35)	
Allowance for other funds used during construction	37	39	(2)	
Allowance for borrowed funds used during construction	22	33	(11)	
Amortization of debt expense	(30)	(31)	(1)	
Other Net	(25)	(7)	(18)	
Total other income (expenses)	(706)	(669)	(37)	
Income (loss) before income taxes	2,699	2,992	(293)	
Provision for income taxes	641	682	41	
Net income (loss)	2,058	2,310	(252)	



Statement of Income - October 2022

\$ in '000s	MTD Actuals	MTD Budget	Fav / (Unfav)	Budget Variance Explanation
OPERATING REVENUES				
Water revenues	9,237	8,763	475	Increased demand
Sewer revenues	89	73	15	
Other operating revenues	183	213	(29)	
Operating revenues	9,509	9,049	461	
OPERATIONS & MAINTENANCE EXPENSE				
Purchased water	29	36	7	
Fuel and Power	523	397	(126)	Increased demand/pricing
Chemicals	306	232	(74)	Increased demand/pricing
Waste disposal	49	39	(9)	
Total production costs	906	703	(202)	
Salaries & Wages	670	638	(32)	Lower cap rate vs budget/Headcount transfer from Service Company
Pensions	18	20	2	
Group insurances	123	131	8	
Other benefits	56	48	(8)	
Total employee related	866	837	(29)	
Service Company costs	925	1,009	85	
Contracted services	56	75	18	
Building maintenance and services	60	59	(0)	
Telecommunication expenses	22	22	(0)	
Postage printing and stationery	1	2	0	
Office supplies & expenses	40	8	(32)	
Advertising & marketing expenses	-	-	-	
Employee related expense travel & entertainment	8	7	(0)	
Miscellaneous expenses	35	30	(5)	
Rents	4	1	(3)	
Transportation	63	56	(6)	
Operating supplies & services	288	260	(28)	
Uncollectible Accounts Exp	52	53	0	
Customer accounting other	15	11	(4)	
Regulatory expense	1	36	35	
Insurance other than group	108	104	(5)	
Maintenance service & supplies	197	131	(66)	
Total operation and maintenance	3,359	3,145	(214)	
Depreciation	1,525	1,556	31	
Amortization	8	23	15	
Removal costs	228	218	(10)	
Depreciation and Amortization	1,762	1,798	36	
General taxes	734	707	(27)	
Loss (gain) on sale of assets	-	-	-	
Impairment charges	-	-	-	
Total operating expenses net	5,854	5,649	(205)	
Operating income (loss)	3,655	3,399	256	
OTHER INCOME (EXPENSES)				
Interest Income	-	0	(0)	
Interest on long-term debt	(844)	(842)	(2)	
Interest on Short-Term Bank Debt	(65)	-	(65)	
Other Interest Expense	-	-	-	
Interest net	(909)	(841)	(67)	
Nonoperating benefit costs, net	172	137	(35)	
Allowance for other funds used during construction	41	37	5	
Allowance for borrowed funds used during construction	25	30	(5)	
Amortization of debt expense	(34)	(31)	3	
Other Net	(13)	(7)	(6)	
Total other income (expenses)	(717)	(676)	(41)	
Income (loss) before income taxes	2,939	2,723	215	
Provision for income taxes	679	621	(59)	
Net income (loss)	2,259	2,103	157	



Statement of Income - November 2022

\$ in '000s	MTD Actuals	MTD Budget	Fav / (Unfav)	Budget Variance Explanation
OPERATING REVENUES				
Water revenues	8,741	7,940	800	Increased demand/Budget profiling
Sewer revenues	69	75	(6)	
Other operating revenues	188	194	(6)	
Operating revenues	8,997	8,210	788	
OPERATIONS & MAINTENANCE EXPENSE				
Purchased water	25	35	10	
Fuel and Power	466	295	(171)	Increased demand/pricing
Chemicals	242	182	(61)	Increased demand/pricing
Waste disposal	17	37	19	
Total production costs	751	548	(203)	
Salaries & Wages	783	673	(109)	Lower cap rate vs budget/Headcount transfer from Service Company
Pensions	19	20	1	
Group insurances	140	131	(9)	
Other benefits	71	50	(21)	
Total employee related	1,013	875	(138)	
Service Company costs	955	1,048	93	
Contracted services	124	75	(49)	
Building maintenance and services	91	59	(32)	
Telecommunication expenses	23	22	(1)	
Postage printing and stationery	1	2	1	
Office supplies & expenses	25	8	(17)	
Advertising & marketing expenses	-	-	-	
Employee related expense travel & entertainment	127	7	(120)	Relocation fees
Miscellaneous expenses	(69)	30	99	Inventory adjustment
Rents	2	1	(1)	
Transportation	75	56	(19)	
Operating supplies & services	398	260	(138)	
Uncollectible Accounts Exp	15	48	33	
Customer accounting other	8	11	3	
Regulatory expense	1	36	35	
Insurance other than group	102	104	2	
Maintenance service & supplies	238	131	(107)	Asphalt sealing/coating parking lots
Total operation and maintenance	3,481	3,061	(419)	
Depreciation	1,532	1,562	30	
Amortization	8	23	15	
Removal costs	229	219	(11)	
Depreciation and Amortization	1,770	1,804	35	
General taxes	750	709	(40)	
Loss (gain) on sale of assets	-	-	-	
Impairment charges	-	-	-	
Total operating expenses net	6,000	5,575	(425)	
Operating income (loss)	2,998	2,635	363	
OTHER INCOME (EXPENSES)				
Interest Income	-	0	(0)	
Interest on long-term debt	(844)	(842)	(2)	
Interest on Short-Term Bank Debt	(29)	-	(29)	
Other Interest Expense	(0)	-	(0)	
Interest net	(873)	(841)	(32)	
Nonoperating benefit costs, net	172	137	(35)	
Allowance for other funds used during construction	43	38	5	
Allowance for borrowed funds used during construction	26	31	(5)	
Amortization of debt expense	(31)	(31)	(0)	
Other Net	(7)	(7)	0	
Total other income (expenses)	(669)	(673)	4	
Income (loss) before income taxes	2,328	1,961	367	
Provision for income taxes	544	447	(97)	
Net income (loss)	1,784	1,514	270	



Statement of Income - December 2022

\$ in '000s	MTD Actuals	MTD Budget	Fav / (Unfav)	Budget Variance Explanation
OPERATING REVENUES				
Water revenues	8,407	7,919	488	Increased demand/Budget profiling
Sewer revenues	73	73	1	
Other operating revenues	196	187	8	
Operating revenues	8,676	8,179	497	
OPERATIONS & MAINTENANCE EXPENSE				
Purchased water	40	34	(6)	
Fuel and Power	401	332	(69)	Increased demand/pricing
Chemicals	280	152	(128)	Increased demand/pricing/Reservoir treatment
Waste disposal	34	36	1	
Total production costs	756	554	(202)	
Salaries & Wages	864	682	(182)	Lower cap rate vs budget/Headcount transfer from Service Company/Overtime
Pensions	18	20	3	
Group insurances	(15)	131	146	Reserve adjustment
Other benefits	77	50	(26)	
Total employee related	943	883	(61)	
Service Company costs	1,090	1,215	125	
Contracted services	35	55	20	
Building maintenance and services	82	59	(23)	
Telecommunication expenses	27	22	(5)	
Postage printing and stationery	1	2	1	
Office supplies & expenses	60	8	(52)	
Advertising & marketing expenses	-	-	-	
Employee related expense travel & entertainment	26	7	(18)	
Miscellaneous expenses	135	33	(103)	CWIP reserve adjustment
Rents	3	1	(2)	
Transportation	22	(101)	(123)	Timing
Operating supplies & services	391	86	(305)	
Uncollectible Accounts Exp	46	48	2	
Customer accounting other	9	11	3	
Regulatory expense	1	36	35	
Insurance other than group	112	104	(9)	
Maintenance service & supplies	292	155	(137)	Lock out tag out accrual/Wildlife property repairs
Total operation and maintenance	3,639	3,091	(548)	
Depreciation	1,542	1,568	26	
Amortization	8	23	15	
Removal costs	230	219	(11)	
Depreciation and Amortization	1,780	1,811	30	
General taxes	744	709	(35)	
Loss (gain) on sale of assets	-	-	-	
Impairment charges	-	-	-	
Total operating expenses net	6,164	5,611	(553)	
Operating income (loss)	2,513	2,568	(56)	
OTHER INCOME (EXPENSES)				
Interest Income	-	-	-	
Interest on long-term debt	(844)	(842)	(2)	
Interest on Short-Term Bank Debt	(44)	(0)	(44)	
Other Interest Expense	-	-	-	
Interest net	(888)	(842)	(46)	
Nonoperating benefit costs, net	172	137	(35)	
Allowance for other funds used during construction	44	39	5	
Allowance for borrowed funds used during construction	26	33	(6)	
Amortization of debt expense	(31)	(31)	(0)	
Other Net	(13)	(7)	(6)	
Total other income (expenses)	(689)	(671)	(18)	
Income (loss) before income taxes	1,823	1,897	(74)	
Provision for income taxes	681	432	(248)	
Net income (loss)	1,142	1,465	(323)	



Statement of Income - January 2023

\$ in '000s	MTD Actuals	MTD Budget	Fav / (Unfav)	Budget Variance Explanation
OPERATING REVENUES				
Water revenues	8,756	8,181	575	Increased demand
Sewer revenues	92	70	22	
Other operating revenues	189	192	(3)	
Operating revenues	9,037	8,443	594	
OPERATIONS & MAINTENANCE EXPENSE				
Purchased water	35	32	(3)	
Fuel and Power	584	397	(188)	Overaccrual (reverses in February)
Chemicals	309	275	(33)	
Waste disposal	48	51	4	
Total production costs	975	755	(220)	
Salaries & Wages	812	685	(127)	Overtime/Low vacancy rate/Lower cap rate
Pensions	7	10	3	
Group insurances	147	146	(1)	
Other benefits	50	48	(2)	
Total employee related	1,016	889	(127)	
Service Company costs	888	1,007	119	
Contracted services	92	83	(9)	
Building maintenance and services	72	64	(7)	
Telecommunication expenses	(4)	15	19	
Postage printing and stationery	2	2	(0)	
Office supplies & expenses	24	11	(13)	
Advertising & marketing expenses	-	-	-	
Employee related expense travel & entertainment	(105)	8	114	Timing
Miscellaneous expenses	75	34	(40)	
Rents	2	3	1	
Transportation	58	56	(2)	
Operating supplies & services	215	276	61	
Uncollectible Accounts Exp	(26)	42	68	
Customer accounting other	11	11	(0)	
Regulatory expense	1	1	(0)	
Insurance other than group	123	110	(13)	
Maintenance service & supplies	152	157	5	
Total operation and maintenance	3,355	3,249	(106)	
Depreciation	1,579	1,539	(40)	
Amortization	8	7	(1)	
Removal costs	231	228	(2)	
Depreciation and Amortization	1,818	1,774	(44)	
General taxes	819	667	(152)	2023 property tax budget based on point in time estimate negotiations with DOW
Loss (gain) on sale of assets	-	-	-	
Impairment charges	-	-	-	
Total operating expenses net	5,993	5,691	(302)	
Operating income (loss)	3,044	2,752	292	
OTHER INCOME (EXPENSES)				
Interest Income	-	-	-	
Interest on long-term debt	(844)	(844)	0	
Interest on Short-Term Bank Debt	(58)	(61)	3	
Other Interest Expense	-	-	-	
Interest net	(902)	(905)	3	
Nonoperating benefit costs, net	56	93	37	
Allowance for other funds used during construction	36	5	31	
Allowance for borrowed funds used during construction	22	3	19	
Amortization of debt expense	(31)	(30)	0	
Other Net	(16)	(12)	(4)	
Total other income (expenses)	(834)	(847)	13	
Income (loss) before income taxes	2,210	1,905	305	
Provision for income taxes	492	423	(69)	
Net income (loss)	1,718	1,482	236	



Statement of Income - February 2023

\$ in '000s	MTD Actuals	MTD Budget	Fav / (Unfav)	Budget Variance Explanation
OPERATING REVENUES				
Water revenues	8,232	7,723	509	Increased demand
Sewer revenues	67	69	(2)	
Other operating revenues	177	167	10	
Operating revenues	8,477	7,960	517	
OPERATIONS & MAINTENANCE EXPENSE				
Purchased water	41	32	(9)	
Fuel and Power	320	424	104	Reversal of overaccrual
Chemicals	298	249	(49)	
Waste disposal	39	51	12	
Total production costs	698	756	58	
Salaries & Wages	716	628	(88)	Overtime/Low vacancy rate/Lower cap rate
Pensions	11	10	(1)	
Group insurances	129	132	3	
Other benefits	58	49	(10)	
Total employee related	914	819	(95)	
Service Company costs	954	951	(3)	
Contracted services	109	82	(26)	
Building maintenance and services	49	122	73	
Telecommunication expenses	33	13	(20)	
Postage printing and stationery	1	1	(0)	
Office supplies & expenses	8	10	2	
Advertising & marketing expenses	-	-	-	
Employee related expense travel & entertainment	10	14	3	
Miscellaneous expenses	73	43	(30)	
Rents	3	2	(0)	
Transportation	69	39	(30)	
Operating supplies & services	355	326	(29)	
Uncollectible Accounts Exp	36	40	4	
Customer accounting other	8	8	(1)	
Regulatory expense	1	1	-	
Insurance other than group	122	110	(12)	
Maintenance service & supplies	222	125	(98)	Generator maintenance
Total operation and maintenance	3,311	3,136	(175)	
Depreciation	1,579	1,540	(39)	
Amortization	8	9	0	
Removal costs	231	229	(2)	
Depreciation and Amortization	1,817	1,777	(40)	
General taxes	676	656	(20)	2023 property tax budget based on point in time estimate negotiations with DOW
Loss (gain) on sale of assets	-	-	-	
Impairment charges	-	-	-	
Total operating expenses net	5,804	5,569	(235)	
Operating income (loss)	2,673	2,391	282	
OTHER INCOME (EXPENSES)				
Interest Income	-	-	-	
Interest on long-term debt	(844)	(844)	0	
Interest on Short-Term Bank Debt	(69)	(57)	(13)	
Other Interest Expense	(0)	-	(0)	
Interest net	(913)	(900)	(13)	
Nonoperating benefit costs, net	56	93	37	
Allowance for other funds used during construction	30	11	19	
Allowance for borrowed funds used during construction	18	7	11	
Amortization of debt expense	(29)	(30)	(1)	
Other Net	(28)	(15)	(13)	
Total other income (expenses)	(866)	(835)	(31)	
Income (loss) before income taxes	1,806	1,556	251	
Provision for income taxes	401	346	(56)	
Net income (loss)	1,405	1,210	195	



Statement of Income - March 2023

\$ in '000s	MTD Actuals	MTD Budget	Fav / (Unfav)	Budget Variance Explanation
OPERATING REVENUES				
Water revenues	8,617	8,070	547	Increased demand
Sewer revenues	73	68	6	
Other operating revenues	207	179	28	
Operating revenues	8,898	8,317	581	
OPERATIONS & MAINTENANCE EXPENSE				
Purchased water	32	32	(0)	
Fuel and Power	450	405	(45)	Increased demand/pricing
Chemicals	303	398	95	Timing
Waste disposal	39	51	12	
Total production costs	824	886	61	
Salaries & Wages	846	749	(96)	Overtime/Low vacancy rate/Lower cap rate
Pensions	9	10	2	
Group insurances	140	132	(8)	
Other benefits	51	54	2	
Total employee related	1,046	945	(101)	
Service Company costs	1,093	1,163	70	
Contracted services	72	96	24	
Building maintenance and services	52	58	6	
Telecommunication expenses	(12)	15	26	
Postage printing and stationery	2	2	0	
Office supplies & expenses	15	11	(4)	
Advertising & marketing expenses	-	-	-	
Employee related expense travel & entertainment	11	7	(4)	
Miscellaneous expenses	102	31	(72)	
Rents	2	2	0	
Transportation	26	46	20	
Operating supplies & services	270	267	(3)	
Uncollectible Accounts Exp	33	39	6	
Customer accounting other	9	10	1	
Regulatory expense	1	1	-	
Insurance other than group	121	110	(11)	
Maintenance service & supplies	226	153	(73)	
Total operation and maintenance	3,624	3,575	(50)	
Depreciation	1,573	1,542	(31)	
Amortization	8	8	0	
Removal costs	232	229	(3)	
Depreciation and Amortization	1,813	1,779	(34)	
General taxes	721	648	(73)	2023 property tax budget based on point in time estimate negotiations with DOW
Loss (gain) on sale of assets	-	-	-	
Impairment charges	-	-	-	
Total operating expenses net	6,158	6,001	(157)	
Operating income (loss)	2,740	2,316	425	
OTHER INCOME (EXPENSES)				
Interest Income	-	-	-	
Interest on long-term debt	(844)	(844)	0	
Interest on Short-Term Bank Debt	(49)	(58)	8	
Other Interest Expense	-	-	-	
Interest net	(893)	(901)	8	
Nonoperating benefit costs, net	61	93	31	
Allowance for other funds used during construction	33	21	12	
Allowance for borrowed funds used during construction	20	13	7	
Amortization of debt expense	(33)	(30)	3	
Other Net	(9)	(17)	8	
Total other income (expenses)	(821)	(822)	1	
Income (loss) before income taxes	1,919	1,493	426	
Provision for income taxes	449	332	(117)	
Net income (loss)	1,470	1,161	309	



Statement of Income - April 2023

\$ in '000s	MTD Actuals	MTD Budget	Fav / (Unfav)	Budget Variance Explanation
OPERATING REVENUES				
Water revenues	8,553	8,199	354	Increased demand
Sewer revenues	75	70	5	
Other operating revenues	180	180	0	
Operating revenues	8,808	8,449	359	
OPERATIONS & MAINTENANCE EXPENSE				
Purchased water	17	32	16	
Fuel and Power	428	344	(84)	Increased demand/pricing
Chemicals	365	337	(27)	
Waste disposal	41	51	10	
Total production costs	850	765	(85)	
Salaries & Wages	771	640	(132)	Overtime/Low vacancy rate/Lower cap rate
Pensions	11	10	(0)	
Group insurances	129	132	3	
Other benefits	63	44	(18)	
Total employee related	974	827	(147)	
Service Company costs	900	945	45	
Contracted services	67	60	(6)	
Building maintenance and services	71	55	(16)	
Telecommunication expenses	15	13	(2)	
Postage printing and stationery	1	2	2	
Office supplies & expenses	39	9	(30)	
Advertising & marketing expenses	-	-	-	
Employee related expense travel & entertainment	5	7	2	
Miscellaneous expenses	92	(8)	(101)	Budget profiling
Rents	12	6	(5)	
Transportation	58	47	(11)	
Operating supplies & services	359	191	(168)	
Uncollectible Accounts Exp	32	40	8	
Customer accounting other	9	12	4	
Regulatory expense	1	1	-	
Insurance other than group	122	110	(12)	
Maintenance service & supplies	244	159	(85)	Incline car inspection/General repairs
Total operation and maintenance	3,491	3,050	(441)	
Depreciation	1,564	1,544	(20)	
Amortization	8	8	0	
Removal costs	234	230	(4)	
Depreciation and Amortization	1,806	1,782	(24)	
General taxes	720	642	(78)	2023 property tax budget based on point in time estimate negotiations with DOW
Loss (gain) on sale of assets	-	-	-	
Impairment charges	-	-	-	
Total operating expenses net	6,017	5,474	(543)	
Operating income (loss)	2,791	2,975	(184)	
OTHER INCOME (EXPENSES)				
Interest Income	-	-	-	
Interest on long-term debt	(844)	(844)	0	
Interest on Short-Term Bank Debt	(55)	(65)	10	
Other Interest Expense	-	-	-	
Interest net	(898)	(908)	10	
Nonoperating benefit costs, net	58	93	35	
Allowance for other funds used during construction	33	28	5	
Allowance for borrowed funds used during construction	20	17	3	
Amortization of debt expense	(31)	(31)	(0)	
Other Net	(14)	(11)	(3)	
Total other income (expenses)	(832)	(813)	(19)	
Income (loss) before income taxes	1,959	2,162	(203)	
Provision for income taxes	446	480	34	
Net income (loss)	1,513	1,682	(169)	



Statement of Income - May 2023

\$ in '000s	MTD Actuals	MTD Budget	Fav / (Unfav)	Budget Variance Explanation
OPERATING REVENUES				
Water revenues	9,386	8,826	560	Increased demand
Sewer revenues	76	67	9	
Other operating revenues	213	183	30	
Operating revenues	9,675	9,075	599	
OPERATIONS & MAINTENANCE EXPENSE				
Purchased water	18	32	14	
Fuel and Power	562	493	(70)	Increased demand/pricing
Chemicals	445	345	(100)	Reservoir treatments/pricing
Waste disposal	44	51	7	
Total production costs	1,069	921	(149)	
Salaries & Wages	767	727	(39)	
Pensions	9	10	1	
Group insurances	139	133	(6)	
Other benefits	65	57	(7)	
Total employee related	980	928	(52)	
Service Company costs	956	1,034	78	
Contracted services	112	90	(22)	
Building maintenance and services	91	53	(38)	
Telecommunication expenses	29	16	(13)	
Postage printing and stationery	2	1	(1)	
Office supplies & expenses	21	10	(11)	
Advertising & marketing expenses	-	-	-	
Employee related expense travel & entertainment	35	6	(28)	
Miscellaneous expenses	236	38	(198)	Budget profiling/Write offs
Rents	5	1	(4)	
Transportation	32	44	12	
Operating supplies & services	564	260	(304)	
Uncollectible Accounts Exp	63	43	(20)	
Customer accounting other	8	10	2	
Regulatory expense	1	1	-	
Insurance other than group	121	110	(11)	
Maintenance service & supplies	246	71	(174)	Lock out tag out assessment/General repairs
Total operation and maintenance	4,008	3,378	(630)	
Depreciation	1,583	1,547	(36)	
Amortization	12	8	(3)	
Removal costs	237	231	(6)	
Depreciation and Amortization	1,832	1,786	(45)	
General taxes	731	648	(83)	2023 property tax budget based on point in time estimate negotiations with DOW
Loss (gain) on sale of assets	-	-	-	
Impairment charges	-	-	-	
Total operating expenses net	6,571	5,812	(758)	
Operating income (loss)	3,104	3,263	(159)	
OTHER INCOME (EXPENSES)				
Interest Income	6	-	6	
Interest on long-term debt	(844)	(883)	39	
Interest on Short-Term Bank Debt	(71)	(6)	(66)	
Other Interest Expense	-	-	-	
Interest net	(909)	(889)	(20)	
Nonoperating benefit costs, net	58	93	35	
Allowance for other funds used during construction	32	37	(5)	
Allowance for borrowed funds used during construction	7	23	(15)	
Amortization of debt expense	(31)	(32)	(1)	
Other Net	(14)	(13)	(1)	
Total other income (expenses)	(856)	(780)	(76)	
Income (loss) before income taxes	2,248	2,483	(235)	
Provision for income taxes	505	551	46	
Net income (loss)	1,742	1,931	(189)	

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2023-00191
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 32**

Description of Filing Requirement:

Independent Auditor's Annual Opinion Report and any Written Findings of Material Weaknesses in Internal Controls

Response:

See attached.

For electronic version, see [KAW_APP_EX32_063023.pdf](#) for this document.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
American Water Works Company, Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of American Water Works Company, Inc. and its subsidiaries (the “Company”) as of December 31, 2022 and 2021, and the related consolidated statements of operations, comprehensive income, changes in shareholders’ equity and cash flows for each of the three years in the period ended December 31, 2022, including the related notes (collectively referred to as the “consolidated financial statements”). We also have audited the Company’s internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022 in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company’s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management’s Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company’s consolidated financial statements and on the Company’s internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Accounting for the Effects of Rate Regulation

As described in Notes 2 and 3 to the consolidated financial statements, the Company's consolidated regulatory assets and liabilities balances were \$1,030 million and \$1,595 million, respectively, as of December 31, 2022. The Company's regulated utilities are subject to regulation by multiple state utility commissions and the Company follows authoritative accounting principles required for rate regulated utilities, which requires the effects of rate regulation to be reflected in the Company's consolidated financial statements. As disclosed by management, for each regulatory jurisdiction where the Company conducts business, the Company assesses, at the end of each reporting period, whether the regulatory assets continue to meet the criteria for probable future recovery and regulatory liabilities continue to meet the criteria for probable future settlement. This assessment includes consideration of factors such as changes in regulatory environments, recent rate orders (including recent rate orders on recovery of a specific or similar incurred cost to other regulated entities in the same jurisdiction) and the status of any pending or potential legislation.

The principal considerations for our determination that performing procedures relating to accounting for the effects of rate regulation is a critical audit matter are the significant judgment by management in accounting for regulatory assets and liabilities relative to whether regulatory assets continue to meet the criteria for probable future recovery and regulatory liabilities continue to meet the criteria for probable future settlement as a result of changes in regulatory environments, recent rate orders, and the status of any pending or potential legislation. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing audit procedures and evaluating audit evidence obtained relating to management's judgments.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the Company's regulatory accounting process, including controls over management's assessment and consideration of factors related to the probability of future recovery or settlement. These procedures also included, among others, evaluating the reasonableness of management's judgments regarding the probability of recovery and settlement based on the Company's correspondence with regulators, status of regulatory proceedings, past practices, and other relevant information; evaluating the related accounting and disclosure implications; and evaluating regulatory assets and liabilities balances based on provisions and formulas outlined in rate orders and other correspondence with the Company's regulators.

/s/ PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
February 15, 2023

We have served as the Company's auditor since 1948.

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2023-00191
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 33**

Description of Filing Requirement:

Summary of last depreciation study

Response:

A depreciation study was prepared by Concentric Energy Advisors and is sponsored by Larry Kennedy in this case. Please refer to Mr. Kennedy's testimony and exhibits filed in this case.

For electronic version, see [KAW_APP_EX33_063023.pdf](#)

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2023-00191
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 34**

Description of Filing Requirement:

List of Software, Programs and Models Used

Response:

Please see attached.

For electronic version, refer to KAW_APP_EX34_063023.pdf.

A list of all commercially available or in-house developed computer software, programs and models used in the development of the schedules and workpapers associated with the filing of the utility's application are listed below.

SOFTWARE

DESCRIPTION

Microsoft Office

MS Office is a suite of personal computer applications designed to integrate with each other and provide a similar interface to the data maintained within each application. Applications included in the MS Office suite are MS Excel, MS Access, and MS Word. MS Office is manufactured by Microsoft Corporation.

MS Excel

MS Excel was used by the Company to formulate their budget and rate case model information and was used to complete the computation of water utilization projections and the cost of service allocation study. MS Excel is an electronic spreadsheet application manufactured by Microsoft Corporation.

MS Access

MS Access was used by the Company to manage, organize, and control large amounts of data that can be formatted into a data base file. MS Access is an electronic data base management system manufactured by Microsoft Corporation.

MS Word

MS Word was used to prepare testimony and other miscellaneous schedules. MS Word is an electronic word processing application manufactured by Microsoft Corporation.

Adobe Acrobat

Acrobat was used by the Company to create and manage Portable Document Format (PDF) files. Acrobat is a universal document exchange application and is manufactured by Adobe Systems Incorporated.

Hyperion

Hyperion is used by the Company to create balance sheets, income statements and cash flow analyses and is used to consolidate financial data for financial reporting. Hyperion is also used to download revenue, usage and customer counts data by class. Hyperion is a business performance and business intelligence application manufactured by Hyperion Solutions Corporation.

SOFTWARE

DESCRIPTION

Hyperion Smartview

Hyperion SmartView is used to download actual historical revenue amounts and customer count data into Excel. Hyperion Smartview is a business performance and business intelligence application manufactured by Hyperion Solutions Corporation.

SAP

SAP is used by the Company as an enterprise financial application including general ledger, accounts payable, procurement, materials inventory, asset management, payroll and human resource administration. SAP also has a billing and customer information system aspect that contains information on water consumptions, billing, collecting, and tracking customer's service work. SAP is manufactured by SAP SE which is a German-based European multinational software corporation.

SAP Business Intelligence

SAP Business Intelligence is used to download historical billing data which for analysis to determine usage patterns and other information to develop the forecast. SAP Business Intelligence is manufactured by SAP SE which is a German-based European multinational software corporation.

PowerPlant

PowerPlant is a financial asset lifecycle management software system designed specifically for the utility industry. PowerPlant covers capital budgeting, project accounting (including overhead and AFUDC calculations), fixed asset accounting (including book and tax depreciation), property tax accounting, and income tax accounting (including deferred tax and tax provision). The manufacturer is PowerPlan, Inc.

Computer Hardware

Laptop - Latitude 5540 i7-32-512 – **Operating System:** Windows 11 - **Hard Drive:** 512GB M.2 PCIe NVMe Solid State Drive, **Processor:** Class 35, 13th Gen Intel Core i7-1365U v Pro (12 MB cache, 10 cores, up to 5.2 GHz Turbo), **Memory:** 32 GB, LPDDR5, 4800 MT/s, integrated

Laptop - Latitude 7440 i7-32-512 – **Operating System:** Windows 11 - **Hard Drive:** 512GB M.2 PCIe NVMe Solid State Drive, **Processor:** Class 35, 13th Gen Intel Core i7-1365U v Pro (12 MB cache, 10

cores, up to 5.2 GHz Turbo), **Memory:** 32 GB,
LPDDR5, 4800 MT/s, integrated

Windows 11 Enterprise & Office 365

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2023-00191
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 35**

Description of Filing Requirement:

Affiliate, General or Home Office Allocations

Response:

Please see attached.

For electronic version, refer to KAW_APP_EX35_063023.pdf

**KENTUCKY-AMERICAN WATER
CASE NO. 2023-00191
FORECASTED TEST PERIOD FILING REQUIREMENTS
AFFILIATE, GENERAL OR HOME OFFICE ALLOCATIONS**

Kentucky-American Water Company (KAWC) has amounts charged and allocated to it by American Water Works Service Company, Inc. (Service Company), American Water Capital Corp. (AWCC) and AWI, Inc. (AWI).

Service Company

	<u>Amounts Allocated/ Charged to KAWC</u> (000)
2019	\$10,467
2020	\$11,772
2021	\$12,044
Base Period	\$11,996
Forecasted Period	\$12,519

A contract between KAWC and the Service Company provides detailed language outlining the methodologies utilized in the allocation of Service Company charges to Kentucky-American Water. The contract became effective October 1, 1989.

The methods used to allocate charges to KAWC during the base period and the forecasted test period was based on this Service Company contract and the Service Company Billing and Accounting Manual (CAM). Service Company costs are allocated to KAWC based upon actual time charged or allocated by Service Company employees as reflected in their daily timesheets. All costs of Service Company employees that are identified as related exclusively to KAWC are charged directly to KAWC. Service Company costs incurred in rendering services to KAWC, and other operating companies, are allocated among the group of companies receiving the service rendered based on certain data from the preceding calendar year.

AWCC

	<u>Amounts Allocated/ Charged to KAWC</u> (000)
2019	\$11,535
2020	\$8,934
2021	\$8,150
Base Period	\$4,691
Forecasted Period	\$12,537

The services provided by AWCC include those listed in Appendix I of the Financial Services Agreement between KAWC and AWCC. By Order entered July 21, 2000 in Case No. 2000-189, the Commission authorized the Company to enter into a Financial Services Agreement with AWCC which enables the Company to periodically issue debt securities in the form of notes or debentures for the purpose of replacing short-term debt or refinancing maturities of existing long-term debt. In Case No. 2006-00418 the Commission reaffirmed the Company's authorization to use AWCC for the attainment of its debt

financing. In its Order in Case No. 2009-00156, the Commission again authorized the Company's use of AWCC as a source for its long-term and short-term debt funding. And most recently, in its Orders in Case Nos. 2019-00083 and 2021-00019, the Commission reaffirmed the Company's continued participation in the AWCC borrowing program.

The methods used to allocate charges to KAWC during the base period and the forecasted test period was based on the Financial Service Agreement, and corresponding promissory notes. The market interest rates obtained by AWCC for both short-term and long-term debt are a direct pass-through as a cost component to the amounts borrowed by KAWC from AWCC. The costs incurred by AWCC in connection with its bank credit lines and short-term debt borrowings are divided among participating affiliates, such as KAWC, in proportion to the maximum principal amount that each participating affiliate requests be made available to it during the course of a year. The costs incurred by AWCC in connection with each long-term debt borrowing by AWCC is divided up among each individual participating affiliate, such as KAWC, in proportion to the principal amount of that borrowing that is loaned to each participating affiliate. AWCC's overhead is allocated among each participating affiliate in the same proportion as each individual participant's long-term and maximum requested short-term debt borrowings and investments in a calendar year compared to all of the long-term and maximum short-term debt borrowings and investments by all participating affiliates during the same year.

AWI

	<u>Amounts Allocated/ Charged to KAWC</u>
	(000)
2019	\$555
2020	\$491
2021	\$488
Base Period	\$775
Forecasted Period	\$873

AWI is a captive insurance company and a subsidiary of American Water Works Company, Inc. (American Water) that provides insurance and insurance related services to American Water and its subsidiaries, including KAWC. AW Insurance LLC is structured as a Delaware series limited liability company with three wholly-owned Series through which it conducts its operations. AW Insurance LLC - Series A offers a deductible buydown policy used to fund payments in the deductible layer of its general liability, automobile liability and workers' compensation commercial insurance policies. AW Insurance LLC - Series B currently offers Terrorism Risk Insurance Act ("TRIA") insurance coverage for parent company and its subsidiaries, as well coverage for the deductible layer of a third-party Employee Practices Liability Insurance ("EPLI") policy. AW Insurance LLC - Series C is not currently in use.

The methods used to allocate charges to KAWC during the base period and the forecasted test period for the deductible layer that covers KAWC's general liability and worker's compensation policies are based upon a combination of loss experience (50%) and exposure (50% estimated annual payroll). The Company's deductible layer that covers KAWC's auto liability insurance is allocated based on a combination of loss experience (50%) and exposure (50% based on number of vehicles). The Company's EPLI premiums are allocated based on payroll. The loss experience is generally based upon a five-year average of historical loss experience. The methods used to allocate charges to KAWC during the base period and the forecasted test period for the TRIA coverage is based on the total insured value of KAWC's assets.

**KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2023-00191
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 36**

Description of Filing Requirement:

Cost of Service Study

Response:

Kentucky-American Water Company's ("Company") Cost of Service Study ("COSS") allocates the total revenue requirement for its water operations to the various cost categories listed below. The revenue requirement for each of these cost categories is then allocated to the various customer classes it serves, with different cost categories allocated to customer classes using a class allocation factor that differs depending on the nature of the costs. In this study, the Company's aggregated cost of water service was allocated to the following customer classifications:

- Residential
- Commercial
- Industrial
- Other Public Authorities
- Sales for Resale
- Miscellaneous
- Private Fire
- Public Fire

The study was performed in accordance with generally accepted principles and procedures and results in the relative cost responsibilities of each class of customers. The allocated cost of service provides one input to designing customer rates under the Company's proposed rate design to produce the revenues that will yield the proposed revenue requirement in this case.

The Company's COSS is organized into five different tabs, or sections:

- The "Summary" tab allocates the revenue requirement for each cost category to customer class and summarizes the results of the cost allocations by customer class and business function to get a total revenue requirement by class and business function. The "Summary" tab also compares the revenue requirements by customer class to Test-Year revenues under Current Rates;
- The "Account Detail" tab contains rate base, depreciation, and operations and maintenance ("O&M") balances by account and allocates each account to a cost category;
- The "Usage Statistics" tab contains usage information by customer class and other information necessary to calculate class allocation factors for the "Account Detail" tab;
- The "Class Allocators" tab provides detailed calculations of all class allocation factors used in the COSS; and
- The "Allocation Summary" tab provides a summary of the class allocation factors and the allocation factors used to allocate costs to cost categories.

The cost categories that the Company assigns to specific classes are as follows:

- Variable cost
- Capacity (Fixed) costs
- Source of Supply
- Water Power and Pumping Expenses
- Water Treatment
- Transmission Mains
- Distribution Mains
- Storage Costs
- Metering Cost
- Service Line Costs
- Customer Related Costs
- Hydrants

Please see attached detailed schedules of the allocation of costs to customer classifications as well as the basis for the allocations. Please refer to KAW_DT_WES_063023.pdf for the Direct Testimony of witness Wesley E. Selinger for additional details and support of the Cost of Service Study.

For electronic version, refer to KAW_APP_EX36_063023.pdf

Kentucky American Water Company
Class Cost of Service Study - Account Detail
Case No. 2023-00191

Source of Supply Expense	Alloc	Description	Water											Total	Variance	
			Source of Supply	Pumping	Treatment	Transmission	Distribution	Storage	Meters	Services	Customers	Hydrants				
Source of Supply Expense																
Operating Expense																
Purchased water			\$ 368,973	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 368,973	\$ -
Fuel and power		A Source of Supply	\$ 126,285	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 126,285	\$ -
Chemicals		A Source of Supply	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Waste disposal		A Source of Supply	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Salaries and wages	Labor	A Source of Supply	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee Benefits		A Source of Supply	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Pension expense		A Source of Supply	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
OPEB expense		A Source of Supply	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Group insurance expense		A Source of Supply	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other benefits		A Source of Supply	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Support Services		A Source of Supply	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contracted services		A Source of Supply	\$ 28,275	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 28,275	\$ -
Building Maintenance and Services		A Source of Supply	\$ 91,225	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 91,225	\$ -
Telecommunication expenses		A Source of Supply	\$ 64	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 64	\$ -
Postage, printing and stationary		A Source of Supply	\$ 13	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13	\$ -
Office supplies and services		A Source of Supply	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Advertising & marketing expenses		A Source of Supply	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee related expense travel & entertainment		A Source of Supply	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Miscellaneous expenses		A Source of Supply	\$ 2,665	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,665	\$ -
Rents		A Source of Supply	\$ 22,550	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,550	\$ -
Transportation		A Source of Supply	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Uncollectible accounts expense		A Source of Supply	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Customer accounting, other		A Source of Supply	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Regulatory expense		A Source of Supply	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Insurance other than group		A Source of Supply	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Maintenance supplies and services		A Source of Supply	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
			\$ 640,051	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 640,051	\$ -
Maintenance Expense																
Maintenance supplies and services		A Source of Supply	\$ 7,088	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,088	\$ -
			\$ 7,088	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,088	\$ -
Total SS Expense			\$ 647,139	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 647,139	\$ -
Power and Pumping Expenses																
Operating Expense																
Fuel and Power		B Pumping	\$ -	\$ 668,556	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 668,556	\$ -
Salaries and Wages	Labor	B Pumping	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee Benefits		B Pumping	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Building Maintenance and Services		B Pumping	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Miscellaneous expenses		B Pumping	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Office supplies and services		B Pumping	\$ -	\$ 41	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 41	\$ -
Materials & Supplies		B Pumping	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Rents		B Pumping	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transportation		B Pumping	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
			\$ 668,597	\$ 668,597	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 668,597	\$ -
Maintenance Expense																
Salaries and Wages	Labor	B Pumping	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transportation		B Pumping	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contract Services - Eng		B Pumping	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contract Services - Other		B Pumping	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Miscellaneous expenses		B Pumping	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Maintenance Supplies and Services		B Pumping	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Pumping Expense			\$ 668,597	\$ 668,597	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 668,597	\$ -
Water Treatment																
Operating Expense																
Fuel and Power		C Water Treatment	\$ -	\$ -	\$ 4,842,830	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,842,830	\$ -
Chemicals		C Water Treatment	\$ -	\$ -	\$ 5,624,592	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,624,592	\$ -
Waste Disposal		C Water Treatment	\$ -	\$ -	\$ 679,404	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 679,404	\$ -
Salaries and Wages	Labor	C Water Treatment	\$ -	\$ -	\$ 4,930,625	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,930,625	\$ -
Employee Benefits		C Water Treatment	\$ -	\$ -	\$ 651	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 651	\$ -
Contracted Services		C Water Treatment	\$ -	\$ -	\$ 78,802	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 78,802	\$ -
Building Maintenance and Services		C Water Treatment	\$ -	\$ -	\$ 186,313	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 186,313	\$ -
Miscellaneous expenses		C Water Treatment	\$ -	\$ -	\$ 303,053	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 303,053	\$ -
Telecommunication Expenses		C Water Treatment	\$ -	\$ -	\$ 11,163	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,163	\$ -
Postage, printing and stationary		C Water Treatment	\$ -	\$ -	\$ 9,710	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,710	\$ -
Office supplies and services		C Water Treatment	\$ -	\$ -	\$ 24,200	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,200	\$ -
Rents		C Water Treatment	\$ -	\$ -	\$ 2,777	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,777	\$ -
Transportation		C Water Treatment	\$ -	\$ -	\$ 2,084	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,084	\$ -
			\$ 16,696,205	\$ -	\$ 16,696,205	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,696,205	\$ -

Kentucky American Water Company
Class Cost of Service Study - Account Detail
Case No. 2023-00191

			Alloc	Description	Source of Supply	Pumping	Water Treatment	Transmission	Distribution	Storage	Meters	Services	Customers	Hydrants	Total	Variance		
Maintenance Expense																		
Salaries and Wages	Labor	\$ 653,523	C	Water Treatment	\$ -	\$ -	\$ 653,523	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 653,523	\$ -	
Transportation		\$ 443	C	Water Treatment	\$ -	\$ -	\$ 443	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 443	\$ -	
Maintenance Supplies and Services		\$ 640,027	C	Water Treatment	\$ -	\$ -	\$ 640,027	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 640,027	\$ -	
		\$ 1,293,993			\$ -	\$ -	\$ 1,293,993	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,293,993	\$ -	\$ -	
Total Water Treatment Expense		\$ 17,990,198			\$ -	\$ -	\$ 17,990,198	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,990,198	\$ -	\$ -	
Transmission & Distribution Expense																		
Operating Expense																		
Purchased water		\$ -	1	T/D Oper. Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Fuel and power		\$ 26,943	1	T/D Oper. Expense	\$ -	\$ -	\$ -	\$ 380	\$ 1,499	\$ -	\$ 25,063	\$ -	\$ -	\$ -	\$ -	\$ 26,943	\$ -	
Chemicals		\$ -	1	T/D Oper. Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Waste disposal		\$ -	1	T/D Oper. Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Salaries and wages	Labor	\$ 331,075	1	T/D Oper. Expense	\$ -	\$ -	\$ -	\$ 4,673	\$ 18,423	\$ -	\$ 307,979	\$ -	\$ -	\$ -	\$ -	\$ 331,075	\$ -	
Employee Benefits		\$ 816	1	T/D Oper. Expense	\$ -	\$ -	\$ -	\$ 12	\$ 45	\$ -	\$ 759	\$ -	\$ -	\$ -	\$ -	\$ 816	\$ -	
Pension expense		\$ -	1	T/D Oper. Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
OPEB expense		\$ -	1	T/D Oper. Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Group insurance expense		\$ -	1	T/D Oper. Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Other benefits		\$ -	1	T/D Oper. Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Support Services		\$ -	1	T/D Oper. Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Contracted services		\$ 150,701	1	T/D Oper. Expense	\$ -	\$ -	\$ -	\$ 2,127	\$ 8,386	\$ -	\$ 140,188	\$ -	\$ -	\$ -	\$ -	\$ 150,701	\$ -	
Building Maintenance and Services		\$ 176,736	1	T/D Oper. Expense	\$ -	\$ -	\$ -	\$ 2,495	\$ 9,835	\$ -	\$ 164,407	\$ -	\$ -	\$ -	\$ -	\$ 176,736	\$ -	
Telecommunication expense		\$ 1,709	1	T/D Oper. Expense	\$ -	\$ -	\$ -	\$ 24	\$ 95	\$ -	\$ 1,589	\$ -	\$ -	\$ -	\$ -	\$ 1,709	\$ -	
Postage, printing and stationary		\$ 205	1	T/D Oper. Expense	\$ -	\$ -	\$ -	\$ 3	\$ 11	\$ -	\$ 190	\$ -	\$ -	\$ -	\$ -	\$ 205	\$ -	
Office supplies and services		\$ 71,344	1	T/D Oper. Expense	\$ -	\$ -	\$ -	\$ 1,007	\$ 3,970	\$ -	\$ 66,367	\$ -	\$ -	\$ -	\$ -	\$ 71,344	\$ -	
Miscellaneous expenses		\$ 254,785	1	T/D Oper. Expense	\$ -	\$ -	\$ -	\$ 3,596	\$ 14,178	\$ -	\$ 237,011	\$ -	\$ -	\$ -	\$ -	\$ 254,785	\$ -	
Rents		\$ 11,952	1	T/D Oper. Expense	\$ -	\$ -	\$ -	\$ 169	\$ 665	\$ -	\$ 11,119	\$ -	\$ -	\$ -	\$ -	\$ 11,952	\$ -	
Transportation		\$ 33	1	T/D Oper. Expense	\$ -	\$ -	\$ -	\$ 0	\$ 2	\$ -	\$ 31	\$ -	\$ -	\$ -	\$ -	\$ 33	\$ -	
		\$ 1,026,298			\$ -	\$ -	\$ -	\$ 14,486	\$ 57,110	\$ -	\$ 954,703	\$ -	\$ -	\$ -	\$ 1,026,298	\$ -	\$ -	
Maintenance Expense																		
Salaries and Wages	Labor	\$ 1,531,626	2	T/D Maint. Expense	\$ -	\$ -	\$ -	\$ 90,654	\$ 357,402	\$ -	\$ 302,389	\$ 375,122	\$ -	\$ -	\$ 406,059	\$ 1,531,626	\$ -	
Contracted Services		\$ -	2	T/D Maint. Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Contract Services - Other		\$ -	2	T/D Maint. Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Transportation		\$ 1,060	2	T/D Maint. Expense	\$ -	\$ -	\$ -	\$ 63	\$ 247	\$ -	\$ 209	\$ 260	\$ -	\$ -	\$ 281	\$ 1,060	\$ -	
Maintenance Supplies and Services		\$ 1,950,514	2	T/D Maint. Expense	\$ -	\$ -	\$ -	\$ 115,448	\$ 455,148	\$ -	\$ 385,090	\$ 477,715	\$ -	\$ -	\$ 517,113	\$ 1,950,514	\$ -	
Miscellaneous expenses		\$ -	2	T/D Maint. Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Materials & Supplies		\$ -	2	T/D Maint. Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
		\$ 3,483,200			\$ -	\$ -	\$ -	\$ 206,165	\$ 812,797	\$ -	\$ 687,688	\$ 853,097	\$ -	\$ -	\$ 923,454	\$ 3,483,200	\$ -	
Total T&D Expense		\$ 4,509,498			\$ -	\$ -	\$ -	\$ 220,651	\$ 869,907	\$ -	\$ 1,642,391	\$ 853,097	\$ -	\$ 923,454	\$ 4,509,498	\$ -	\$ -	
General Mains Expense																		
Operations																		
Salaries and Wages	Labor	\$ 116,174	K	Mains	\$ -	\$ -	\$ -	\$ 23,505	\$ 92,669	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 116,174	\$ -	
Miscellaneous expenses		\$ -	K	Mains	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
		\$ 116,174			\$ -	\$ -	\$ -	\$ 23,505	\$ 92,669	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 116,174	\$ -	
Maintenance Expense																		
Salaries and Wages	Labor	\$ 160,560	K	Mains	\$ -	\$ -	\$ -	\$ 32,486	\$ 128,074	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 160,560	\$ -	
Miscellaneous expenses		\$ -	K	Mains	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
		\$ 160,560			\$ -	\$ -	\$ -	\$ 32,486	\$ 128,074	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 160,560	\$ -	
General Mains Expense		\$ 276,734			\$ -	\$ -	\$ -	\$ 55,991	\$ 220,743	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 276,734	\$ -	\$ -
Storage Expense																		
Operating Expense																		
Salaries and Wages	Labor	\$ -	F	Storage	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Miscellaneous expenses		\$ -	F	Storage	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
		\$ -			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Maintenance Expense																		
Salaries and Wages	Labor	\$ -	F	Storage	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Miscellaneous expenses		\$ -	F	Storage	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
		\$ -			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Total Storage Expense		\$ -			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Meter Expense																		
Operating Expense																		
Salaries and Wages	Labor	\$ 1,549,140	G	Meters	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,549,140	\$ -	\$ -	\$ -	\$ -	\$ 1,549,140	\$ -	
Miscellaneous expenses		\$ -	G	Meters	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
		\$ 1,549,140			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,549,140	\$ -	\$ -	\$ -	\$ 1,549,140	\$ -		
Maintenance Expense																		
Salaries and Wages	Labor	\$ 108,360	G	Meters	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 108,360	\$ -	\$ -	\$ -	\$ -	\$ 108,360	\$ -	
Miscellaneous expenses		\$ -	G	Meters	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
		\$ 108,360			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 108,360	\$ -	\$ -	\$ -	\$ 108,360	\$ -		

Kentucky American Water Company
Class Cost of Service Study - Account Detail
Case No. 2023-00191

			Source of	Pumping	Water	Transmission	Distribution	Storage	Meters	Services	Customers	Hydrants	Total	Variance	
			Supply		Treatment										
Total Meter Expense			\$ 1,657,500										\$ 1,657,500		
Service Expense															
Operating Expense															
Salaries and Wages	Labor	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Miscellaneous expenses	H Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Total Service Expense			\$ 134,424										\$ 134,424		
Hydrant Expense															
Salaries and Wages	Labor	\$ 145,510	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 145,510	\$ 145,510	\$ -	
Miscellaneous expenses	J Hydrants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Hydrant Expense			\$ 145,510										\$ 145,510		
Customer Accounts															
Salaries and wages	Labor	\$ 1,406,774	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,406,774	\$ -	\$ 1,406,774	\$ -	
Employee Benefits	I Customers	\$ 401	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 401	\$ -	
Telecommunication expenses	I Customers	\$ 12,489	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,489	\$ -	
Office supplies and services	I Customers	\$ 316	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 316	\$ -	
Uncollectible accounts expense	I Customers	\$ 676,694	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 676,694	\$ -	
Customer accounting, other	I Customers	\$ 478,972	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 478,972	\$ -	
Total Customer Accounting Expense			\$ 2,575,646										\$ 2,575,646		
Administrative & General Expense															
Operating Expense															
Fuel and Power	Labor	\$ (2,100,171)	\$ -	\$ -	\$ (1,061,371)	\$ (33,229)	\$ (131,002)	\$ -	\$ (431,050)	\$ (71,299)	\$ (267,384)	\$ (104,836)	\$ (2,100,171)	\$ -	
Employee Benefits	4 Labor	\$ 310,627	\$ -	\$ -	\$ 156,983	\$ 4,915	\$ 19,376	\$ -	\$ 63,755	\$ 10,546	\$ 39,548	\$ 15,506	\$ 310,627	\$ -	
Group insurance expense	4 Labor	\$ 1,572,674	\$ -	\$ -	\$ 794,788	\$ 24,883	\$ 98,099	\$ -	\$ 322,784	\$ 53,391	\$ 200,225	\$ 78,505	\$ 1,572,674	\$ -	
Support Services - Other	3 Fixed O&M	\$ 12,519,428	\$ 116,886	\$ 32	\$ 5,266,589	\$ 212,808	\$ 838,199	\$ -	\$ 2,520,274	\$ 759,988	\$ 1,982,191	\$ 822,664	\$ 12,519,428	\$ -	
Contracted services	3 Fixed O&M	\$ 1,179,906	\$ 11,016	\$ 3	\$ 496,355	\$ 20,037	\$ 78,997	\$ -	\$ 237,526	\$ 71,626	\$ 186,814	\$ 77,533	\$ 1,179,906	\$ -	
Building Maintenance and Services	3 Fixed O&M	\$ 457,563	\$ 4,272	\$ 1	\$ 192,485	\$ 7,770	\$ 30,635	\$ -	\$ 92,112	\$ 27,776	\$ 72,446	\$ 30,067	\$ 457,563	\$ -	
Telecommunication expenses	3 Fixed O&M	\$ 249,625	\$ 2,331	\$ 1	\$ 105,010	\$ 4,239	\$ 16,713	\$ -	\$ 50,252	\$ 15,153	\$ 39,523	\$ 16,403	\$ 249,625	\$ -	
Postage, printing and stationary	3 Fixed O&M	\$ 2,159	\$ 20	\$ 0	\$ 908	\$ 37	\$ 145	\$ -	\$ 435	\$ 131	\$ 342	\$ 142	\$ 2,159	\$ -	
Office supplies and services	3 Fixed O&M	\$ 143,510	\$ 1,340	\$ 0	\$ 60,371	\$ 2,437	\$ 9,608	\$ -	\$ 28,890	\$ 8,712	\$ 22,722	\$ 9,430	\$ 143,510	\$ -	
Employee related expense travel & entertainment	3 Fixed O&M	\$ 176,764	\$ 1,650	\$ 0	\$ 74,360	\$ 3,002	\$ 11,835	\$ -	\$ 35,584	\$ 10,730	\$ 27,987	\$ 11,615	\$ 176,764	\$ -	
Miscellaneous expenses	3 Fixed O&M	\$ 246,810	\$ 2,304	\$ 1	\$ 103,626	\$ 4,191	\$ 16,524	\$ -	\$ 49,685	\$ 14,982	\$ 39,077	\$ 16,218	\$ 246,810	\$ -	
Rents	3 Fixed O&M	\$ 9,900	\$ 92	\$ 0	\$ 4,165	\$ 168	\$ 653	\$ -	\$ 1,993	\$ 601	\$ 1,587	\$ 651	\$ 9,900	\$ -	
Transportation	3 Fixed O&M	\$ 650,678	\$ 6,075	\$ 2	\$ 273,723	\$ 11,050	\$ 43,564	\$ -	\$ 130,987	\$ 39,499	\$ 103,021	\$ 42,757	\$ 650,678	\$ -	
Regulatory expense	3 Fixed O&M	\$ 660,519	\$ 6,167	\$ 2	\$ 277,863	\$ 11,217	\$ 44,223	\$ -	\$ 132,968	\$ 40,096	\$ 104,579	\$ 43,403	\$ 660,519	\$ -	
Insurance other than group	3 Fixed O&M	\$ 1,653,204	\$ 15,436	\$ 4	\$ 695,501	\$ 28,077	\$ 110,692	\$ -	\$ 332,825	\$ 100,363	\$ 261,766	\$ 108,640	\$ 1,653,204	\$ -	
Total A&G Expense			\$ 17,733,297	\$ 167,589	\$ 45	\$ 7,441,556	\$ 301,403	\$ 1,188,269	\$ -	\$ 3,589,019	\$ 1,082,294	\$ 2,814,424	\$ 1,188,597	\$ 17,733,297	\$ -
Maintenance Expense															
Salaries and Wages	Labor	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Transportation	3 Fixed O&M	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Contract Services - Eng	3 Fixed O&M	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Contract Services - Other	3 Fixed O&M	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Miscellaneous expenses	3 Fixed O&M	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Maintenance supplies and services	3 Fixed O&M	\$ 127,593	\$ 1,191	\$ 0	\$ 53,675	\$ 2,167	\$ 8,543	\$ -	\$ 25,686	\$ 7,745	\$ 20,202	\$ 8,384	\$ 127,593	\$ -	
Total A&G Expense			\$ 127,593	\$ 1,191	\$ 0	\$ 53,675	\$ 2,167	\$ 8,543	\$ -	\$ 25,686	\$ 7,745	\$ 20,202	\$ 8,384	\$ 127,593	\$ -
Total A&G Expense			\$ 17,860,890	\$ 168,780	\$ 46	\$ 7,495,231	\$ 303,570	\$ 1,196,812	\$ -	\$ 3,594,705	\$ 1,090,039	\$ 2,834,626	\$ 1,177,082	\$ 17,860,890	\$ -
Total Operations & Maintenance Exp. (KY Water)			\$ 46,466,137	\$ 815,919	\$ 668,643	\$ 25,485,429	\$ 580,212	\$ 2,287,461	\$ -	\$ 6,894,595	\$ 2,077,560	\$ 5,410,272	\$ 2,246,046	\$ 46,466,137	\$ -

Kentucky American Water Company
Class Cost of Service Study - Account Detail
Case No. 2023-00191

		Alloc	Description	Source of Supply	Pumping	Water Treatment	Transmission	Distribution	Storage	Meters	Services	Customers	Hydrants	Total	Variance														
Taxes Other Than Income Tax																													
	Property Taxes	\$	9,813,732	5	Net Plant (less gen. and int.)	\$	670,736	\$	457,214	\$	1,524,002	\$	1,716,931	\$	3,476,612	\$	170,841	\$	861,751	\$	522,787	\$	-	\$	412,850	\$	9,813,732	\$	-
	Payroll Taxes	\$	666,852	4	Labor	\$	-	\$	-	\$	337,009	\$	10,561	\$	41,596	\$	-	\$	136,868	\$	22,639	\$	84,900	\$	33,288	\$	666,852	\$	-
	Utility Reg Assessment	\$	171,010	6	Rate Base	\$	12,734	\$	8,595	\$	34,484	\$	29,946	\$	56,172	\$	3,211	\$	14,126	\$	2,465	\$	2,129	\$	7,148	\$	171,010	\$	-
	Other Taxes	\$	-	6	Rate Base	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	-	\$	-	\$	-	\$	-	
		\$	10,651,594			\$	683,470	\$	465,808	\$	1,895,496	\$	1,757,427	\$	3,574,381	\$	174,052	\$	1,012,745	\$	547,891	\$	87,029	\$	453,295	\$	10,651,594	\$	-
	Total Taxes Other Than Income Taxes (KY Water)	\$				\$	683,470	\$	465,808	\$	1,895,496	\$	1,757,427	\$	3,574,381	\$	174,052	\$	1,012,745	\$	547,891	\$	87,029	\$	453,295	\$	10,651,594	\$	-
Plant Depreciation																													
Intangible Plant																													
	Organization	\$	-	5	Net Plant (less gen. and int.)	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	-	\$	-	\$	-	\$	-	
	Franchises	\$	-	5	Net Plant (less gen. and int.)	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	-	\$	-	\$	-	\$	-	
	Other PIE-Intangible	\$	-	5	Net Plant (less gen. and int.)	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	-	\$	-	\$	-	\$	-	
	Other PIE-CPS	\$	159,394	5	Net Plant (less gen. and int.)	\$	10,894	\$	7,426	\$	24,753	\$	27,886	\$	56,467	\$	2,775	\$	13,997	\$	8,491	\$	-	\$	6,706	\$	159,394	\$	-
		\$	159,394			\$	10,894	\$	7,426	\$	24,753	\$	27,886	\$	56,467	\$	2,775	\$	13,997	\$	8,491	\$	-	\$	6,706	\$	159,394	\$	-
Source of Supply																													
	Land & Land Rights-Supply	\$	-	A	Source of Supply	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	-	\$	-	\$	-	\$	-	
	Struct & Imp-Supply	\$	699,888	A	Source of Supply	\$	699,888	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	-	\$	-	\$	-	\$	699,888	
	Collect & Impound Reservoirs	\$	10,556	A	Source of Supply	\$	10,556	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	-	\$	-	\$	-	\$	10,556	
	Lake, River & Other Intakes	\$	29,577	A	Source of Supply	\$	29,577	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	-	\$	-	\$	-	\$	29,577	
	Supply Mains	\$	230,185	A	Source of Supply	\$	230,185	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	-	\$	-	\$	-	\$	230,185	
	Pump-Eqp-SOS & Pumping	\$	542,254	A	Source of Supply	\$	542,254	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	-	\$	-	\$	-	\$	542,254	
		\$	1,482,726			\$	1,482,726	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	-	\$	-	\$	-	\$	1,482,726	
Water Pumping																													
	Land & Land Rights-Pumping	\$	-	B	Pumping	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	-	\$	-	\$	-	\$	-	
	Struct & Imp-Pumping	\$	145,711	B	Pumping	\$	-	\$	145,711	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	-	\$	-	\$	-	\$	145,711	
	Power Generation Equip	\$	231,524	B	Pumping	\$	-	\$	231,524	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	-	\$	-	\$	-	\$	231,524	
	Pumping Equipment	\$	-	B	Pumping	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	-	\$	-	\$	-	\$	-	
	Pump Eqp Electric	\$	873,038	B	Pumping	\$	-	\$	873,038	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	-	\$	-	\$	-	\$	873,038	
	Pump Eqp Diesel	\$	13,144	B	Pumping	\$	-	\$	13,144	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	-	\$	-	\$	-	\$	13,144	
	Pump Eqp Hydraulic	\$	-	B	Pumping	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	-	\$	-	\$	-	\$	-	
	Pump Eqp Other	\$	-	B	Pumping	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	-	\$	-	\$	-	\$	-	
		\$	1,470,377			\$	1,470,377	\$	145,711	\$	231,524	\$	873,038	\$	13,144	\$	-	\$	-	\$	-	-	\$	-	\$	-	\$	1,470,377	
Water Treatment																													
	Land & Land Rights-Treatment	\$	-	C	Water Treatment	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	-	\$	-	\$	-	\$	-	
	Struct & Imp-Treatment	\$	1,010,118	C	Water Treatment	\$	-	\$	-	\$	1,010,118	\$	-	\$	-	\$	-	\$	-	\$	-	-	\$	-	\$	-	\$	1,010,118	
	Pump Eqp Wtr Treatment	\$	84,406	C	Water Treatment	\$	-	\$	-	\$	84,406	\$	-	\$	-	\$	-	\$	-	\$	-	-	\$	-	\$	-	\$	84,406	
	WT Equip Non-Media	\$	1,744,086	C	Water Treatment	\$	-	\$	-	\$	1,744,086	\$	-	\$	-	\$	-	\$	-	\$	-	-	\$	-	\$	-	\$	1,744,086	
	WT Equip Filter Media	\$	84,110	C	Water Treatment	\$	-	\$	-	\$	84,110	\$	-	\$	-	\$	-	\$	-	\$	-	-	\$	-	\$	-	\$	84,110	
		\$	2,928,728			\$	1,010,118	\$	84,406	\$	1,744,086	\$	84,110	\$	-	\$	-	\$	-	\$	-	-	\$	-	\$	-	\$	2,928,728	
T&D																													
	Land & Land Rights-T&D	\$	-	K	Mains	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	-	\$	-	\$	-	\$	-	
	Struct & Imp-T&D	\$	162,015	K	Mains	\$	-	\$	-	\$	32,780	\$	129,235	\$	-	\$	-	\$	-	\$	-	-	\$	-	\$	-	\$	162,015	
	Pumping Equipment TD	\$	79,409	K	Mains	\$	-	\$	-	\$	16,067	\$	63,342	\$	-	\$	-	\$	-	\$	-	-	\$	-	\$	-	\$	79,409	
	TD Mains	\$	2,531,555	K	Distribution	\$	-	\$	-	\$	512,205	\$	2,019,349	\$	-	\$	-	\$	-	\$	-	-	\$	-	\$	-	\$	2,531,555	
	TD Mains 4in & Less	\$	336,292	E	Distribution	\$	-	\$	-	\$	-	\$	336,292	\$	-	\$	-	\$	-	\$	-	-	\$	-	\$	-	\$	336,292	
	TD Mains 6in to 8in	\$	1,528,676	E	Distribution	\$	-	\$	-	\$	-	\$	1,528,676	\$	-	\$	-	\$	-	\$	-	-	\$	-	\$	-	\$	1,528,676	
	TD Mains 10in to 16in	\$	473,065	D	Transmission	\$	-	\$	-	\$	473,065	\$	-	\$	-	\$	-	\$	-	\$	-	-	\$	-	\$	-	\$	473,065	
	TD Mains 18in & Grtr	\$	1,092,409	D	Transmission	\$	-	\$	-	\$	1,092,409	\$	-	\$	-	\$	-	\$	-	\$	-	-	\$	-	\$	-	\$	1,092,409	
		\$	2,928,728			\$	32,780	\$	16,067	\$	512,205	\$	2,019,349	\$	336,292	\$	1,528,676	\$	473,065	\$	1,092,409	\$	-	\$	-	\$	-	\$	2,928,728
Storage																													
	Dist Reservoirs & Standpipes	\$	37,868	F	Storage	\$	-	\$	-	\$	-	\$	37,868	\$	-	\$	-	\$	-	\$	-	-	\$	-	\$	-	\$	37,868	
	Elevated Tanks & Standpipes	\$	261,683	F	Storage	\$	-	\$	-	\$	-	\$	261,683	\$	-	\$	-	\$	-	\$	-	-	\$	-	\$	-	\$	261,683	
	Ground Level Tanks	\$	57,910	F	Storage	\$	-	\$	-	\$	-	\$	57,910	\$	-	\$	-	\$	-	\$	-	-	\$	-	\$	-	\$	57,910	
	Clearwell	\$	20,501	F	Storage	\$	-	\$	-	\$	-	\$	20,501	\$	-	\$	-	\$	-	\$	-	-	\$	-	\$	-	\$	20,501	
		\$	116,962			\$	-	\$	-	\$	-	\$	116,962	\$	-	\$	-	\$	-	\$	-	-	\$	-	\$	-	\$	116,962	
Meters																													
	Meters	\$	10,013,405	G	Meters	\$	-	\$	-	\$	-	\$	-	\$	10,013,405	\$	-	\$	-	\$	-	-	\$	-	\$	-	\$	10,013,405	
	Meters Bronze Case	\$	582,915	G	Meters	\$	-	\$	-	\$	-	\$	-	\$	582,915	\$	-	\$	-	\$	-	-	\$	-	\$	-	\$	582,915	
	Meters Plastic Case	\$	282,569	G	Meters	\$	-	\$	-	\$	-	\$	-	\$	282,569	\$	-	\$	-	\$	-	-	\$	-	\$	-	\$	282,569	
	Meters Other	\$	1,758,154	G	Meters	\$	-	\$	-	\$	-	\$	-	\$	1,758,154	\$	-	\$	-	\$	-	-	\$	-	\$	-	\$	1,758,154	
	Meter Reading Units	\$	143,014	G	Meters	\$	-	\$	-	\$	-	\$	-	\$	143,014	\$	-	\$	-	\$	-	-	\$	-	\$	-	\$	143,014	
	Meter Installations	\$	572,220	G	Meters	\$	-	\$	-	\$	-	\$	-	\$	572,220	\$	-	\$	-	\$	-	-	\$	-	\$	-	\$	572,220	
	Meter Vaults	\$	76,425	G	Meters	\$	-	\$	-	\$	-	\$	-	\$	76,425	\$	-	\$	-	\$	-	-	\$	-	\$	-	\$	76,425	
		\$	10,013,405			\$	-	\$	-	\$	-	\$	-	\$	10,013,405	\$	-	\$	-	\$	-	-	\$	-	\$	-	\$	10,013,405	

Kentucky American Water Company
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	Alloc	Description	Source of		Water					Meters	Services	Customers	Hydrants	Total	Variance													
			Supply	Pumping	Treatment	Transmission	Distribution	Storage																				
General Plant																												
Struct & Imp-General	\$	602,727	3	Fixed O&M	\$	5,627	\$	2	\$	253,551	\$	40,236	\$	40,354	\$	121,334	\$	36,588	\$	95,429	\$	39,606	\$	602,727	\$	-		
Struct & Imp-Offices	\$	191,801	3	Fixed O&M	\$	950	\$	0	\$	42,825	\$	1,729	\$	6,816	\$	20,494	\$	6,180	\$	16,118	\$	6,689	\$	191,801	\$	-		
Struct & Imp-HVAC	\$	-	3	Fixed O&M	\$	-	\$	0	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	-	\$	-	\$	-	-		
Struct & Imp-Store,Shop,Gar	\$	31,722	3	Fixed O&M	\$	291	\$	0	\$	13,892	\$	529	\$	2,084	\$	6,262	\$	1,888	\$	4,927	\$	2,045	\$	31,722	\$	-		
Struct & Imp-Misc	\$	57,940	3	Fixed O&M	\$	541	\$	0	\$	24,374	\$	984	\$	3,879	\$	11,664	\$	3,517	\$	9,174	\$	3,807	\$	57,940	\$	-		
Office Furniture & Equip	\$	143,682	3	Fixed O&M	\$	1,341	\$	0	\$	60,443	\$	2,440	\$	9,620	\$	28,925	\$	8,722	\$	22,749	\$	9,442	\$	143,682	\$	-		
Comp & Periph Equip	\$	30,295	3	Fixed O&M	\$	283	\$	0	\$	12,744	\$	514	\$	2,028	\$	6,099	\$	1,839	\$	4,797	\$	1,991	\$	30,295	\$	-		
Comp & Periph Mainframe	\$	3,295	3	Fixed O&M	\$	-	\$	0	\$	1,374	\$	55	\$	219	\$	657	\$	198	\$	517	\$	215	\$	3,295	\$	-		
Comp & Periph Personal	\$	51,735	3	Fixed O&M	\$	483	\$	0	\$	21,764	\$	879	\$	3,464	\$	10,415	\$	3,141	\$	8,191	\$	3,400	\$	51,735	\$	-		
Comp & Periph Other	\$	74,645	3	Fixed O&M	\$	697	\$	0	\$	31,401	\$	1,268	\$	4,998	\$	15,027	\$	4,531	\$	11,819	\$	4,905	\$	74,645	\$	-		
Comp & Periph Capital Lease	\$	-	3	Fixed O&M	\$	-	\$	0	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	-	\$	-	\$	-	-		
Computer Software	\$	2,941,597	3	Fixed O&M	\$	27,464	\$	7	\$	1,237,451	\$	49,955	\$	196,945	\$	592,170	\$	178,568	\$	465,741	\$	193,295	\$	2,941,597	\$	-		
Computer Software - BT	\$	156,625	3	Fixed O&M	\$	1,462	\$	0	\$	65,888	\$	2,660	\$	10,486	\$	31,530	\$	9,508	\$	24,798	\$	10,292	\$	156,625	\$	-		
Comp Software Personal	\$	-	3	Fixed O&M	\$	-	\$	0	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	-	\$	-	\$	-	-		
Comp Software Customized	\$	7,038	3	Fixed O&M	\$	66	\$	0	\$	2,961	\$	120	\$	471	\$	1,417	\$	427	\$	1,114	\$	463	\$	7,038	\$	-		
Comp Software Other	\$	5,899	3	Fixed O&M	\$	55	\$	0	\$	2,469	\$	100	\$	393	\$	1,181	\$	356	\$	929	\$	386	\$	5,899	\$	-		
Other Office Equipment	\$	11,220	3	Fixed O&M	\$	105	\$	0	\$	4,720	\$	191	\$	751	\$	2,259	\$	681	\$	1,776	\$	737	\$	11,220	\$	-		
Trans Equip LI Duty Trucks	\$	246,894	3	Fixed O&M	\$	2,305	\$	1	\$	103,862	\$	4,193	\$	16,530	\$	49,702	\$	14,988	\$	39,091	\$	16,224	\$	246,894	\$	-		
Trans Equip Hwy Duty Trucks	\$	19,742	3	Fixed O&M	\$	184	\$	0	\$	8,305	\$	335	\$	1,322	\$	3,974	\$	1,198	\$	3,126	\$	1,297	\$	19,742	\$	-		
Trans Equip Autos	\$	27,778	3	Fixed O&M	\$	259	\$	0	\$	11,686	\$	472	\$	1,860	\$	5,592	\$	1,686	\$	4,398	\$	1,825	\$	27,778	\$	-		
Trans Equip Other	\$	(8,189)	3	Fixed O&M	\$	(86)	\$	(0)	\$	(3,866)	\$	(156)	\$	(615)	\$	(1,850)	\$	(588)	\$	(1,455)	\$	(604)	\$	(8,189)	\$	-		
Stores Equipment	\$	3,676	3	Fixed O&M	\$	34	\$	0	\$	1,547	\$	62	\$	246	\$	740	\$	222	\$	582	\$	242	\$	3,676	\$	-		
Tools,Shop,Garage Equip	\$	201,205	3	Fixed O&M	\$	1,879	\$	1	\$	84,642	\$	3,417	\$	13,471	\$	40,504	\$	12,214	\$	31,897	\$	13,221	\$	201,205	\$	-		
Laboratory Equipment	\$	496,221	C	Water Treatment	\$	-	\$	0	\$	496,221	\$	-	\$	-	\$	-	\$	-	\$	-	-	\$	496,221	\$	-	-		
Power Operated Equipment	\$	17,670	3	Fixed O&M	\$	165	\$	0	\$	7,433	\$	300	\$	1,183	\$	3,557	\$	1,073	\$	2,798	\$	1,161	\$	17,670	\$	-		
Comm Equip Non-Telephone	\$	107,608	3	Fixed O&M	\$	1,005	\$	0	\$	45,268	\$	1,827	\$	7,205	\$	21,663	\$	6,532	\$	17,038	\$	7,071	\$	107,608	\$	-		
Remote Control & Instrument	\$	378,166	3	Fixed O&M	\$	3,531	\$	1	\$	159,084	\$	6,422	\$	25,319	\$	76,128	\$	22,956	\$	59,875	\$	24,850	\$	378,166	\$	-		
Comm Equip Telephone	\$	12,623	3	Fixed O&M	\$	118	\$	0	\$	5,310	\$	214	\$	845	\$	2,541	\$	1,999	\$	768	\$	830	\$	12,623	\$	-		
Misc Equipment	\$	318,550	3	Fixed O&M	\$	2,974	\$	1	\$	134,005	\$	5,410	\$	21,328	\$	64,127	\$	19,337	\$	50,436	\$	20,932	\$	318,550	\$	-		
Other Tangible Property	\$	-	3	Fixed O&M	\$	-	\$	0	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	-	\$	-	\$	-	-		
Plant Depreciation (KY Water)	\$	34,889,856			\$	1,575,118	\$	1,270,858	\$	5,776,028	\$	2,248,567	\$	4,504,561	\$	380,737	\$	14,558,814	\$	2,477,091	\$	877,823	\$	1,219,670	\$	34,889,266	\$	-
CIAC-NT Mains	\$	(389,409)	K	Mains	\$	-	\$	-	\$	-	\$	(78,789)	\$	(310,621)	\$	-	\$	-	\$	-	\$	-	\$	-	\$	(389,409)	\$	-
CIAC-NT Ext Dep	\$	(354,461)	K	Mains	\$	-	\$	-	\$	-	\$	(71,718)	\$	(282,743)	\$	-	\$	-	\$	-	\$	-	\$	-	\$	(354,461)	\$	-
CIAC-NT Svcs	\$	(329,448)	H	Services	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	(329,448)	\$	-	\$	-	\$	-	\$	(329,448)	\$	-
CIAC-NT Meters	\$	(3,797,939)	G	Meters	\$	-	\$	-	\$	-	\$	-	\$	-	\$	(3,797,939)	\$	-	\$	-	\$	-	\$	-	\$	(3,797,939)	\$	-
CIAC-NT Hydrants	\$	(77,175)	J	Hydrants	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	(77,175)	\$	-
CIAC-NT Other	\$	(177,286)	K	Mains	\$	-	\$	-	\$	-	\$	(35,870)	\$	(141,416)	\$	-	\$	-	\$	-	\$	-	\$	-	\$	(177,286)	\$	-
CIAC-NT WIP	\$	-	K	Mains	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	-	
CIAC-NT WIP Property	\$	-	K	Mains	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	-	
CIAC-Tax Mains	\$	(75,606)	K	Mains	\$	-	\$	-	\$	-	\$	(15,297)	\$	(60,308)	\$	-	\$	-	\$	-	\$	-	\$	-	\$	(75,606)	\$	-
CIAC-Tax Ext Dep	\$	(32,178)	H	Services	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	(32,178)	\$	-	\$	-	\$	-	\$	(32,178)	\$	-
CIAC-Tax Svcs	\$	(652,241)	G	Meters	\$	-	\$	-	\$	-	\$	-	\$	-	\$	(652,241)	\$	-	\$	-	\$	-	\$	-	\$	(652,241)	\$	-
CIAC-Tax Meters	\$	(134,954)	J	Hydrants	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	(134,954)	\$	-
CIAC-Tax Hydrants	\$	(24,792)	K	Mains	\$	-	\$	-	\$	-	\$	(5,016)	\$	(19,776)	\$	-	\$	-	\$	-	\$	-	\$	-	\$	(24,792)	\$	-
CIAC-Tax Other	\$	(19,703)	K	Mains	\$	-	\$	-	\$	-	\$	(3,886)	\$	(15,716)	\$	-	\$	-	\$	-	\$	-	\$	-	\$	(19,703)	\$	-
CIAC-Tax WIP	\$	-	K	Mains	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	-	
CIAC-Taxable - Mains FIT	\$	(8,849)	K	Mains	\$	-	\$	-	\$	-	\$	(1,790)	\$	(7,059)	\$	-	\$	-	\$	-	\$	-	\$	-	\$	(8,849)	\$	-
CIAC-Taxable - Extension Deposits - FIT	\$	(131)	K	Mains	\$	-	\$	-	\$	-	\$	(26)	\$	(104)	\$	-	\$	-	\$	-	\$	-	\$	-	\$	(131)	\$	-
CIAC-Taxable - Services FIT	\$	(56,847)	H	Services	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	(56,847)	\$	-	\$	-	\$	-	\$	(56,847)	\$	-
CIAC-Taxable - Meters FIT	\$	(15,350)	G	Meters	\$	-	\$	-	\$	-	\$	-	\$	-	\$	(15,350)	\$	-	\$	-	\$	-	\$	-	\$	(15,350)	\$	-
CIAC-Taxable - Hydrants FIT	\$	(2,498)	J	Hydrants	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	(2,498)	\$	-
CIAC-Taxable - Other FIT	\$	(64)	K	Mains	\$	-	\$	-	\$	-	\$	(13)	\$	(51)	\$	-	\$	-	\$	-	\$	-	\$	-	\$	(64)	\$	-
AccAmort CIAC-Other	\$	-			\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	-	
AccAmort CIAC-Tax	\$	-			\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	-	
Amortization of CIAC (KY Water)	\$	(6,148,930)			\$	-	\$	-	\$	(212,506)	\$	(837,795)	\$	-	\$	(4,465,530)												

Kentucky American Water Company
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Case No. 2023-00191

	Alloc	Description	Water										Total	Variance														
			Source of Supply	Pumping	Treatment	Transmission	Distribution	Storage	Meters	Services	Customers	Hydrants																
General Plant																												
Struct & Imp-General	\$	11,078,273	3	Fixed O&M	\$	103,431	\$	28	\$	4,660,334	\$	188,134	\$	741,711	\$	2,230,156	\$	672,501	\$	1,754,014	\$	727,964	\$	11,078,273	\$	-		
Struct & Imp-Offices	\$	3,168,628	3	Fixed O&M	\$	29,583	\$	8	\$	1,332,957	\$	53,810	\$	212,145	\$	637,873	\$	192,350	\$	501,686	\$	208,214	\$	3,168,628	\$	-		
Struct & Imp-HVAC	\$	1,080,036	3	Fixed O&M	\$	10,177	\$	3	\$	458,549	\$	18,554	\$	72,980	\$	219,434	\$	66	\$	172,584	\$	71,627	\$	1,080,036	\$	-		
Struct & Imp-Store,Shop,Car	\$	695,106	3	Fixed O&M	\$	6,986	\$	2	\$	288,206	\$	11,635	\$	45,669	\$	137,918	\$	41,589	\$	108,472	\$	45,010	\$	695,106	\$	-		
Office Furniture & Equip	\$	1,942,428	3	Fixed O&M	\$	18,135	\$	5	\$	817,128	\$	32,987	\$	130,049	\$	391,028	\$	117,914	\$	307,543	\$	127,639	\$	1,942,428	\$	-		
Comp & Periph Equip	\$	532,371	3	Fixed O&M	\$	4,970	\$	1	\$	223,954	\$	9,041	\$	36,643	\$	107,171	\$	32,317	\$	84,290	\$	34,983	\$	532,371	\$	-		
Comp & Periph Mainframe	\$	8,151	3	Fixed O&M	\$	0	\$	57	\$	2,598	\$	104	\$	412	\$	1,238	\$	373	\$	974	\$	404	\$	8,151	\$	-		
Comp & Periph Personal	\$	379,773	3	Fixed O&M	\$	3,546	\$	1	\$	159,761	\$	6,449	\$	25,427	\$	76,452	\$	23,054	\$	60,129	\$	24,955	\$	379,773	\$	-		
Comp & Periph Other	\$	331,429	3	Fixed O&M	\$	3,094	\$	1	\$	139,423	\$	5,628	\$	22,190	\$	66,720	\$	20,119	\$	52,475	\$	21,779	\$	331,429	\$	-		
Comp & Periph Capital Lease	\$	8,047,222	3	Fixed O&M	\$	75,132	\$	20	\$	3,385,252	\$	136,660	\$	538,776	\$	1,619,978	\$	488,503	\$	1,274,110	\$	528,791	\$	8,047,222	\$	-		
Computer Software	\$	(60,503)	3	Fixed O&M	\$	(565)	\$	(0)	\$	(25,452)	\$	(1,027)	\$	(4,051)	\$	(12,180)	\$	(3,673)	\$	(9,579)	\$	(3,976)	\$	(60,503)	\$	-		
Comp Software Personal	\$	(306,649)	3	Fixed O&M	\$	(2,863)	\$	(1)	\$	(129,969)	\$	(5,209)	\$	(20,531)	\$	(61,731)	\$	(18,615)	\$	(48,551)	\$	(20,150)	\$	(306,649)	\$	-		
Comp Software Customized	\$	82,570	3	Fixed O&M	\$	774	\$	0	\$	34,961	\$	1,407	\$	5,548	\$	16,682	\$	5,031	\$	13,121	\$	5,446	\$	82,570	\$	-		
Comp Software Other	\$	179,762	3	Fixed O&M	\$	1,678	\$	0	\$	75,621	\$	3,053	\$	12,035	\$	36,188	\$	10,912	\$	28,462	\$	11,812	\$	179,762	\$	-		
Other Office Equipment	\$	2,825,927	3	Fixed O&M	\$	26,384	\$	7	\$	1,188,792	\$	47,991	\$	189,201	\$	568,885	\$	171,547	\$	447,427	\$	165,694	\$	2,825,927	\$	-		
Trans Equip Hvy Duty Trucks	\$	2,286,784	3	Fixed O&M	\$	21,350	\$	6	\$	991,981	\$	38,534	\$	153,103	\$	460,346	\$	138,817	\$	362,062	\$	150,266	\$	2,286,784	\$	-		
Trans Equip Autos	\$	190,863	3	Fixed O&M	\$	1,782	\$	0	\$	80,291	\$	3,241	\$	12,779	\$	38,422	\$	30,219	\$	11,586	\$	12,542	\$	190,863	\$	-		
Trans Equip Other	\$	413,085	3	Fixed O&M	\$	3,857	\$	1	\$	173,774	\$	7,015	\$	27,657	\$	83,158	\$	25,078	\$	65,403	\$	27,144	\$	413,085	\$	-		
Stores Equipment	\$	55,412	3	Fixed O&M	\$	517	\$	0	\$	23,310	\$	941	\$	3,710	\$	11,155	\$	3,364	\$	8,773	\$	3,641	\$	55,412	\$	-		
Tools,Shop,Garage Equip	\$	2,447,981	3	Fixed O&M	\$	22,855	\$	6	\$	1,029,800	\$	41,572	\$	163,897	\$	492,801	\$	148,603	\$	387,587	\$	160,859	\$	2,447,981	\$	-		
Laboratory Equipment	\$	620,677	C	Water Treatment	\$	-	\$	-	\$	620,677	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	620,677	\$	-		
Power Operated Equipment	\$	531,466	3	Fixed O&M	\$	4,962	\$	1	\$	223,573	\$	9,025	\$	35,583	\$	106,989	\$	32,262	\$	84,147	\$	34,923	\$	531,466	\$	-		
Comm Equip Non-Telephone	\$	1,089,276	3	Fixed O&M	\$	10,170	\$	3	\$	458,229	\$	18,498	\$	72,929	\$	219,281	\$	66,124	\$	172,464	\$	71,577	\$	1,089,276	\$	-		
Remote Control & Instrument	\$	1,642,971	3	Fixed O&M	\$	15,339	\$	4	\$	691,154	\$	27,901	\$	110,000	\$	330,745	\$	99,736	\$	260,130	\$	107,961	\$	1,642,971	\$	-		
Comm Equip Telephone	\$	60,072	3	Fixed O&M	\$	561	\$	0	\$	25,271	\$	1,020	\$	4,022	\$	12,093	\$	3,647	\$	9,511	\$	3,947	\$	60,072	\$	-		
Misc Equipment	\$	4,423,341	3	Fixed O&M	\$	41,298	\$	11	\$	1,860,782	\$	75,118	\$	296,151	\$	890,458	\$	268,517	\$	700,344	\$	290,662	\$	4,423,341	\$	-		
Other Tangible Property	\$	(11,523)	3	Fixed O&M	\$	(10)	\$	(0)	\$	(672)	\$	(19)	\$	(75)	\$	(226)	\$	(68)	\$	(178)	\$	(74)	\$	(11,523)	\$	-		
Net Utility Plant	\$	745,760,137			\$	48,383,099	\$	32,706,468	\$	127,779,474	\$	123,551,449	\$	251,583,520	\$	12,220,936	\$	70,325,596	\$	40,014,843	\$	6,827,618	\$	32,367,137	\$	745,760,137	\$	-
Additions to Rate Base																												
Utility Plant Acquisition Adjustments	\$	72,387	5	Net Plant (less gen. and int.)	\$	4,947	\$	3,372	\$	11,241	\$	12,664	\$	25,644	\$	1,260	\$	6,356	\$	3,856	\$	-	\$	3,045	\$	72,387	\$	-
Construction Work in Progress (CWIP)	\$	21,980,639	5	Net Plant (less gen. and int.)	\$	1,502,303	\$	1,024,059	\$	3,413,436	\$	3,845,555	\$	7,786,861	\$	382,646	\$	1,930,135	\$	1,170,930	\$	-	\$	924,714	\$	21,980,639	\$	-
Cash Working Capital(Water)	\$	3,141,000	5	Net Plant (less gen. and int.)	\$	29,325	\$	8	\$	1,321,335	\$	53,341	\$	210,296	\$	632,312	\$	190,673	\$	497,312	\$	-	\$	206,398	\$	3,141,000	\$	-
Materials and Supplies(Water)	\$	5,058,174	5	Net Plant (less gen. and int.)	\$	345,709	\$	235,656	\$	785,498	\$	894,937	\$	1,791,909	\$	88,054	\$	444,162	\$	269,454	\$	-	\$	212,795	\$	5,058,174	\$	-
Deferred Maintenance / Tank Painting	\$	11,733,076	5	Net Plant (less gen. and int.)	\$	801,917	\$	546,634	\$	1,822,063	\$	2,052,724	\$	4,156,559	\$	204,253	\$	1,030,290	\$	625,032	\$	-	\$	493,605	\$	11,733,076	\$	-
Deferred Debts	\$	937,064	5	Net Plant (less gen. and int.)	\$	64,045	\$	43,657	\$	145,519	\$	163,941	\$	331,964	\$	16,313	\$	82,284	\$	49,918	\$	-	\$	39,422	\$	937,064	\$	-
Total Additions	\$	42,922,341			\$	2,745,247	\$	1,853,387	\$	7,499,092	\$	7,013,162	\$	14,303,233	\$	692,527	\$	4,125,539	\$	2,309,863	\$	497,312	\$	1,879,979	\$	42,922,341	\$	-
Reductions to Rate Base																												
Customer Advances for Construction																												
Adv Constr-NT Mains	\$	(3,407,753)	K	Mains	\$	-	\$	-	\$	-	\$	(689,485)	\$	(2,718,268)	\$	-	\$	-	\$	-	\$	-	\$	-	\$	(3,407,753)	\$	-
Adv Constr-NT ExtDep	\$	(2,439,517)	K	Mains	\$	-	\$	-	\$	-	\$	(493,584)	\$	(1,945,933)	\$	-	\$	-	\$	-	\$	-	\$	-	\$	(2,439,517)	\$	-
Adv Constr-NT Services	\$	(34,626)	H	Services	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	(34,626)	\$	-	\$	-	\$	(34,626)	\$	-
Adv Constr-NT Hydrants	\$	(310,789)	J	Hydrants	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	(310,789)	\$	-
Adv Constr-NT WIP	\$	(1,028,971)	S	Net Plant (less gen. and int.)	\$	(73,179)	\$	(51,247)	\$	(170,818)	\$	(192,442)	\$	(389,676)	\$	(19,149)	\$	(96,589)	\$	(58,597)	\$	-	\$	(69)	\$	(1,028,971)	\$	-
Adv Constr-Tax Mains	\$	(3,601,796)	K	Mains	\$	-	\$	-	\$	-	\$	(728,146)	\$	(2,873,050)	\$	-	\$	-	\$	-	\$	-	\$	-	\$	(3,601,796)	\$	-
Adv Constr-TaxExtDep	\$	(426,700)	K	Mains	\$	-	\$	-	\$	-	\$	(86,334)	\$	(340,366)	\$	-	\$	-	\$	-	\$	-	\$	-	\$	(426,700)	\$	-
Adv Constr-Tax Svcs	\$	(76,812)	H	Services	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	(76,812)	\$	-	\$	-	\$	(76,812)	\$	-
Adv Constr-Tax Mtrs	\$	(5,357)	G	Meters	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	(5,357)	\$	-	\$	-	\$	(5,357)	\$	-
Adv Constr-Tax Hydrants	\$	(440,973)	J	Hydrants	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	(440,973)	\$	-
Adv Constr-Tax Other	\$	(467,927)	K	Mains	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	(467,927)	\$	-
Adv Constr-Tax WIP	\$	-	S	Net Plant (less gen. and int.)	\$	(31,981)	\$	(21,800)	\$	(72,666)	\$	(81,865)	\$	(165,768)	\$	(8,146)	\$	(41,089)	\$	(24,927)	\$	-	\$	(19,685)</				

Kentucky American Water Company
Class Cost of Service Study - Account Detail
Case No. 2023-00191

			Alloc	Description	Source of Supply	Pumping	Water Treatment	Transmission	Distribution	Storage	Meters	Services	Customers	Hydrants	Total	Variance
Miscellaneous T&D Operating Expense	\$	1,665,314	1	\$	-	-	-	\$ 23,505	\$ 92,669	\$ -	\$ 1,549,140	\$ -	\$ -	\$ -	\$ 1,665,314	
					-	-	-	0.01411	0.05565	-	0.93024	-	-	-	1,00000	
Miscellaneous T&D Maintenance Expense	\$	548,855	2	\$	-	-	-	\$ 32,486	\$ 128,074	\$ -	\$ 198,360	\$ 134,424	\$ -	\$ 145,510	\$ 548,855	
					-	-	-	0.05919	0.23335	-	0.19743	0.24402	-	0.26512	1,00000	
Fixed O&M	\$	16,267,663	3	\$	151,881	41	6,843,372	276,262	1,089,150	-	3,274,827	987,521	2,575,646	1,068,964	16,267,663	
					0.00934	0.00000	0.42067	0.01698	0.06695	-	0.20131	0.06070	0.15833	0.06571	1,00000	
Labor	\$	8,967,621	4	\$	-	-	5,584,148	174,824	689,236	-	2,267,868	375,122	1,406,774	551,570	11,049,541	
					-	-	0.50537	0.01582	0.06238	-	0.20525	0.03395	0.12732	0.04992	1,00000	
Net Plant	\$	700,176,066	5	\$	47,854,699	32,620,614	108,732,319	122,497,133	248,044,359	12,188,896	61,482,948	37,299,043	-	29,456,056	700,176,066	
					0.06835	0.04659	0.15529	0.17495	0.35426	0.01741	0.08781	0.05327	-	0.04207	1,00000	
Rate Base	\$	588,397,566	6	\$	43,813,095	29,571,299	118,650,513	103,034,468	193,272,038	11,049,457	48,604,559	8,481,419	7,324,930	24,595,787	588,397,566	
					0.07446	0.05026	0.20165	0.17511	0.32847	0.01878	0.08260	0.01441	0.01245	0.04180	1,00000	
Variable Cost	\$	12,337,584		\$	495,259	668,556	11,146,826	-	-	-	-	-	-	-	12,310,641	
					\$ (528,400)	\$ (85,855)	\$ (19,047,155)	\$ (1,054,317)	\$ (3,539,161)	\$ (32,039)	\$ (8,842,648)	\$ (2,715,800)	\$ (6,827,618)	\$ (2,911,077)		

Kentucky American Water Company
Cost of Service Study - Usage Statistics
Case No. 2023-00191

	Residential	Commercial	Industrial	Other Public Authority (OPA)	Sale for Resale (SFR)	Miscellaneous	Public Fire	Private Fire	Total	
Total Usage	57,484,493	41,113,159	5,718,071	12,095,475	2,698,849	89,896	-	63,794	119,263,736	hundred gallons
Average Day Usage	157,492	112,639	15,666	33,138	7,394	246	-	175	326,750	hundred gallons
Max Day Capacity Factor	1.23	1.25	1.30	1.78	1.80	2.27			---	
Max Day Usage	193,715	140,798	20,366	58,839	13,317	559	33,246	9,954	470,794	hundred gallons
Extra Capacity	36,223	28,160	4,700	25,700	5,923	313	33,246	9,779	144,044	hundred gallons
Fire Allocator Distribution Multiplier	1.00	1.00	0.86	0.57	0.41	1.00	0.77	0.23	1.0000	12,000 gpm for 6 hours
							1.00	1.00	N/A	
Average Hourly Usage	6,562	4,693	563	791	126	10	-	7	12,752	hundred gallons
Max Hour Capacity Factor	1.42	1.35	1.23	1.81	1.80	1.00			---	
Max Hour Usage	9,319	6,359	692	1,433	226	10	5,541	1,659	25,239	hundred gallons
Extra Capacity	2,757	1,665	129	642	101	-	5,541	1,652	12,487	hundred gallons
Customers Hydrants	126,533	9,666	26	779	19			2,622	139,645	
							8,245	1,039	9,284	
Revenue	\$ 61,978,034	\$ 29,876,720	\$ 2,876,520	\$ 7,475,823	\$ 1,282,287	\$ 106,174	\$ 4,907,201	\$ 3,532,895	\$ 112,035,654	
									Meter	Service
	Residential	Commercial	Industrial	Other Public Authority (OPA)	Sale for Resale (SFR)	Miscellaneous	Public Fire	Private Fire	Weighting	Weighting
5/8-METER	123,864	4,845	3	160	1	15	-	-	1.00	1.00
3/4-METER	-	-	-	-	-	-	-	-	1.50	1.00
1-METER	2,006	2,538	4	185	-	23	-	-	2.50	2.00
1.5-METER	15	177	1	27	1	-	-	-	5.00	2.20
2-METER	124	2,160	23	402	6	-	67	-	8.00	3.20
3-METER	-	2	-	1	1	20	-	-	16.00	3.20
4-METER	1	40	10	35	7	-	-	504	25.00	3.50
6-METER	2	15	9	13	4	-	-	1,009	50.00	4.00
8-METER	2	18	-	2	-	-	-	363	80.00	5.10
10-METER	-	-	-	-	-	-	-	16	115.00	8.90
12-METER	-	-	-	-	-	-	-	6	215.00	9.50
16-METER	-	-	-	-	-	-	-	1	320.00	12.70

Kentucky American Water Company
Cost of Service Study - Usage Statistics
Case No. 2023-00191

System Load Factor:	0.6750	484,079	max day - thousand gallons per day
System Load Factor (fire):	0.6199	527,104	max day with fire - thousand gallons per day
System Load Factor (Hourly)	0.4012	31,788	max hour - thousand gallons per day
System Load Factor (Hourly fire)	0.3271	38,980	max hour with fire - thousand gallons per day

Average system hourly flow on max day
 Average system hourly flow on max day

Mains Statistics

Type		Pct
Transmission	20.23%	0.2023
Distribution	79.77%	0.7977
Total	1.00	1.0000

Storage Statistics

Total Capacity	275,450	hundred gallons (2022 annual report)
Fire Allocation	0.1562	percentage of storage needed for maximum fire protection day
Non-Fire Allocation	0.8438	

Kentucky American Water Company
Cost of Service Study - Class Allocators
Case No. 2023-00191

1. VARIABLE COST

Item	Residential	Commercial	Industrial	Other Public		Public Fire	Private Fire	Miscellaneous	Total	Units
				Authority	Sale for Resale					
Total Usage	57,484,493	41,113,159	5,718,071	12,095,475	2,698,849	-	63,794	89,896	119,263,736	hundred gallons
Allocator	0.4820	0.3447	0.0479	0.1014	0.0226	-	0.0005	0.0008	1.0000	

2. BASE/EXTRA DAILY

Item	Residential	Commercial	Industrial	Other Public		Public Fire	Private Fire	Miscellaneous	Total	Units
				Authority	Sale for Resale					
Average Daily Use	157,492	112,639	15,666	33,138	7,394	-	175	246	326,750	hundred gallons
Extra Capacity	36,223	28,160	4,700	25,700	5,923				100,706	hundred gallons
System Capacity Factor	0.6750									
Average Day Allocator	0.3253	0.2327	0.0324	0.0685	0.0153	-	0.0004	0.0005	0.6750	
Extra Capacity Allocator	0.1169	0.0909	0.0152	0.0829	0.0191	-	-	-	0.3250	
Allocator	0.4422	0.3236	0.0475	0.1514	0.0344	-	0.0004	0.0005	1.0000	

3. BASE/EXTRA DAILY (w FIRE PROTECTION)

Item	Residential	Commercial	Industrial	Other Public		Public Fire	Private Fire	Miscellaneous	Total	Units
				Authority	Sale for Resale					
Average Daily Use	157,492	112,639	15,666	33,138	7,394	-	175	246	326,750	hundred gallons
Extra Capacity	36,223	28,160	4,700	25,700	5,923	33,246	9,779	313	144,044	hundred gallons
System Capacity Factor	0.6199	assuming fire protection							0.6199	
Average Day Allocator	0.2988	0.2137	0.0297	0.0629	0.0140	-	0.0003	0.0005	0.6199	
Extra Capacity Allocator	0.0956	0.0743	0.0124	0.0678	0.0156	0.0877	0.0258	0.0008	0.3801	
Combined Allocator	0.3944	0.2880	0.0421	0.1307	0.0297	0.0877	0.0261	0.0013	1.0000	

4. BASE/EXTRA HOURLY (w FIRE PROTECTION)

Item	Residential	Commercial	Industrial	Other Public		Public Fire	Private Fire	Miscellaneous	Total	Units
				Authority	Sale for Resale					
Average Hourly Use	6,562	4,693	563	791	126	-	7	10	12,752	hundred gallons
Extra Capacity	2,757	1,665	129	642	101	5,541	1,652	-	12,487	hundred gallons
System Capacity Factor	0.3271	assuming fire protection								
Average Day Allocator	0.1683	0.1204	0.0144	0.0203	0.0032	-	0.0002	0.0003	0.3271	
Extra Capacity Allocator	0.1486	0.0897	0.0070	0.0346	0.0054	0.2986	0.0890	-	0.6729	
Combined Allocator	0.3169	0.2101	0.0214	0.0549	0.0086	0.2986	0.0892	0.0003	1.0000	

**Kentucky American Water Company
Cost of Service Study - Class Allocators
Case No. 2023-00191**

5. STORAGE

Item	Residential	Commercial	Industrial	Other Public Authority	Sale for Resale	Public Fire	Private Fire	Miscellaneous	Total	Units
Average Hourly Use	6,562	4,693	653	1,381	308		7	10	13,615	
Extra Capacity	2,757	1,665	150	1,122	247		----	-	5,941	
Fire Allocator							1.00000		1	
System Capacity Factor	0.3271 assuming fire protection									
Average Day Allocator	0.1577	0.1128	0.0157	0.0332	0.0074		0.0002	0.0002	0.3271	
Extra Capacity Allocator	0.3122	0.1886	0.0170	0.1271	0.0280				0.6729	
Allocator	0.4699	0.3014	0.0326	0.1602	0.0354		0.0002	0.0002	1.0000	
Non-Fire Allocation of Storage	0.84380									
Fire Allocaton of Storage	0.15620									
Non-Fire Allocator	0.3965	0.2543	0.0275	0.1352	0.0298	-	0.0001	0.0002	0.8438	
Fire Allocator	-	-	-	-	-	-	0.1562	-	0.1562	
Combined Allocator	0.3965	0.2543	0.0275	0.1352	0.0298	-	0.1563	0.0002	1.0000	

6. MAINS

Item	Residential	Commercial	Industrial	Other Public Authority	Sale for Resale	Public Fire	Private Fire	Miscellaneous	Total	Units
Factor 4	0.3944	0.2880	0.0421	0.1307	0.0297	0.0877	0.0261	0.0013	1.0000	hundred gallons
Factor 5	0.3169	0.2101	0.0214	0.0549	0.0086	0.2986	0.0892	0.0003	1.0000	hundred gallons
Transmission Weighting	0.2023 Average system hourly load									
Distribution Weighting	0.7977 Average system hourly load - max day with fire protection (incremental)									
Combined Allocator	0.3326	0.2259	0.0256	0.0702	0.0129	0.2559	0.0764	0.0005	1.0000	

7. HYDRANTS

Item	Residential	Commercial	Industrial	Other Public Authority	Sale for Resale	Public Fire	Private Fire	Miscellaneous	Total	Units
Total Hydrants	-	-	-	-	-	8,245	1,039	-	9,284	
Allocator	-	-	-	-	-	0.8881	0.1119	-	1.00000	

Kentucky American Water Company
Cost of Service Study - Class Allocators
Case No. 2023-00191

8. METERS

Item	Residential	Commercial	Industrial	Other Public				Miscellaneous	Total	Weighting
				Authority	Sale for Resale	Public Fire	Private Fire			
5/8-METER	123,864	4,845	3	160	1	-	-	15	128,887	1.0
3/4-METER	-	-	-	-	-	-	-	-	-	1.5
1-METER	2,006	2,538	4	185	-	-	-	23	4,756	2.5
1.5-METER	15	177	1	27	1	-	-	-	221	5.0
2-METER	124	2,160	23	402	6	-	-	-	2,715	8.0
3-METER	-	2	-	1	1	-	-	20	24	16.0
4-METER	1	40	10	35	7	-	-	-	93	25.0
6-METER	2	15	9	13	4	-	-	-	43	50.0
8-METER	2	18	-	2	-	-	-	-	22	80.0
10-METER	-	-	-	-	-	-	-	-	-	115.0
12-METER	-	-	-	-	-	-	-	-	-	215.0
16-METER	-	-	-	-	-	-	-	-	-	320.0
Total	130,231	32,580	902	5,675	445	-	-	393	170,225	-----
Allocator	0.76505	0.19140	0.00530	0.03334	0.00261	-	-	0.00231	1.00000	

9. SERVICES

Item	Residential	Commercial	Industrial	Other Public				Miscellaneous	Total	Weighting
				Authority	Sale for Resale	Public Fire	Private Fire			
5/8-METER	123,864	4,845	3	160	1	-	-	15	128,887	1.0
3/4-METER	-	-	-	-	-	-	-	-	-	1.0
1-METER	2,006	2,538	4	185	-	-	-	23	4,756	2.00
1.5-METER	15	177	1	27	1	-	-	-	221	2.20
2-METER	124	2,160	23	402	6	-	67	-	2,782	3.20
3-METER	-	2	-	1	1	-	-	20	24	3.20
4-METER	1	40	10	35	7	-	504	-	597	3.50
6-METER	2	15	9	13	4	-	1,009	-	1,052	4.00
8-METER	2	18	-	2	-	-	363	-	385	5.10
10-METER	-	-	-	-	-	-	16	-	16	8.90
12-METER	-	-	-	-	-	-	6	-	6	9.5
16-METER	-	-	-	-	-	-	1	-	1	12.7
Total	128,327	17,522	158	2,064	66	-	8,075	125	156,337	-----
Allocator	0.82084	0.11208	0.00101	0.01320	0.00042	-	0.05165	0.00080	1.00000	

10. CUSTOMERS

Item	Residential	Commercial	Industrial	Other Public				Miscellaneous	Total
				Authority	Sale for Resale	Public Fire	Private Fire		
Total Customers	126,533	9,666	26	779	19	-	2,622	62	139,707
Allocator	0.90571	0.06919	0.00019	0.00558	0.00014	-	0.01877	0.00044	1.00000

11. METERED CUSTOMERS

Item	Residential	Commercial	Industrial	Other Public				Miscellaneous	Total
				Authority	Sale for Resale	Public Fire	Private Fire		
Total Customers	126,533	9,666	26	779	19	-	-	-	137,023
Allocator	0.92345	0.07054	0.00019	0.00569	0.00014	-	-	-	1.00000

**Kentucky American Water Company
Cost of Service Study - Allocator Summary
Case No. 2023-00191**

Alloc	Description	Source of Supply	Pumping	Water Treatment	Transmission	Distribution	Storage	Meters	Services	Customers	Hydrants	Total	Notes
A	Source of Supply	1.00000	-	-	-	-	-	-	-	-	-	1.00000	
B	Pumping	-	1.00000	-	-	-	-	-	-	-	-	1.00000	
C	Water Treatment	-	-	1.00000	-	-	-	-	-	-	-	1.00000	
D	Transmission	-	-	-	1.00000	-	-	-	-	-	-	1.00000	
E	Distribution	-	-	-	-	1.00000	-	-	-	-	-	1.00000	
F	Storage	-	-	-	-	-	1.00000	-	-	-	-	1.00000	
G	Meters	-	-	-	-	-	-	1.00000	-	-	-	1.00000	
H	Services	-	-	-	-	-	-	-	1.00000	-	-	1.00000	
I	Customers	-	-	-	-	-	-	-	-	1.00000	-	1.00000	
J	Hydrants	-	-	-	-	-	-	-	-	-	1.00000	1.00000	
K	Mains	-	-	-	0.20233	0.79767	-	-	-	-	-	1.00000	
1	T/D Oper. Expense	-	-	-	0.01411	0.05565	-	0.93024	-	-	-	1.00000	
2	T/D Maint. Expense	-	-	-	0.05919	0.23335	-	0.19743	0.24492	-	0.26512	1.00000	
3	Fixed O&M	0.00934	0.00000	0.42067	0.01698	0.06695	-	0.20131	0.06070	0.15833	0.06571	1.00000	
4	Labor	-	-	0.50537	0.01582	0.06238	-	0.20525	0.03395	0.12732	0.04992	1.00000	
5	Net Plant (less gen. and int.)	0.06835	0.04659	0.15529	0.17495	0.35426	0.01741	0.08781	0.05327	-	0.04207	1.00000	
6	Rate Base	0.07446	0.05026	0.20165	0.17511	0.32847	0.01878	0.08260	0.01441	0.01245	0.04180	1.00000	

Alloc	Description	Residential	Commercial	Industrial	Other Public Authority	Sale for Resale	Public Fire	Private Fire	Miscellaneous	Total
1	Total Usage	0.48199	0.34472	0.04794	0.10142	0.02263	-	0.00053	0.00075	1.00000
2	Base/Extra Daily	0.44225	0.32357	0.04753	0.15140	0.03439	-	0.00036	0.00051	1.00000
3	Base/Extra Daily w/ Fire	0.39437	0.28800	0.04212	0.13069	0.02966	0.08773	0.02614	0.00129	1.00000
4	Base/Extra Hourly w/ Fire	0.31690	0.21014	0.02139	0.05490	0.00864	0.29857	0.08919	0.00026	1.00000
5	Storage	0.39652	0.25433	0.02755	0.13521	0.02983	-	0.15635	0.00021	1.00000
7	Hydrants	-	-	-	-	-	0.88809	0.11191	-	1.00000
8	Meters	0.76505	0.19140	0.00530	0.03334	0.00261	-	-	0.00231	1.00000
9	Services	0.82084	0.11208	0.00101	0.01320	0.00042	-	0.05165	0.00080	1.00000
10	Customers	0.90571	0.06919	0.00019	0.00558	0.00014	-	0.01877	0.00044	1.00000